



STATE OF ARKANSAS
**Department of Finance
and Administration**

**OFFICE OF THE DIRECTOR
Economic Analysis & Tax Research**
1509 West Seventh Street, Room 404
Post Office Box 3278
Little Rock, Arkansas 72203-3278
Phone: (501) 682-1688
Fax: (501) 682-1086
<http://www.dfa.arkansas.gov>

M E M O R A N D U M

TO: Richard Weiss, Director
Tim Leathers, Deputy Director

FROM: John Shelnett, Economic Analysis & Tax Research

SUBJECT: **General Revenue Report for January (FY 2012)**

DATE: February 2, 2012

Copy: Governor's Office
Management Services

YEAR-TO-DATE REVENUE SUMMARY

Year-to-date Net Available General Revenues: Year-to-date net available general revenues total \$2,800.4 million, \$78.3 million or 2.9 percent above year ago levels. After seven months into the fiscal year, net available revenue is above forecast by \$42.8 million or 1.6 percent.

Among major revenue categories, both individual and corporate income taxes are above forecast and sales tax collections (gross receipts) are down year-to-date relative to forecast. The key components of individual income tax are on forecast or ahead for the year, including withholding tax and estimated payments. The sales tax results improved in January relative to forecast, but year-to-date results reflect a combination of generally weak retail sales earlier in the fiscal year and adverse one-time comparisons in business transactions in the first two months of the fiscal year. Offsetting some of the positive factors is a large increase in corporate refunds earlier in the year and recent increases in individual refunds in January.

Year-to-date Gross General Revenues: Year-to-date gross collections total \$3,288.7 million, representing an increase of \$120.6 million or 3.8 percent above last year. Gross general revenues are above forecast by \$60.3 million or 1.9 percent.

Year-to-date Individual Income Taxes: Year-to-date individual income tax collections total \$1,553.9 million, \$65.5 million or 4.4 percent above FY 2011 collections and \$38.7 million or 2.6 percent above forecast. Collections growth for individual withholding is up 3.3 percent over year ago levels.

Year-to-date individual income tax refunds total \$86.8 million, up \$13.3 million or 18.1 percent compared to last year and \$9.9 million or 12.9 percent above forecast. Amounts above forecast in refund categories detract from net available revenue.

Year-to-date Gross Receipts Collections: Gross receipts consist primarily of sales and use taxes. On a year-to-date basis, gross receipts total \$1,249.8 million, an increase of \$12.3 million or 1.0 percent from FY 2011 and \$25.5 million or -2.0 percent below forecast.

Year-to-date Corporate Income Taxes: Year-to-date corporate revenues total \$230.0 million, an increase of \$37.3 million or 19.4 percent from year-to-date FY 2011. Corporate income is above forecast by \$37.1 million or 19.3 percent.

Year-to-date corporate income tax refunds total \$47.3 million, up \$16.7 million compared to the comparable year-to-date period last year. This amount includes large refunds in October.

JANUARY REVENUE SUMMARY

January Net Available General Revenues total \$460.9 million, \$1.0 million or 0.2 percent above last year and \$0.6 million or 0.1 percent above forecast.

Growth was above forecast in corporate income collections and gross receipts (sales tax) and slightly below forecast in individual income. Individual withholding was up 0.1 percent offsetting improvement noted in December collections. Estimated payments in individual income tax were flat, after a surge also noted in December.

Individual and corporate income tax refunds substantially exceeded forecast. This detracted from net available revenues.

January Gross General Revenues: January collections total \$552.5 million, an increase of \$22.6 million or 4.3 percent from last year and \$15.2 million or 2.8 percent above forecast.

January Individual Income Tax collections total \$310.2 million. Collections decreased by \$0.8 million, or -0.3 percent, compared to last year. With respect to the forecast, collections are \$2.3 million or 0.7 percent below forecast. Individual withholding gained 0.1 percent compared to last year, after a larger gain in December.

January Individual Income Tax Refunds total \$34.3 million, \$13.7 million above last year and also \$11.8 million above forecast.

January Gross Receipts Collections: January collections total \$182.5 million, an increase of \$8.6 million or 4.9 percent from last year. Collections were above monthly forecast levels by \$3.5 million or 2.0 percent.

January Corporate Income Tax collections total \$26.1 million, an increase of \$14.5 million or 125.0 percent above year earlier levels, and \$14.3 million or 121.5 percent above forecast. Corporate income tax filings are a volatile component of general revenue.

January Corporate Income Tax Refunds total \$2.9 million. This amount is \$2.6 million above year ago levels and \$1.9 million above forecast for this subtraction from gross general revenues.

January Tobacco Tax collections, a small component of general revenue, total \$16.5 million or -8.9 percent below year earlier levels, and \$2.6 million or 13.5 percent below forecast. Monthly changes in tobacco tax collections can be attributed to uneven patterns of stamp sales to wholesale purchasers.

SPECIAL REVENUES OF NOTE

Year-to-date Medicaid Program Trust Fund: Year-to-date collections of the dedicated soft drink tax total \$28.7 million, an increase of 0.2 percent from last year.

Educational Adequacy Fund: Act 107 of the Second Extraordinary Session of 2003 increased the state sales and use tax rate from 5.125% to 6.0%, effective March 1, 2004. Effective July 1, 2004 a new sales tax on selected services went into effect in addition to an increase in vending machine decal fees. Act 94 increased the minimum corporate franchise tax and the tax rate, effective for calendar years beginning January 1, 2004.

The additional revenues are deposited as special revenues to the Educational Adequacy Fund to be used to fulfill the financial obligations of the state to provide an adequate educational system. In January 2011, \$37.3 million was collected and deposited to the fund. After deductions, the net amount is \$36.1 million. The monthly collection is equivalent to a 5.6 percent increase from prior year collections.

YEAR TO DATE REPORT, JANUARY 2012
(PREPARED BY ECONOMIC ANALYSIS AND TAX RESEARCH, DFA)

THROUGH JANUARY 2012
7 Months YTD
Forecast Date: 04/21/2011

MILLIONS OF DOLLARS

	CURRENT YEAR				CURRENT YEAR TO DATE				ACTUAL AS % OF FORECAST
	ACTUAL FY 2011	FORECAST FY 2012	INCREASE AMOUNT PERCENT		ACTUAL FY 2011	ACTUAL FY 2012	INCREASE AMOUNT PERCENT		
INDIVIDUAL INCOME	1,488.4	1,515.2	26.8	1.8	1,488.4	1,553.9	65.5	4.4	102.6
CORPORATE INCOME	192.7	192.9	0.2	0.1	192.7	230.0	37.3	19.4	119.3
GROSS RECEIPTS ¹	1,237.6	1,275.3	37.7	3.0	1,237.6	1,249.8	12.3	1.0	98.0
ALCOHOLIC BEVERAGE ²	18.9	19.5	0.6	3.4	18.9	18.7	-0.2	-0.8	96.0
TOBACCO	141.1	133.7	-7.4	-5.3	141.1	140.9	-0.2	-0.1	105.4
INSURANCE	46.0	45.6	-0.4	-0.8	46.0	43.7	-2.3	-5.0	95.7
RACING	2.0	1.9	-0.1	-5.2	2.0	1.9	-0.1	-7.2	97.9
GAMES OF SKILL	6.7	7.7	1.0	15.6	6.7	13.9	7.2	108.3	180.2
MISCELLANEOUS ³	34.7	36.6	1.9	5.4	34.7	35.8	1.1	3.2	97.9
TOTAL GROSS	3,168.1	3,228.4	60.3	1.9	3,168.1	3,288.7	120.6	3.8	101.9
LESS: SCSF/COF ⁴	95.0	106.6	11.6	12.2	95.0	108.5	13.5	14.2	101.8
IND INCOME TAX REFUNDS	73.5	76.9	3.4	4.7	73.5	86.8	13.3	18.1	112.9
CORP INCOME TAX REFUNDS	30.6	33.1	2.5	8.3	30.6	47.3	16.7	54.6	142.8
CLAIMS	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
ECON DEVEL INCENTIVE FUND	10.6	13.9	3.3	31.2	10.6	11.0	0.4	3.5	78.9
WATER/SEWER BONDS	8.9	8.9	0.0	0.0	8.9	8.9	0.0	0.0	100.0
COLLEGE SAVINGS BONDS	5.7	5.6	-0.1	-2.1	5.7	2.1	-3.6	-63.6	37.1
CITY/CO. TOURIST	4.0	3.9	-0.1	-1.4	4.0	4.0	0.0	-0.1	101.4
SCHOOL DESEGREGATION	46.1	41.8	-4.3	-9.3	46.1	41.8	-4.3	-9.3	100.0
EDUCATIONAL EXCELLENCE	156.7	164.5	7.8	5.0	156.7	163.3	6.7	4.2	99.3
EDUCATIONAL ADEQUACY	13.9	14.5	0.6	4.7	13.9	14.4	0.6	4.2	99.6
ELDERLY TRANSPORTATION	1.0	1.1	0.1	9.4	1.0	0.2	-0.8	-84.1	14.6
NET AVAILABLE	2,722.2	2,757.6	35.4	1.3	2,722.2	2,800.4	78.3	2.9	101.6

REVENUE FORECAST SUMMARY FOR JANUARY

YEAR-TO-DATE GROSS	\$ 60.3 MILLION OR 1.9% ABOVE FORECAST.
YEAR-TO-DATE REFUNDS	\$ 24.1 MILLION OR 21.9% ABOVE FORECAST.
YEAR-TO-DATE NET AVAILABLE	\$ 42.8 MILLION OR 1.6% ABOVE FORECAST

SOFT DRINK EXCISE TAX (MEDICAID PROGRAM TRUST FUND)	<u>YTD FY 11</u> 28.6	<u>YTD FY 12</u> 28.7	<u>% CHANGE</u> 0.2
EDUCATIONAL ADEQUACY FUND (NET COLLECTIONS)	<u>YTD FY 11</u> 246.8	<u>YTD FY 12</u> 248.6	<u>% CHANGE</u> 0.7

- 1) Gross Receipts includes the sales, use, 10% mixed drink, 3% beverage excise, vehicle rental, short-term rental, residential moving, and wholesale vending taxes.
- 2) Alcoholic Beverage does not include 10% Mixed Drink and 3% Beverage Excise.
- 3) Miscellaneous includes severance, corporate franchise, real estate transfer, dyed diesel, and various other miscellaneous taxes.
- 4) State Central Services Fund and Constitutional Officers Fund.

JANUARY GENERAL REVENUE REPORT
(ECONOMIC ANALYSIS AND TAX RESEARCH, DFA)
(682-1688 for further information)

January 31, 2012
Days Remaining: 0
Forecast date: 04/21/2011

MILLIONS OF \$

	CURRENT MONTH				CURRENT MONTH TO DATE				ACTUAL AS % OF FORECAST
	ACTUAL FY 2011	FORECAST FY 2012	CHANGE AMOUNT	PERCENT	ACTUAL FY 2011	ACTUAL FY 2012	CHANGE AMOUNT	PERCENT	
INDIVIDUAL INCOME	311.0	312.5	1.5	0.5	311.0	310.2	-0.8	-0.3	99.3
CORPORATE INCOME	11.6	11.8	0.2	1.6	11.6	26.1	14.5	125.0	221.5
GROSS RECEIPTS ¹	173.9	179.0	5.1	2.9	173.9	182.5	8.6	4.9	102.0
ALCOHOLIC BEVERAGE ²	2.6	3.0	0.4	14.0	2.6	2.7	0.1	4.3	91.5
TOBACCO	18.1	19.1	1.0	5.3	18.1	16.5	-1.6	-8.9	86.5
INSURANCE	0.5	0.5	0.0	-1.1	0.5	0.8	0.3	52.9	154.7
RACING	0.3	0.3	0.0	16.2	0.3	0.4	0.1	38.7	119.4
GAMES OF SKILL	1.1	1.1	0.0	-0.7	1.1	2.2	1.1	96.6	197.9
MISCELLANEOUS ³	10.7	10.0	-0.7	-6.1	10.7	11.0	0.4	3.6	110.4
TOTAL GROSS	529.9	537.3	7.4	1.4	529.9	552.5	22.6	4.3	102.8
LESS: (SCSF/COF) ⁴	15.9	17.8	1.9	12.0	15.9	18.2	2.3	14.7	102.4
IND INC TAX REFUNDS	20.6	22.5	1.9	9.2	20.6	34.3	13.7	66.3	152.2
CORP INC TAX REFUNDS	0.3	1.0	0.7	292.3	0.3	2.9	2.6	1020.5	285.6
CLAIMS	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
ECON DEVEL INCENTIVE FUND	1.2	1.9	0.7	61.5	1.2	2.8	1.6	135.1	145.5
WATER/SEWER BONDS	1.2	1.2	0.0	0.0	1.2	1.2	0.0	0.0	100.0
COLLEGE SAVINGS BONDS	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
CITY & COUNTY TOURIST	1.3	1.3	0.0	-1.4	1.3	1.3	0.0	-0.1	101.4
SCHOOL DESEGREGATION	5.1	5.6	0.5	9.8	5.1	5.6	0.5	9.8	100.0
EDUCATIONAL EXCELLENCE	22.4	23.5	1.1	5.0	22.4	23.3	1.0	4.2	99.3
EDUCATIONAL ADEQUACY	2.0	2.1	0.1	6.1	2.0	2.1	0.1	4.2	98.2
ELDERLY TRANSPORTATION	0.1	0.1	0.0	-21.0	0.1	0.0	-0.1	-100.0	0.0
NET AVAILABLE	459.8	460.3	0.5	0.1	459.8	460.9	1.0	0.2	100.1

REVENUE FORECAST SUMMARY FOR JANUARY

JANUARY GROSS \$ 15.2 MILLION OR 2.8% ABOVE FORECAST.
JANUARY NET AVAILABLE \$ 0.6 MILLION OR 0.1% ABOVE FORECAST

EDUCATIONAL ADEQUACY FUND (NET DEPOSIT, MONTH-TO-DATE)	<u>Jan 11</u> 34.2	<u>Jan 12</u> 36.1	<u>% CH</u> 5.6
---	-----------------------	-----------------------	--------------------

- 1) Gross Receipts includes the sales, use, 10% mixed drink, 3% beverage excise, vehicle rental, short-term rental, residential moving, and wholesale vending taxes.
- 2) Alcoholic Beverage does not include 10% Mixed Drink and 3% Beverage Excise.
- 3) Miscellaneous includes estate tax, severance, corporate franchise, real estate transfer, dyed diesel, and various other miscellaneous taxes.
- 4) State Central Services Fund and Constitutional Officers Fund.