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**Department of Finance
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MEMORANDUM

TO: Richard Weiss, Director
Tim Leathers, Deputy Director

FROM: John Shelnutt, Economic Analysis & Tax Research

SUBJECT: **General Revenue Report for October (FY 2010)**

DATE: November 3, 2009

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 \$1,477.1 million. This amount is \$78.6 million or -5.1 percent below last year and \$17.8 million or -1.2 percent below the general revenue forecast that was released on October 20, 2009. The amount below forecast is due to a mix of declines across all the major revenue categories. Corporate Income is below forecast the most at -4.5 percent, led by declines in Estimated Payments. Gross Receipts are down by a greater amount in dollar terms (-\$6.9 million), resulting from a combination of weak consumer sales, business-to-business sales, and weather effects. Individual Income Tax collections are also down in Estimated Payments and down fractionally in Withholding Tax collections.

Year-to-date Gross General Revenues: Year-to-date gross collections total \$1,667.0 million, representing a decrease of \$131.2 million or -7.3 percent below last year. Gross general revenues are \$15.4 million or -0.9 percent below the revised general revenue forecast.

Year-to-date Individual Income Taxes: Year-to-date individual income tax collections total \$769.2 million, \$43.3 million or -5.3 percent below FY 2009 collections and \$3.4 million or -0.4 percent below forecast. Collections growth for individual monthly

withholding is also down -2.1 percent from year ago levels.

Year-to-date individual income tax refunds total \$44.8 million, up \$6.2 million or 16.2 percent compared to last year and \$2.5 million or 5.9 percent above 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 \$671.5 million, a decrease of \$69.7 million or -9.4 percent below FY 2009 and \$6.9 million or -1.0 percent below forecast.

Year-to-date Corporate Income Taxes: Year-to-date corporate revenues total \$80.2 million, a decrease of \$39.4 million or -33.0 percent from year-to-date FY 2009. Collections are also down \$3.8 million or -4.5 percent compared to forecast.

Year-to-date corporate income tax refunds total \$8.4 million, down \$0.8 million or -8.9 percent from the comparable year-to-date period last year and minimal variance from revised expectations at 0.4 percent above forecast.

OCTOBER REVENUE SUMMARY

October Net Available General Revenues total \$313.5 million, \$39.0 million or -11.1 percent below last year and \$17.8 million or -5.4 percent below forecast.

October Gross General Revenues: October collections total \$392.3 million, a decrease of \$31.6 million or -7.4 percent below last year and \$15.4 million or -3.8 percent below forecast.

October Individual Income Tax collections total \$191.3 million. Collections decreased by \$4.9 million, or -2.5 percent, compared to last year. With respect to the forecast, collections are \$3.4 million or -1.7 percent below forecast. Individual withholding decreased 2.4 percent compared to last year.

October Individual Income Tax Refunds total \$20.8 million. Refunds are up \$3.5 million or 19.9 percent above October 2008. This amount is 13.7 percent above forecast for the month.

October Gross Receipts Collections: October collections total \$163.1 million, a decrease of \$15.0 million or -8.4 percent from last year. Collections were below monthly forecast levels by \$6.9 million or -4.1 percent.

October Corporate Income Tax collections total \$10.0 million, a decrease of \$18.7 million or -65.1 percent from year earlier levels, and \$3.9 million or -27.5 percent below forecast.

October Corporate Income Tax Refunds total \$3.2 million. This amount is \$0.4 million or 13.2 percent above year ago refunds.

October Tobacco Tax collections, a small component of general revenue, total \$20.3 million or 56.9 percent above year earlier levels. Monthly changes in tobacco tax collections can be attributed to uneven patterns of stamp sales to wholesale purchasers. Year ago growth comparisons are impacted by tax rate changes that became effective on March 1.

SPECIAL REVENUES OF NOTE

Year-to-date Medicaid Program Trust Fund: Year-to-date collections of the dedicated soft drink tax total \$16.6 million, a decrease of \$1.2 million or -7.0 percent below 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 October 2009, \$33.4 million was collected and deposited to the fund. After deductions, the net amount is \$32.4 million. The monthly collection is equivalent to a -10.5 percent decrease from prior year collections.

YEAR TO DATE REPORT, OCTOBER 2009
(PREPARED BY ECONOMIC ANALYSIS AND TAX RESEARCH, DFA)

THROUGH OCTOBER 2009
4 Months YTD
Forecast Date: 10/20/2009

MILLIONS OF DOLLARS

	ACTUAL FY 2009	FORECAST FY 2010	INCREASE		ACTUAL FY 2009	ACTUAL FY 2010	INCREASE		ACTUAL AS % OF FORECAST
			AMOUNT	PERCENT			AMOUNT	PERCENT	
INDIVIDUAL INCOME	812.5	772.6	-39.9	-4.9	812.5	769.2	-43.3	-5.3	99.6
ESTATE ¹	-0.5	0.0	0.5	0.0	-0.5	0.0	0.5	0.0	0.0
CORPORATE INCOME	119.6	84.0	-35.6	-29.8	119.6	80.2	-39.4	-33.0	95.5
GROSS RECEIPTS ²	741.2	678.4	-62.8	-8.5	741.2	671.5	-69.7	-9.4	99.0
ALCOHOLIC BEVERAGE ³	10.0	10.2	0.2	2.3	10.0	10.3	0.3	3.0	100.7
TOBACCO	50.2	83.9	33.7	67.2	50.2	84.1	33.9	67.5	100.2
INSURANCE	23.0	22.6	-0.4	-1.6	23.0	22.6	-0.4	-1.7	99.9
RACING	1.4	1.5	0.1	5.6	1.4	1.3	-0.1	-6.5	88.5
GAMES OF SKILL	2.0	2.4	0.4	21.3	2.0	2.4	0.4	19.6	98.6
MISCELLANEOUS ⁴	38.8	26.8	-12.0	-31.0	38.8	25.5	-13.3	-34.3	95.2
TOTAL GROSS	1,798.2	1,682.4	-115.8	-6.4	1,798.2	1,667.0	-131.2	-7.3	99.1
PLUS:									
REVENUE ALLOTMENT RESERVE	3.4	61.0	57.6	1,704.7	3.4	61.0	57.7	1,706.2	100.1
LESS: SCSF/COF ⁵	54.0	50.5	-3.5	-6.4	54.0	50.0	-3.9	-7.3	99.0
IND INCOME TAX REFUNDS	38.6	42.3	3.7	9.7	38.6	44.8	6.2	16.2	105.9
CORP INCOME TAX REFUNDS	9.3	8.4	-0.9	-9.3	9.3	8.4	-0.8	-8.9	100.4
CLAIMS	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
ECON DEVEL INCENTIVE FUND	3.9	5.0	1.1	26.8	3.9	5.3	1.4	34.4	106.0
WATER/SEWER BONDS	2.0	4.4	2.4	120.0	2.0	4.4	2.4	120.0	100.0
COLLEGE SAVINGS BONDS	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
CITY/CO. TOURIST	3.6	3.7	0.1	3.7	3.6	3.6	0.1	1.9	98.2
SCHOOL DESEGREGATION	29.2	30.7	1.5	5.1	29.2	30.7	1.5	5.1	100.0
EDUCATIONAL EXCELLENCE	96.1	94.6	-1.5	-1.5	96.1	94.7	-1.4	-1.4	100.1
EDUCATIONAL ADEQUACY	8.5	8.3	-0.2	-2.3	8.5	8.4	-0.1	-1.4	100.9
ELDERLY TRANSPORTATION	0.8	0.6	-0.2	-20.4	0.8	0.6	-0.1	-19.1	101.6
NET AVAILABLE	1,555.7	1,494.9	-60.8	-3.9	1,555.7	1,477.1	-78.6	-5.1	98.8

REVENUE FORECAST SUMMARY FOR OCTOBER

YEAR-TO-DATE GROSS	\$ 15.4 MILLION OR 0.9% BELOW FORECAST.
YEAR-TO-DATE REFUNDS	\$ 2.5 MILLION OR 5.0% ABOVE FORECAST.
YEAR-TO-DATE NET AVAILABLE	\$ 17.8 MILLION OR 1.2% BELOW FORECAST

SOFT DRINK EXCISE TAX (MEDICAID PROGRAM TRUST FUND)	<u>YTD FY 09</u> 17.8	<u>YTD FY 10</u> 16.6	<u>% CHANGE</u> -7.0
EDUCATIONAL ADEQUACY FUND (NET DEPOSIT)	<u>YTD FY 09</u> 148.3	<u>YTD FY 10</u> 134.3	<u>% CHANGE</u> -9.4

- 1) Effective January 1, 2005, the federal estate tax credit was abolished, effectively ending state tax collections in FY06.
- 2) Gross Receipts includes the sales, use, 10% mixed drink, 3% beverage excise, vehicle rental, short-term rental, residential moving, and wholesale vending taxes.
- 3) Alcoholic Beverage does not include 10% Mixed Drink and 3% Beverage Excise.
- 4) Miscellaneous includes severance, corporate franchise, real estate transfer, dyed diesel, and various other miscellaneous taxes.
- 5) State Central Services Fund and Constitutional Officers Fund.

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

October 30, 2009
Days Remaining: 0
Forecast date: 10/20/2009

MILLIONS OF \$

	CURRENT MONTH				CURRENT MONTH TO DATE				ACTUAL AS % OF FORECAST
	ACTUAL FY 2009	FORECAST FY 2010	CHANGE AMOUNT	PERCENT	ACTUAL FY 2009	ACTUAL FY 2010	CHANGE AMOUNT	PERCENT	
INDIVIDUAL INCOME	196.2	194.7	-1.5	-0.8	196.2	191.3	-4.9	-2.5	98.3
ESTATE ¹	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
CORPORATE INCOME	28.8	13.9	-14.9	-51.9	28.8	10.0	-18.7	-65.1	72.5
GROSS RECEIPTS ²	178.1	170.0	-8.1	-4.5	178.1	163.1	-15.0	-8.4	95.9
ALCOHOLIC BEVERAGE ³	2.1	2.3	0.3	12.1	2.1	2.4	0.3	15.8	103.3
TOBACCO	12.9	20.1	7.2	55.7	12.9	20.3	7.3	56.9	100.8
INSURANCE	0.8	0.9	0.1	7.1	0.8	0.9	0.0	4.4	97.6
RACING	0.3	0.5	0.1	34.7	0.3	0.3	-0.1	-16.2	62.2
GAMES OF SKILL	0.5	0.6	0.1	27.9	0.5	0.6	0.1	21.2	94.8
MISCELLANEOUS ⁴	4.1	4.7	0.6	15.3	4.1	3.4	-0.7	-16.2	72.7
TOTAL GROSS	423.8	407.7	-16.2	-3.8	423.8	392.3	-31.6	-7.4	96.2
PLUS:									
REV. ALLOTMENT RESERVE	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
LESS: 3% (SCSF/COF) ⁵	12.7	12.3	-0.5	-3.6	12.7	11.8	-0.9	-7.5	96.0
IND INC TAX REFUNDS	17.4	18.3	1.0	5.5	17.4	20.8	3.5	19.9	113.7
CORP INC TAX REFUNDS	2.9	3.2	0.3	12.0	2.9	3.2	0.4	13.2	101.0
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	2.3	1.1	87.8	1.2	2.6	1.4	112.0	112.9
WATER/SEWER BONDS	0.5	1.1	0.6	120.0	0.5	1.1	0.6	120.0	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	1.8	1.9	0.1	5.6	1.8	1.8	0.0	1.9	96.5
SCHOOL DESEGREGATION	8.6	11.5	2.9	33.7	8.6	11.5	2.9	33.7	100.0
EDUCATIONAL EXCELLENCE	24.0	23.6	-0.4	-1.8	24.0	23.7	-0.3	-1.4	100.4
EDUCATIONAL ADEQUACY	2.1	2.0	-0.1	-4.8	2.1	2.1	0.0	-1.4	103.5
ELDERLY TRANSPORTATION	0.2	0.1	0.0	-26.3	0.2	0.1	0.0	-21.3	106.8
NET AVAILABLE	352.4	331.3	-21.2	-6.0	352.4	313.5	-39.0	-11.1	94.6

EDUCATIONAL ADEQUACY FUND (NET DEPOSIT, MONTH-TO-DATE)	Oct 08 36.2	Oct 09 32.4	% CH -10.5
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