



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

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MEMORANDUM

TO: Richard Weiss, Director
Tim Leathers, Deputy Director

FROM: John Shelnett, Economic Analysis & Tax Research

SUBJECT: **General Revenue Report for January (FY 2014)**

DATE: February 4, 2014

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 \$2,999.1 million, \$52.7 million or 1.8 percent above year ago levels. After seven months into the fiscal year, net available revenue is above forecast by \$39.6 million or 1.3 percent.

Year-to-date Gross General Revenues: Year-to-date gross collections total \$3,482.5 million, representing an increase of \$73.0 million or 2.1 percent above last year. Gross general revenues are above forecast by \$23.1 million or 0.7 percent.

Year-to-date Individual Income Taxes: Year-to-date individual income tax collections total \$1,680.9 million, \$8.6 million or 0.5 percent above FY 2013 collections and \$6.7 million or 0.4 above forecast. Collections for individual withholding are up 1.0 percent from year ago levels.

Year-to-date individual income tax refunds total \$70.5 million, up \$8.3 million or 13.4 percent compared to last year and \$13.9 million or -16.5 percent below forecast, due to delayed start of the filing season. 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 \$1,279.4 million, an increase of \$42.0 million or 3.4 percent from FY 2013 and \$9.3 million or -0.7 percent below forecast.

Year-to-date Corporate Income Taxes: Year-to-date corporate revenues total \$234.5 million, an increase of \$15.2 million or 6.9 percent from year-to-date FY 2013. Corporate income is above forecast by \$12.2 million or 5.5 percent.

Year-to-date corporate income tax refunds total \$46.6 million, an increase of \$6.0 million compared to the same year-to-date period last year.

JANUARY REVENUE SUMMARY

January Net Available General Revenues total \$483.6 million, \$32.5 million or -6.3 percent below last year and \$7.4 million or 1.6 percent above forecast.

Three factors significantly impacted revenue results in January compared to forecast and year ago results. These factors were Individual refunds, Sales taxes, and Individual Estimated payments.

Individual Refunds

Results in January were significantly impacted by a second year of delayed start to the income tax filing season by the IRS intake process as a result of the government shutdown. Our electronic process for refunds in Arkansas is tied to the federal system. The monthly forecast assumed a return to normal processing pattern for the federal and state returns this year after prior year delays caused by late changes to the tax code. Consequently, refunds were 45.6 percent below forecast this month. We expect refund processing to catch up with projections since federal filing has begun.

Sales and Use Tax

Sales and Use tax represented the major drag on collections in January. Collection growth was only 0.2 percent compared to year ago and 4.0 percent below forecast. Weaker than expected retail sales to consumers accounted for this result.

Individual Estimated Payments

Monthly results also reflect double-digit declines versus year ago payments in Individual Estimated Income tax. This result reflects the offset of early payments last year from taxpayers avoiding higher federal rates this year. The forecast adequately accounted for this drop in current collections. Better than expected payroll withholding also aided the results.

Among other revenue categories, corporate Income tax was above forecast by 11.2 percent and above year ago levels by 10.9 percent.

January Gross General Revenues: January collections total \$560.5 million, a decrease of \$22.5 million or -3.9 percent from last year and \$3.8 million or 0.7 percent below forecast.

January Individual Income Tax collections total \$320.0 million. Collections decreased by \$21.4 million, or -6.3 percent compared to last year, reflecting the income shift in the prior year and return to normal levels in the current period. With respect to the forecast, collections were \$6.3 million or 2.0 percent above forecast. Individual withholding increased 2.0 percent compared to last year.

January Individual Income Tax Refunds total \$16.3 million, \$6.0 million or 57.8 percent above last year but \$13.7 million or -45.6 percent below forecast. An assumption of return to normal start times for IRS processing at the start of the income tax filing season this year produced this short-term forecast error. Contrary to expectations, the IRS did not begin processing as scheduled citing the government shutdown. Higher refunds will be paid next month as a result of this timing shift. Refund amounts below forecast add to net available fund results.

January Sales and Use Tax Collections: January collections total \$178.6 million, an increase of \$0.3 million or 0.2 percent above last year. Collections were below monthly forecast levels by \$7.4 million or -4.0 percent.

January Corporate Income Tax collections total \$30.9 million, an increase of \$3.0 million from year ago, and \$3.1 million or 11.2 percent above forecast.

January Corporate Income Tax Refunds total \$7.5 million. This amount is \$4.4 million above year ago levels.

January Tobacco Tax collections, a smaller component of general revenue in annual terms, total \$17.3 million. Collections increased by \$2.0 million or 13.3 percent from year earlier levels and were below forecast by 6.7 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 \$26.5 million, a decrease of -3.8 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 January 2014, \$37.3 million was collected and deposited to the fund. After deductions, the net amount is \$36.2 million. The monthly collection is equivalent to a 1.2 percent increase from prior year collections.

C: /FISCNOT/January FY 2014
Attachment (2)

YEAR TO DATE REPORT, JANUARY 2014
(PREPARED BY ECONOMIC ANALYSIS AND TAX RESEARCH, DFA)

THROUGH JANUARY 2014
7 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	AMOUNT	PERCENT	ACTUAL FY 2013	ACTUAL FY 2014	AMOUNT	PERCENT	
INDIVIDUAL INCOME	1,672.3	1,674.2	1.9	0.1	1,672.3	1,680.9	8.6	0.5	100.4
CORPORATE INCOME	219.3	222.3	3.0	1.4	219.3	234.5	15.2	6.9	105.5
SALES AND USE	1,237.4	1,288.7	51.3	4.1	1,237.4	1,279.4	42.0	3.4	99.3
ALCOHOLIC BEVERAGE	29.1	29.3	0.2	0.6	29.1	30.2	1.1	3.8	103.2
TOBACCO	131.9	129.5	-2.4	-1.8	131.9	130.8	-1.1	-0.8	101.0
INSURANCE	42.8	43.7	0.9	2.1	42.8	45.3	2.5	5.8	103.6
RACING	1.6	1.5	-0.1	-5.2	1.6	1.6	0.0	-1.7	103.8
GAMES OF SKILL	19.1	18.9	-0.2	-1.1	19.1	21.7	2.6	13.7	114.9
MISCELLANEOUS ¹	56.0	51.3	-4.7	-8.5	56.0	58.2	2.1	3.8	113.4
TOTAL GROSS	3,409.5	3,459.4	49.9	1.5	3,409.5	3,482.5	73.0	2.1	100.7
LESS: SCSF/COF ²	112.5	114.2	1.7	1.5	112.5	114.9	2.4	2.1	100.6
IND INCOME TAX REFUNDS	62.2	84.4	22.2	35.8	62.2	70.5	8.3	13.4	83.5
CORP INCOME TAX REFUNDS	40.6	44.9	4.3	10.7	40.6	46.6	6.0	14.8	103.8
CLAIMS	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
ECON DEVEL INCENTIVE FUND	7.2	13.4	6.2	85.8	7.2	8.9	1.7	23.5	66.5
WATER/SEWER BONDS	8.8	8.8	0.0	0.0	8.8	8.8	0.0	0.0	100.0
COLLEGE SAVINGS BONDS	5.5	5.4	-0.1	-0.9	5.5	5.3	-0.1	-2.1	98.9
CITY/CO. TOURIST	2.1	2.1	0.0	-0.3	2.1	2.1	0.0	-0.1	100.2
SCHOOL DESEGREGATION	41.8	41.8	0.0	0.0	41.8	41.8	0.0	0.0	100.0
EDUCATIONAL EXCELLENCE	167.7	170.1	2.4	1.5	167.7	169.5	1.8	1.1	99.6
EDUCATIONAL ADEQUACY	14.8	14.8	0.0	-0.1	14.8	15.0	0.2	1.1	101.2
NET AVAILABLE	2,946.4	2,959.5	13.1	0.4	2,946.4	2,999.1	52.7	1.8	101.3

REVENUE FORECAST SUMMARY FOR JANUARY

YEAR-TO-DATE GROSS	\$ 23.1 MILLION OR 0.7% ABOVE FORECAST
YEAR-TO-DATE REFUNDS	\$ 12.2 MILLION OR 9.5% BELOW FORECAST
YEAR-TO-DATE NET AVAILABLE	\$ 39.6 MILLION OR 1.3% ABOVE FORECAST

SOFT DRINK EXCISE TAX (MEDICAID PROGRAM TRUST FUND)	<u>YTD FY 13</u> 27.6	<u>YTD FY 14</u> 26.5	<u>% CHANGE</u> -3.8
EDUCATIONAL ADEQUACY FUND (NET COLLECTIONS)	<u>YTD FY 13</u> 249.7	<u>YTD FY 14</u> 258.8	<u>% CHANGE</u> 3.7

- 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.

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

January 31, 2014
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	341.4	313.7	-27.7	-8.1	341.4	320.0	-21.4	-6.3	102.0
CORPORATE INCOME	27.9	27.8	-0.1	-0.3	27.9	30.9	3.0	10.9	111.2
SALES AND USE	178.3	186.0	7.7	4.3	178.3	178.6	0.3	0.2	96.0
ALCOHOLIC BEVERAGE	4.6	4.7	0.1	1.9	4.6	4.5	-0.1	-2.4	95.8
TOBACCO	15.2	18.5	3.3	21.5	15.2	17.3	2.0	13.3	93.3
INSURANCE	0.6	0.6	0.0	7.7	0.6	1.2	0.6	113.0	197.9
RACING	0.3	0.3	0.0	-7.8	0.3	0.3	0.0	-1.4	106.9
GAMES OF SKILL	2.8	2.7	-0.1	-5.2	2.8	2.9	0.0	0.8	106.4
MISCELLANEOUS ¹	11.9	10.0	-1.9	-15.7	11.9	4.8	-7.0	-59.4	48.2
TOTAL GROSS	583.0	564.3	-18.7	-3.2	583.0	560.5	-22.5	-3.9	99.3
LESS: (SCSF/COF) ²	19.2	18.6	-0.6	-3.3	19.2	18.5	-0.7	-3.9	99.4
IND INC TAX REFUNDS	10.3	30.0	19.7	190.0	10.3	16.3	6.0	57.8	54.4
CORP INC TAX REFUNDS	3.1	3.5	0.4	13.4	3.1	7.5	4.4	142.0	213.4
CLAIMS	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
ECON DEVEL INCENTIVE FUND	0.7	2.0	1.3	192.0	0.7	0.7	0.0	2.9	35.2
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	0.7	0.7	0.0	-0.3	0.7	0.7	0.0	-0.1	100.2
SCHOOL DESEGREGATION	5.6	5.6	0.0	0.0	5.6	5.6	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	2.2	0.1	3.9	2.1	2.1	0.0	1.1	97.3
NET AVAILABLE	516.1	476.2	-39.9	-7.7	516.1	483.6	-32.5	-6.3	101.6

REVENUE FORECAST SUMMARY FOR JANUARY

JANUARY GROSS	\$ 3.8 MILLION OR 0.7% BELOW FORECAST
JANUARY NET AVAILABLE	\$ 7.4 MILLION OR 1.6% ABOVE FORECAST

EDUCATIONAL ADEQUACY FUND (NET DEPOSIT, MONTH-TO-DATE)	Jan 13 35.7	Jan 14 36.2	% CH 1.2
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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.