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M E M O R A N D U M

TO: Richard Weiss, Director
Tim Leathers, Deputy Director

FROM: John Shelnutt, Economic Analysis & Tax Research

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

DATE: June 4, 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 \$4,241.9 million. This amount is \$142.9 million or 3.5 percent above last year and \$13.3 million or 0.3 percent above the revised general revenue forecast that was released on May 9, 2012. All forecast comparisons have been adjusted to the new official forecast values.

Under the previous forecast, net available general revenues were \$93.6 million above projections through the end of April. On May 9, \$39.4 million flowed into the Rainy Day Fund and Revenue Stabilization Category B. The remaining \$54.2 million in excess collections under the old forecast will be calculated into June revenues and factored into any year-end surplus announced after June 30.

The major revenue categories of individual and corporate income tax and gross receipts are up relative to year ago levels. The amount above forecast is primarily accounted for by lower than projected income tax refunds and stronger than expected collections of corporate income, tobacco, and gross receipts taxes.

Year-to-date Gross General Revenues: Year-to-date gross collections total \$5,342.7 million, reflecting an increase of \$220.9 million or 4.3 percent above last year. Gross

general revenues are \$7.6 million above the revised general revenue forecast.

Year-to-date Individual Income Taxes: Year-to-date individual income tax collections total \$2,641.4 million, \$137.7 million or 5.5 percent above FY 2011 collections and \$1.9 million or 0.1 percent below forecast. Individual withholding collections are up 4.0 percent from year ago levels.

Year-to-date Individual Income Tax Refunds total \$472.8 million, up \$29.0 million or 6.5 percent compared to last year and \$4.1 million or 0.9 percent below forecast.

Year-to-date Gross Receipts Collections: Gross receipts consist primarily of sales and use taxes. On a year-to-date basis, gross receipts total \$1,947.7 million, an increase of \$41.7 million or 2.2 percent above FY 2011 and \$2.3 million or 0.1 percent above forecast.

Year-to-date Corporate Income Taxes: Year-to-date corporate revenues total \$353.5 million, an increase of \$34.8 million or 10.9 percent compared to last year. Collections are also up \$3.1 million or 0.9 percent compared to forecast.

Year-to-date Corporate Income Tax Refunds total \$55.2 million, up \$19.9 million from the comparable year-to-date period last year. Refunds are down \$0.8 million or 1.4 percent compared to forecast.

MAY REVENUE SUMMARY

May Net Available General Revenues total \$336.3 million, \$20.9 million or 6.6 percent above last year and \$13.3 million or 4.1 percent above the revised forecast.

Gross receipts rose 4.7 percent above year ago levels and 1.4 percent above forecast. May marks the sixth consecutive month that gross receipts collections came in above forecast and year ago levels. Individual income tax refunds also contributed to the amount above forecast as payouts fell below forecast. Individual and corporate income tax collections are up relative to year ago levels.

May Gross General Revenues: May collections total \$433.9 million, an increase of \$19.7 million or 4.8 percent above last year and \$7.6 million or 1.8 percent above forecast.

May Individual Income Tax collections total \$205.8 million. Collections increased by \$8.4 million or 4.3 percent compared to last year. With respect to the forecast, collections are \$2.0 million or 0.9 percent below forecast. Individual withholding decreased 4.0 percent compared to last year, reflecting a payroll timing shift. Such shifts are better understood when averaged over several months. Growth in withholding averaged over the volatile two-month period of April (up) and May (down) equaled 4.2 percent.

May Individual Income Tax Refunds total \$32.9 million. Refunds are down \$5.2 million or 13.7 percent below May 2011. This amount is \$4.1 million below forecast for the month.

May Gross Receipts Collections: May collections total \$174.2 million, an increase of \$7.8 million or 4.7 percent from last year. Collections were above monthly forecast levels by \$2.4 million or 1.4 percent.

May Corporate Income Tax collections total \$21.0 million, an increase of \$0.8 million or 3.9 percent from year earlier levels, and \$3.1 million or 17.4 percent above forecast.

May Corporate Income Tax Refunds total \$2.2 million. This amount is \$0.4 million or 16.1 percent below year ago refunds.

May Tobacco Tax collections, a small component of general revenue, total \$21.9 million. This is an increase of 6.9 percent compared to last year and above forecast by \$2.9 million. 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 \$42.8 million, an increase of \$0.2 million or 0.5 percent above 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 May 2012, \$45.6 million was collected and deposited to the fund. After deductions, the net amount is \$44.1 million. The monthly collection is equivalent to a 1.3 percent decrease from prior year collections.

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

THROUGH MAY 2012
11 Months YTD
Forecast Date: 05/09/2012

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	2,503.7	2,643.3	139.6	5.6	2,503.7	2,641.4	137.7	5.5	99.9
CORPORATE INCOME	318.7	350.4	31.7	10.0	318.7	353.5	34.8	10.9	100.9
GROSS RECEIPTS ¹	1,906.0	1,945.4	39.4	2.1	1,906.0	1,947.7	41.7	2.2	100.1
ALCOHOLIC BEVERAGE ²	29.0	29.4	0.4	1.4	29.0	29.4	0.4	1.4	100.0
TOBACCO	220.1	217.4	-2.7	-1.2	220.1	220.3	0.2	0.1	101.3
INSURANCE	67.7	66.1	-1.6	-2.4	67.7	65.8	-1.9	-2.8	99.6
RACING	3.7	3.4	-0.3	-8.0	3.7	3.2	-0.5	-14.1	93.4
GAMES OF SKILL	12.6	23.7	11.1	88.5	12.6	24.8	12.2	97.0	104.5
MISCELLANEOUS ³	60.3	56.0	-4.3	-7.2	60.3	56.6	-3.8	-6.2	101.0
TOTAL GROSS	5,121.8	5,335.1	213.3	4.2	5,121.8	5,342.7	220.9	4.3	100.1
LESS: SCSF/COF ⁴	153.7	176.1	22.4	14.6	153.7	176.3	22.7	14.7	100.1
IND INCOME TAX REFUNDS	443.8	476.9	33.1	7.5	443.8	472.8	29.0	6.5	99.1
CORP INCOME TAX REFUNDS	35.4	56.0	20.6	58.4	35.4	55.2	19.9	56.2	98.6
CLAIMS	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
ECON DEVEL INCENTIVE FUND	12.5	15.4	2.9	23.7	12.5	14.3	1.9	15.2	93.1
WATER/SEWER BONDS	13.7	13.7	0.0	0.0	13.7	13.7	0.0	0.0	100.0
COLLEGE SAVINGS BONDS	23.9	17.7	-6.2	-26.1	23.9	17.7	-6.2	-25.9	100.2
CITY/CO. TOURIST	5.3	5.3	0.0	0.5	5.3	5.3	0.0	-0.1	99.4
SCHOOL DESEGREGATION	65.1	65.8	0.7	1.1	65.1	65.8	0.7	1.1	100.0
EDUCATIONAL EXCELLENCE	246.2	256.7	10.5	4.3	246.2	256.7	10.5	4.2	100.0
EDUCATIONAL ADEQUACY	21.8	22.7	0.9	4.3	21.8	22.7	0.9	4.2	100.0
ELDERLY TRANSPORTATION	1.6	0.2	-1.4	-87.2	1.6	0.2	-1.4	-89.8	80.1
NET AVAILABLE	4,099.0	4,228.6	129.6	3.2	4,099.0	4,241.9	142.9	3.5	100.3

REVENUE FORECAST SUMMARY FOR MAY

YEAR-TO-DATE GROSS	\$ 7.6 MILLION OR 0.1% ABOVE FORECAST.
YEAR-TO-DATE REFUNDS	\$ 4.8 MILLION OR 0.9% BELOW FORECAST.
YEAR-TO-DATE NET AVAILABLE	\$ 13.3 MILLION OR 0.3% ABOVE FORECAST

SOFT DRINK EXCISE TAX (MEDICAID PROGRAM TRUST FUND)	<u>YTD FY 11</u> 42.6	<u>YTD FY 12</u> 42.8	<u>% CHANGE</u> 0.5
EDUCATIONAL ADEQUACY FUND (NET COLLECTIONS)	<u>YTD FY 11</u> 393.5	<u>YTD FY 12</u> 398.9	<u>% CHANGE</u> 1.4

- 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.

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

May 31, 2012
Days Remaining: 0
Forecast date: 05/09/2012

MILLIONS OF \$

CURRENT MONTH

CURRENT MONTH TO DATE

	ACTUAL FY 2011	FORECAST FY 2012	CHANGE AMOUNT PERCENT		ACTUAL FY 2011	ACTUAL FY 2012	CHANGE AMOUNT PERCENT		ACTUAL AS % OF FORECAST
INDIVIDUAL INCOME	197.4	207.8	10.3	5.2	197.4	205.8	8.4	4.3	99.1
CORPORATE INCOME	20.2	17.9	-2.3	-11.5	20.2	21.0	0.8	3.9	117.4
GROSS RECEIPTS ¹	166.4	171.8	5.4	3.2	166.4	174.2	7.8	4.7	101.4
ALCOHOLIC BEVERAGE ²	3.6	3.9	0.3	8.7	3.6	3.9	0.3	7.4	98.8
TOBACCO	20.5	19.0	-1.5	-7.4	20.5	21.9	1.4	6.9	115.4
INSURANCE	0.8	1.2	0.4	46.1	0.8	0.9	0.1	12.1	76.8
RACING	0.5	0.4	-0.1	-19.3	0.5	0.2	-0.3	-60.8	48.5
GAMES OF SKILL	1.6	1.4	-0.2	-10.4	1.6	2.5	0.9	57.5	175.7
MISCELLANEOUS ³	3.1	3.0	-0.1	-4.4	3.1	3.6	0.4	13.8	119.0
TOTAL GROSS	414.2	426.4	12.2	2.9	414.2	433.9	19.7	4.8	101.8
LESS: (SCSF/COF) ⁴	12.4	14.1	1.7	13.4	12.4	14.3	1.9	15.2	101.7
IND INC TAX REFUNDS	38.2	37.0	-1.2	-3.1	38.2	32.9	-5.2	-13.7	89.0
CORP INC TAX REFUNDS	2.7	3.0	0.3	13.2	2.7	2.2	-0.4	-16.1	74.2
CLAIMS	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
ECON DEVEL INCENTIVE FUND	1.7	2.0	0.3	21.1	1.7	0.9	-0.7	-42.7	47.3
WATER/SEWER BONDS	1.2	1.2	0.0	0.0	1.2	1.2	0.0	0.0	100.0
COLLEGE SAVINGS BONDS	18.2	15.6	-2.6	-14.2	18.2	15.7	-2.6	-14.0	100.3
CITY & COUNTY TOURIST	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
SCHOOL DESEGREGATION	0.0	5.0	5.0	0.0	0.0	5.0	5.0	0.0	100.0
EDUCATIONAL EXCELLENCE	22.4	23.4	1.0	4.4	22.4	23.3	1.0	4.2	99.9
EDUCATIONAL ADEQUACY	2.0	2.1	0.1	4.7	2.0	2.1	0.1	4.2	99.5
ELDERLY TRANSPORTATION	0.1	0.0	-0.1	-71.4	0.1	0.0	-0.1	-100.0	0.0
NET AVAILABLE	315.4	322.9	7.6	2.4	315.4	336.3	20.9	6.6	104.1

REVENUE FORECAST SUMMARY FOR MAY

MAY GROSS	\$ 7.6 MILLION OR 1.8% ABOVE FORECAST.
MAY NET AVAILABLE	\$ 13.3 MILLION OR 4.1% ABOVE FORECAST.

EDUCATIONAL ADEQUACY FUND (NET DEPOSIT, MONTH-TO-DATE)	<u>May 11</u> 44.7	<u>May 12</u> 44.1	<u>% CH</u> -1.3
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- 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.