



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

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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 April (FY 2013)**

DATE: May 2, 2013

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 \$4,145.8 million, \$240.1 million or 6.1 percent above year ago levels. Net available revenue is above forecast by \$163.9 million or 4.1 percent.

Year-to-date Gross General Revenues: Year-to-date gross collections total \$5,149.6 million, representing an increase of \$240.8 million or 4.9 percent above last year. Gross general revenues are above forecast by \$128.8 million or 2.6 percent.

Year-to-date Individual Income Taxes: Year-to-date individual income tax collections total \$2,657.9 million, \$222.3 million or 9.1 percent above FY 2012 collections and \$163.3 million or 6.5 percent above forecast. Collections growth for individual withholding is up 3.9 percent over year ago levels.

Year-to-date individual income tax refunds total \$432.0 million, down \$7.9 million or -1.8 percent compared to last year and \$28.1 million or -6.1 percent below forecast. Amounts below forecast contribute to gains in net available funds.

Year-to-date Sales and Use Tax Collections: On a year-to-date basis, sales and use taxes total \$1,756.7 million, an increase of \$4.9 million or 0.3% from FY 2012 and \$32.5 million or -1.8 percent below forecast.

Year-to-date Corporate Income Taxes: Year-to-date corporate revenues total \$336.7 million, an increase of \$4.2 million or 1.3 percent above year-to-date FY 2012. Corporate income tax is below forecast by \$1.4 million.

Year-to-date corporate income tax refunds total \$50.1 million, a decrease of \$2.9 million compared to the same year-to-date period last year. The amount is \$2.7 million or -5.1 percent below forecast.

APRIL REVENUE SUMMARY

April Net Available General Revenues total \$642.8 million, \$84.0 million or 15.0 percent above last year and \$79.8 million or 14.2 percent above forecast.

Results were mainly driven by high growth in individual income tax. Much of the increase in recent collections represents income shifted to Tax Year (TY) 2012 and paid in FY 2013 revenue. Larger than anticipated payments with filing extensions and returns received in April for Tax Year 2012 resulted from taxpayer strategy and improved business earnings. Other states and the IRS are reporting similar results this month. The categories affected by this pattern in April were returns and extensions with payments. The gain included multiple types of activity, including tax shift strategy, expedited returns processing compared to year ago, and one-time business transactions. Expedited returns processing potentially pulled activity from May collections into April. In other income tax categories, collections growth in withholding was modest and estimated payments were down.

Sales and Use tax collections were below forecast by \$12.0 million or -6.5 percent and also below year ago levels. A variety of factors relate to ongoing weakness in sales and use tax receipts, including slow job and income growth, low inflation, and the diversion effect on taxable sales from elevated motor fuel costs to consumers in recent months.

Corporate Income tax collections were also below forecast in April but remained close to forecast year to date.

Income tax refunds for both individual and corporate categories were above forecast in April. Individual refunds continued to catch up to expected levels for the year after delays in IRS processing early in the filing season.

April Gross General Revenues: April collections total \$817.4 million, an increase of \$99.2 million or 13.8 percent above last year and \$88.1 million or 12.1 percent above forecast.

April Individual Income Tax collections total \$568.3 million. Collections increased by \$102.2 million, or 21.9 percent compared to last year. With respect to the forecast, collections were \$99.7 million or 21.3 percent above forecast. Individual withholding rose 1.1 percent compared to last year.

April Individual Income Tax Refunds total \$110.5 million, \$11.2 million or 11.3 percent above last year and \$6.7 million or 6.4 percent above forecast. The gains follow filing delays at the IRS and among states early in the tax filing season and further rebound in April for Arkansas filings. Amounts below forecast for refunds contribute to gains in net available funds. In April, this rebound detracted from net available funds. Refunds remain below forecast year to date.

April Sales and Use Tax Collections: April collections total \$174.2 million, a decrease of \$4.5 million or -2.5 percent from last year. Collections were also below monthly forecast levels by \$12.0 million or -6.5 percent.

April Corporate Income Tax collections total \$39.9 million, an increase of \$1.1 million from year ago, and \$1.5 million or -3.6 percent below forecast.

April Corporate Income Tax Refunds total \$2.9 million. This amount is \$1.2 million above year ago levels. Refunds were fractionally above forecast.

April Tobacco Tax collections, a small component of general revenue in annual terms, total \$20.3 million. Collections increased by \$0.9 million or 4.6 percent from year earlier levels and were above forecast by \$0.9 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 Soft Drink Tax (for Medicaid Program Trust Fund): Year-to-date collections of the dedicated soft drink tax total \$37.5 million, a decrease of \$1.6 million or -4.2 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 April 2013, \$38.9 million was collected and deposited to the fund. After deductions, the net amount is \$37.7 million. The monthly collection is equivalent to a -1.0 percent decrease from prior year collections.

YEAR TO DATE REPORT, APRIL 2013
(PREPARED BY ECONOMIC ANALYSIS AND TAX RESEARCH, DFA)

THROUGH APRIL 2013
10 Months YTD
Forecast Date: 11/15/2012

MILLIONS OF DOLLARS

	CURRENT YEAR				CURRENT YEAR TO DATE				ACTUAL AS % OF FORECAST
	ACTUAL FY 2012	FORECAST FY 2013	INCREASE AMOUNT	PERCENT	ACTUAL FY 2012	ACTUAL FY 2013	INCREASE AMOUNT	PERCENT	
INDIVIDUAL INCOME	2,435.5	2,494.6	59.1	2.4	2,435.5	2,657.9	222.3	9.1	106.5
CORPORATE INCOME	332.5	338.1	5.6	1.7	332.5	336.7	4.2	1.3	99.6
SALES AND USE	1,751.8	1,789.2	37.4	2.1	1,751.8	1,756.7	4.9	0.3	98.2
ALCOHOLIC BEVERAGE	39.7	40.8	1.1	2.7	39.7	40.9	1.2	3.1	100.3
TOBACCO	198.4	194.1	-4.3	-2.2	198.4	188.2	-10.3	-5.2	96.9
INSURANCE	64.9	64.7	-0.2	-0.3	64.9	64.0	-0.9	-1.4	98.9
RACING	3.0	2.7	-0.3	-8.8	3.0	2.6	-0.4	-12.2	96.3
GAMES OF SKILL	22.3	24.8	2.5	11.2	22.3	29.3	7.0	31.4	118.2
MISCELLANEOUS ¹	60.6	71.8	11.2	18.4	60.6	73.3	12.7	20.9	102.1
TOTAL GROSS	4,908.7	5,020.8	112.1	2.3	4,908.7	5,149.6	240.8	4.9	102.6
LESS: SCSF/COF ²	162.0	165.7	3.7	2.3	162.0	169.9	7.9	4.9	102.6
IND INCOME TAX REFUNDS	439.9	460.1	20.2	4.6	439.9	432.0	-7.9	-1.8	93.9
CORP INCOME TAX REFUNDS	53.0	52.8	-0.2	-0.4	53.0	50.1	-2.9	-5.4	94.9
CLAIMS	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
ECON DEVEL INCENTIVE FUND	13.4	18.4	5.0	37.4	13.4	9.6	-3.8	-28.6	52.0
WATER/SEWER BONDS	12.5	12.4	-0.1	-0.8	12.5	12.4	-0.1	-0.8	100.0
COLLEGE SAVINGS BONDS	2.1	5.4	3.3	159.8	2.1	5.5	3.4	162.2	100.9
CITY/CO. TOURIST	5.3	2.8	-2.5	-46.9	5.3	2.8	-2.5	-46.7	100.3
SCHOOL DESEGREGATION	60.8	60.8	0.0	0.0	60.8	60.8	0.0	0.0	100.0
EDUCATIONAL EXCELLENCE	233.3	239.4	6.1	2.6	233.3	239.5	6.2	2.6	100.0
EDUCATIONAL ADEQUACY	20.6	21.1	0.5	2.3	20.6	21.2	0.5	2.6	100.3
ELDERLY TRANSPORTATION	0.2	0.0	-0.2	-100.0	0.2	0.0	-0.2	-100.0	0.0
NET AVAILABLE	3,905.7	3,981.9	76.2	2.0	3,905.7	4,145.8	240.1	6.1	104.1

REVENUE FORECAST SUMMARY FOR APRIL

YEAR-TO-DATE GROSS	\$ 128.8 MILLION OR 2.6% ABOVE FORECAST.
YEAR-TO-DATE REFUNDS	\$ 30.8 MILLION OR 6.0% BELOW FORECAST.
YEAR-TO-DATE NET AVAILABLE	\$ 163.9 MILLION OR 4.1% ABOVE FORECAST

SOFT DRINK EXCISE TAX (MEDICAID PROGRAM TRUST FUND)	<u>YTD FY 12</u> 39.1	<u>YTD FY 13</u> 37.5	<u>% CHANGE</u> -4.2
EDUCATIONAL ADEQUACY FUND (NET COLLECTIONS)	<u>YTD FY 12</u> 354.8	<u>YTD FY 13</u> 356.7	<u>% CHANGE</u> 0.6

- 1) Miscellaneous includes severance, corporate franchise, real estate transfer, dyed diesel, and various other miscellaneous taxes.
2) State Central Services Fund and Constitutional Officers Fund.

April 30, 2013
Days Remaining: 0
Forecast date: 11/15/2012

CURRENT MONTH

CURRENT MONTH TO DATE

REVENUE FORECAST SUMMARY FOR APRIL

EDUCATIONAL ADEQUACY FUND (NET DEPOSIT, MONTH-TO-DATE)	<u>April 12</u> 38.1	<u>April 13</u> 37.7	<u>% CH</u> -1.0
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- 1) Miscellaneous includes severance, corporate franchise, real estate transfer, dyed diesel, and various other miscellaneous taxes.
- 2) State Central Services Fund and Constitutional Officers Fund.