



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 October (FY 2014)**

DATE: November 4, 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 \$1,693.7 million, \$70.4 million or 4.3 percent above year ago levels. After four months into the fiscal year, net available revenue is above forecast by \$37.8 million or 2.3 percent.

Year-to-date Gross General Revenues: Year-to-date gross collections total \$1,958.8 million, representing an increase of \$77.5 million or 4.1 percent above last year. Gross general revenues are above forecast by \$34.3 million or 1.8 percent.

Year-to-date Individual Income Taxes: Year-to-date individual income tax collections total \$917.8 million, \$22.4 million or 2.5 percent above FY 2013 collections and \$5.8 million or 0.6 percent above forecast. Collections for individual withholding are up 0.9 percent from year ago levels.

Year-to-date individual income tax refunds total \$38.0 million, up \$1.6 million or 4.3 percent compared to last year and \$0.4 million or -1.0 percent below forecast. Amounts below forecast in refund categories add to net available revenue.

Year-to-date Sales and Use Tax Collections: On a year-to-date basis, sales and use taxes total \$739.1 million, an increase of \$34.1 million or 4.8 percent from FY 2013 and \$3.0 million or 0.4 percent above forecast.

Year-to-date Corporate Income Taxes: Year-to-date corporate revenues total \$133.7 million, an increase of \$15.6 million or 13.3 percent from year-to-date FY 2013. Corporate income is above forecast by \$13.5 million or 11.2 percent.

Year-to-date corporate income tax refunds total \$18.2 million, a decrease of \$1.9 million compared to the same year-to-date period last year.

OCTOBER REVENUE SUMMARY

October Net Available General Revenues total \$372.8 million, \$17.2 million or 4.8 percent above last year and \$8.1 million or 2.2 percent above forecast.

October results were boosted by gains in Income tax categories and a variety of smaller revenue sources while offsetting a shortfall in Sales tax. Individual and Corporate Income tax both exceeded forecast and refunds were less than expected. Refunds accounted for a sizable portion of the Net Available result compared to forecast. Gains in the two economic-related revenue lines of Sales tax and Payroll Withholding were below projections, following elevated gains last month. The swings in growth are a reminder that one month results do not represent a trend in collections or the state economy.

October Gross General Revenues: October collections total \$458.1 million, an increase of \$15.6 million or 3.5 percent above last year and \$2.6 million or 0.6 percent above forecast.

October Individual Income Tax collections total \$226.4 million. Collections increased by \$8.3 million, or 3.8 percent compared to last year. With respect to the forecast, collections were \$3.2 million or 1.4 percent above forecast. Individual withholding increased 2.2 percent compared to last year.

October Individual Income Tax Refunds total \$16.5 million, \$1.3 million or -7.2 percent below last year and \$2.2 million or -11.7 percent below forecast. Refund amounts below forecast add to net available fund results.

October Sales and Use Tax Collections: October collections total \$171.8 million, an increase of \$0.6 million or 0.3 percent above last year. Collections were below monthly forecast levels by \$6.8 million or -3.8 percent.

October Corporate Income Tax collections total \$25.6 million, an increase of \$3.3 million from year ago, and \$2.6 million or 11.3 percent above forecast.

October Corporate Income Tax Refunds total \$13.2 million. This amount is \$0.8 million below year ago levels. Refunds were 10.9 percent below forecast.

October Tobacco Tax collections, a smaller component of general revenue in annual terms, total \$20.1 million. Collections increased by \$1.5 million or 8.3 percent from year earlier levels and were above forecast by 8.9 percent. 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 \$15.5 million, a decrease of -2.8 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 October 2013, \$36.4 million was collected and deposited to the fund. After deductions, the net amount is \$35.3 million. The monthly collection is equivalent to a 2.5 percent increase from prior year collections.

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

THROUGH OCTOBER 2013
4 Months YTD
Forecast Date: 05/01/2013

MILLIONS OF DOLLARS

	CURRENT YEAR				CURRENT YEAR TO DATE				ACTUAL AS % OF FORECAST
	ACTUAL FY 2013	FORECAST FY 2014	INCREASE AMOUNT PERCENT		ACTUAL FY 2013	ACTUAL FY 2014	INCREASE AMOUNT PERCENT		
INDIVIDUAL INCOME	895.4	912.0	16.6	1.8	895.4	917.8	22.4	2.5	100.6
CORPORATE INCOME	118.0	120.2	2.2	1.8	118.0	133.7	15.6	13.3	111.2
SALES AND USE	705.0	736.1	31.1	4.4	705.0	739.1	34.1	4.8	100.4
ALCOHOLIC BEVERAGE	16.6	16.7	0.1	0.6	16.6	17.5	0.9	5.7	105.0
TOBACCO	77.7	74.0	-3.7	-4.8	77.7	77.0	-0.7	-0.9	104.1
INSURANCE	21.3	21.8	0.5	2.5	21.3	23.1	1.8	8.5	105.8
RACING	0.8	0.8	0.0	-1.6	0.8	0.7	-0.1	-13.7	87.7
GAMES OF SKILL	10.9	10.8	-0.1	-0.8	10.9	12.7	1.8	16.6	117.5
MISCELLANEOUS ¹	35.5	32.1	-3.4	-9.6	35.5	37.2	1.7	4.7	115.9
TOTAL GROSS	1,881.3	1,924.5	43.2	2.3	1,881.3	1,958.8	77.5	4.1	101.8
LESS: SCSF/COF ²	62.1	63.5	1.4	2.3	62.1	64.6	2.6	4.1	101.8
IND INCOME TAX REFUNDS	36.5	38.4	1.9	5.3	36.5	38.0	1.6	4.3	99.0
CORP INCOME TAX REFUNDS	20.1	21.9	1.8	9.1	20.1	18.2	-1.9	-9.3	83.2
CLAIMS	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
ECON DEVEL INCENTIVE FUND	3.5	7.6	4.1	115.3	3.5	7.2	3.7	105.2	95.3
WATER/SEWER BONDS	5.2	5.2	0.0	0.0	5.2	5.2	0.0	0.0	100.0
COLLEGE SAVINGS BONDS	0.0	0.0	0.0	-100.0	0.0	0.0	0.0	43.3	0.0
CITY/CO. TOURIST	1.4	1.4	0.0	-0.3	1.4	1.4	0.0	-0.1	100.2
SCHOOL DESEGREGATION	25.0	25.0	0.0	0.0	25.0	25.0	0.0	0.0	100.0
EDUCATIONAL EXCELLENCE	95.8	97.2	1.4	1.5	95.8	96.8	1.0	1.1	99.6
EDUCATIONAL ADEQUACY	8.5	8.4	-0.1	-0.8	8.5	8.6	0.1	1.1	101.9
NET AVAILABLE	1,623.2	1,655.9	32.7	2.0	1,623.2	1,693.7	70.4	4.3	102.3

REVENUE FORECAST SUMMARY FOR OCTOBER

YEAR-TO-DATE GROSS	\$ 34.3 MILLION OR 1.8% ABOVE FORECAST
YEAR-TO-DATE REFUNDS	\$ 4.1 MILLION OR 6.7% BELOW FORECAST
YEAR-TO-DATE NET AVAILABLE	\$ 37.8 MILLION OR 2.3% ABOVE FORECAST

SOFT DRINK EXCISE TAX (MEDICAID PROGRAM TRUST FUND)	<u>YTD FY 13</u> 16.0	<u>YTD FY 14</u> 15.5	<u>% CHANGE</u> -2.8
EDUCATIONAL ADEQUACY FUND (NET COLLECTIONS)	<u>YTD FY 13</u> 142.8	<u>YTD FY 14</u> 149.9	<u>% CHANGE</u> 5.0

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.

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

October 31, 2013
Days Remaining: 0
Forecast date: 05/01/2013

MILLIONS OF \$

	CURRENT MONTH				CURRENT MONTH TO DATE				ACTUAL AS % OF FORECAST
	ACTUAL FY 2013	FORECAST FY 2014	CHANGE AMOUNT	PERCENT	ACTUAL FY 2013	ACTUAL FY 2014	CHANGE AMOUNT	PERCENT	
INDIVIDUAL INCOME	218.1	223.2	5.1	2.3	218.1	226.4	8.3	3.8	101.4
CORPORATE INCOME	22.3	23.0	0.7	3.1	22.3	25.6	3.3	14.8	111.3
SALES AND USE	171.3	178.6	7.3	4.3	171.3	171.8	0.6	0.3	96.2
ALCOHOLIC BEVERAGE	3.8	3.9	0.1	2.6	3.8	4.2	0.4	10.8	108.0
TOBACCO	18.6	18.5	-0.1	-0.5	18.6	20.1	1.5	8.3	108.9
INSURANCE	0.9	0.9	0.0	-3.7	0.9	1.6	0.6	67.8	174.3
RACING	0.2	0.2	0.0	23.2	0.2	0.1	0.0	-11.3	72.0
GAMES OF SKILL	2.7	2.7	0.0	-0.4	2.7	3.1	0.4	13.9	114.3
MISCELLANEOUS ¹	4.6	4.5	-0.1	-1.7	4.6	5.1	0.5	11.8	113.7
TOTAL GROSS	442.5	455.5	13.0	2.9	442.5	458.1	15.6	3.5	100.6
LESS: (SCSF/COF) ²	14.6	15.0	0.4	2.7	14.6	15.1	0.5	3.5	100.8
IND INC TAX REFUNDS	17.8	18.7	0.9	5.1	17.8	16.5	-1.3	-7.2	88.3
CORP INC TAX REFUNDS	13.9	14.8	0.9	6.1	13.9	13.2	-0.8	-5.5	89.1
CLAIMS	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
ECON DEVEL INCENTIVE FUND	0.4	1.9	1.5	349.0	0.4	0.1	-0.3	-74.7	5.6
WATER/SEWER BONDS	1.3	1.3	0.0	0.0	1.3	1.3	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	0.7	0.7	0.0	-0.3	0.7	0.7	0.0	-0.1	100.2
SCHOOL DESEGREGATION	12.0	12.0	0.0	0.0	12.0	12.0	0.0	0.0	100.0
EDUCATIONAL EXCELLENCE	24.0	24.3	0.3	1.5	24.0	24.2	0.3	1.1	99.6
EDUCATIONAL ADEQUACY	2.1	2.1	0.0	-0.8	2.1	2.1	0.0	1.1	101.9
NET AVAILABLE	355.6	364.7	9.1	2.6	355.6	372.8	17.2	4.8	102.2

REVENUE FORECAST SUMMARY FOR OCTOBER

OCTOBER GROSS	\$ 2.6 MILLION OR 0.6% ABOVE FORECAST
OCTOBER NET AVAILABLE	\$ 8.1 MILLION OR 2.2% ABOVE FORECAST

EDUCATIONAL ADEQUACY FUND (NET DEPOSIT, MONTH-TO-DATE)	<u>Oct 12</u> 34.4	<u>Oct 13</u> 35.3	<u>% CH</u> 2.5
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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.