



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 2014)**

DATE: May 2, 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 \$4,168.0 million, \$22.2 million or 0.5 percent above year ago levels. After ten months into the fiscal year and the largest collection month (April), net available revenue is above forecast by \$77.6 million or 1.9 percent.

Year-to-date Gross General Revenues: Year-to-date gross collections total \$5,200.9 million, representing an increase of \$51.3 million or 1.0 percent above last year. Gross general revenues are above forecast by \$44.5 million or 0.9 percent.

Year-to-date Individual Income Taxes: Year-to-date individual income tax collections total \$2,620.8 million, \$37.1 million or -1.4 percent below FY 2013 collections and \$13.6 million or 0.5 percent above forecast. Collections for individual withholding are up 1.9 percent from year ago levels.

Year-to-date individual income tax refunds total \$451.8 million, up \$19.8 million or 4.6 percent compared to last year and \$23.6 million or -5.0 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 \$1,812.3 million, an increase of \$55.6 million or 3.2 percent from FY 2013 and \$14.2 million or -0.8 percent below forecast.

Year-to-date Corporate Income Taxes: Year-to-date corporate revenues total \$367.0 million, an increase of \$30.3 million or 9.0 percent from year-to-date FY 2013. Corporate income is above forecast by \$34.0 million or 10.2 percent.

Year-to-date corporate income tax refunds total \$55.2 million, an increase of \$5.1 million compared to the same year-to-date period last year.

APRIL REVENUE SUMMARY

April Net Available General Revenues total \$570.2 million, \$72.6 million or -11.3 percent below last year and \$0.6 million or -0.1 percent below forecast.

Results in April, the largest collection month of the year, reflect adequate forecast provision for the anticipated decline from Individual Income tax collections in the prior year. Income tax shift from taxpayer strategy in the prior year added to FY 2013 results as a one-time boost and presented a challenge to current fiscal year prediction. The outcome of this one-time shift is reflected in the latest April results as a \$101.7 million decline in Individual Income tax revenue compared to year ago results. The 17.9 percent decline was mostly anticipated and further offset by lower-than-expected Individual Income tax refunds.

Corporate Income tax collections were \$20.7 million above forecast for the month. Approximately \$20 million in corporate payments were recorded in April that will not be collected in May, as previously expected.

Sales and Use tax collections were above forecast by \$2.3 million or 1.3 percent and also above year ago levels by 4.9 percent. Short-term factors in collections processing may have contributed some of the gain above forecast for the month.

April Gross General Revenues: April collections total \$744.7 million, a decrease of \$72.8 million or -8.9 percent from last year and \$5.7 million or -0.8 percent below forecast.

April Individual Income Tax collections total \$466.6 million. Collections decreased by \$101.7 million, or -17.9 percent compared to last year, reflecting the downside effects of income tax shifts recorded in the prior year as a result of taxpayer strategies with respect to federal tax rate increases that year. Collections compared to forecast were \$30.1 million or -6.1 percent below forecast. Individual withholding decreased 5.3 percent compared to last year, largely reflecting payroll timing factors on collections this year.

April Individual Income Tax Refunds total \$110.8 million, \$0.3 million or 0.3 percent above last year and \$5.4 million or -4.6 percent below forecast.

April Sales and Use Tax Collections: April collections total \$182.8 million, an increase of \$8.6 million or 4.9 percent above last year. Collections were above monthly forecast levels by \$2.3 million or 1.3 percent.

April Corporate Income Tax collections total \$61.1 million, an increase of \$21.2 million from year ago, and \$20.7 million above forecast. Corporate tax collections are a volatile series and may include temporary timing factors in the case of results in April.

April Corporate Income Tax Refunds total \$5.8 million. This amount is \$2.9 million above year ago levels.

April Tobacco Tax collections, a smaller component of general revenue in annual terms, total \$19.2 million. Collections decreased by \$1.0 million or -5.2 percent from year earlier levels, but were above forecast by \$0.8 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 \$36.7 million, a decrease of -2.3 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 2014, \$41.3 million was collected and deposited to the fund. After deductions, the net amount is \$40.0 million. The monthly collection is equivalent to a 6.2 percent increase from prior year collections.

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

THROUGH APRIL 2014
10 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	2,657.9	2,607.2	-50.7	-1.9	2,657.9	2,620.8	-37.1	-1.4	100.5
CORPORATE INCOME	336.7	333.0	-3.7	-1.1	336.7	367.0	30.3	9.0	110.2
SALES AND USE	1,756.7	1,826.5	69.8	4.0	1,756.7	1,812.3	55.6	3.2	99.2
ALCOHOLIC BEVERAGE	40.9	41.2	0.3	0.7	40.9	41.9	0.9	2.3	101.6
TOBACCO	188.2	184.8	-3.4	-1.8	188.2	181.7	-6.5	-3.4	98.3
INSURANCE	64.0	65.4	1.4	2.2	64.0	67.3	3.3	5.1	102.9
RACING	2.6	2.4	-0.2	-7.7	2.6	2.6	0.0	-1.2	107.0
GAMES OF SKILL	29.3	28.0	-1.3	-4.4	29.3	32.5	3.2	10.8	116.0
MISCELLANEOUS ¹	73.3	67.9	-5.4	-7.4	73.3	75.0	1.7	2.3	110.5
TOTAL GROSS	5,149.6	5,156.4	6.8	0.1	5,149.6	5,200.9	51.3	1.0	100.9
LESS: SCSF/COF ²	169.9	170.1	0.2	0.1	169.9	171.6	1.7	1.0	100.9
IND INCOME TAX REFUNDS	432.0	475.4	43.4	10.0	432.0	451.8	19.8	4.6	95.0
CORP INCOME TAX REFUNDS	50.1	55.3	5.2	10.4	50.1	55.2	5.1	10.1	99.8
CLAIMS	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
ECON DEVEL INCENTIVE FUND	9.6	19.4	9.8	102.8	9.6	9.5	0.0	-0.4	49.1
WATER/SEWER BONDS	12.4	12.4	0.0	0.0	12.4	12.4	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	2.8	2.8	0.0	-0.3	2.8	2.8	0.0	-0.1	100.2
SCHOOL DESEGREGATION	60.8	60.8	0.0	0.0	60.8	60.8	0.0	0.0	100.0
EDUCATIONAL EXCELLENCE	239.5	243.0	3.5	1.5	239.5	242.1	2.6	1.1	99.6
EDUCATIONAL ADEQUACY	21.2	21.4	0.2	1.1	21.2	21.4	0.2	1.1	100.0
NET AVAILABLE	4,145.8	4,090.4	-55.4	-1.3	4,145.8	4,168.0	22.2	0.5	101.9

REVENUE FORECAST SUMMARY FOR APRIL

YEAR-TO-DATE GROSS	\$ 44.5 MILLION OR 0.9% ABOVE FORECAST
YEAR-TO-DATE REFUNDS	\$ 23.7 MILLION OR 4.5% BELOW FORECAST
YEAR-TO-DATE NET AVAILABLE	\$ 77.6 MILLION OR 1.9% ABOVE FORECAST

SOFT DRINK EXCISE TAX (MEDICAID PROGRAM TRUST FUND)	<u>YTD FY 13</u> 37.5	<u>YTD FY 14</u> 36.7	<u>% CHANGE</u> -2.3
EDUCATIONAL ADEQUACY FUND (NET COLLECTIONS)	<u>YTD FY 13</u> 356.7	<u>YTD FY 14</u> 369.6	<u>% CHANGE</u> 3.6

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

April 30, 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	568.3	496.7	-71.6	-12.6	568.3	466.6	-101.7	-17.9	93.9
CORPORATE INCOME	39.9	40.4	0.5	1.2	39.9	61.1	21.2	53.2	151.3
SALES AND USE	174.2	180.5	6.3	3.6	174.2	182.8	8.6	4.9	101.3
ALCOHOLIC BEVERAGE	4.4	4.5	0.1	1.9	4.4	4.3	-0.1	-2.6	95.5
TOBACCO	20.3	18.4	-1.9	-9.2	20.3	19.2	-1.0	-5.2	104.5
INSURANCE	0.6	0.7	0.1	8.1	0.6	1.0	0.3	48.7	137.6
RACING	0.3	0.3	0.0	-11.8	0.3	0.4	0.1	21.6	137.8
GAMES OF SKILL	3.9	3.2	-0.7	-17.8	3.9	3.9	0.0	-1.0	120.5
MISCELLANEOUS ¹	5.5	5.7	0.2	3.8	5.5	5.4	-0.1	-1.4	95.0
TOTAL GROSS	817.4	750.4	-67.0	-8.2	817.4	744.7	-72.8	-8.9	99.2
LESS: (SCSF/COF) ²	27.0	24.7	-2.3	-8.4	27.0	24.6	-2.4	-8.9	99.5
IND INC TAX REFUNDS	110.5	116.2	5.7	5.2	110.5	110.8	0.3	0.3	95.4
CORP INC TAX REFUNDS	2.9	3.3	0.4	12.4	2.9	5.8	2.9	97.3	175.4
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	2.0	0.8	61.6	1.2	0.0	-1.2	-100.0	0.0
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	5.0	5.0	0.0	0.0	5.0	5.0	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	2.2	0.1	3.9	2.1	2.1	0.0	1.1	97.3
NET AVAILABLE	642.8	570.8	-72.0	-11.2	642.8	570.2	-72.6	-11.3	99.9

REVENUE FORECAST SUMMARY FOR APRIL

APRIL GROSS	\$ 5.7 MILLION OR 0.8% BELOW FORECAST
APRIL NET AVAILABLE	\$ 0.6 MILLION OR 0.1% BELOW FORECAST

EDUCATIONAL ADEQUACY FUND (NET DEPOSIT, MONTH-TO-DATE)	<u>April 13</u> 37.7	<u>April 14</u> 40.0	<u>% CH</u> 6.2
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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.