



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

**OFFICE OF THE DIRECTOR
Economic Analysis & Tax Research**
1509 West Seventh Street, Room 404
Post Office Box 3278
Little Rock, Arkansas 72203-3278
Phone: (501) 682-1688
Fax: (501) 682-1086
<http://www.dfa.arkansas.gov>

MEMORANDUM

TO: Richard Weiss, Director
Tim Leathers, Deputy Director

FROM: John Shelnett, Economic Analysis & Tax Research

SUBJECT: **General Revenue Report for December (FY 2015)**

DATE: January 5, 2015

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 \$2,598.9 million, \$83.4 million or 3.3 percent above year ago levels. At the halfway mark into the fiscal year, net available revenue is above forecast by \$44.1 million or 1.7 percent.

Year-to-date Gross General Revenues: Year-to-date gross collections total \$2,998.5 million, representing an increase of \$76.5 million or 2.6 percent above last year. Gross general revenues are above forecast by \$24.6 million or 0.8 percent.

Year-to-date Individual Income Taxes: Year-to-date individual income tax collections total \$1,403.9 million, \$43.0 million or 3.2 percent above last year's collections and \$6.1 million or 0.4 percent above forecast. Collections for individual withholding are up 4.2 percent from year ago levels.

Year-to-date individual income tax refunds total \$51.3 million, down \$2.9 million or -5.3 percent compared to last year and \$2.8 million or -5.2 percent below forecast. Amounts below forecast in refund categories increase net available revenue results.

Year-to-date Sales and Use Tax Collections: On a year-to-date basis, sales and use taxes total \$1,110.2 million, an increase of \$9.4 million or 0.9 percent from last year and \$1.4 million or -0.1 percent below forecast.

Year-to-date Corporate Income Taxes: Year-to-date corporate revenues total \$224.4 million, an increase of \$20.8 million or 10.2 percent from year-to-date in the prior year. Corporate income is above forecast by \$19.9 million or 9.7 percent.

Year-to-date corporate income tax refunds total \$22.6 million, a decrease of \$16.5 million compared to the same year-to-date period last year.

DECEMBER REVENUE SUMMARY

December Net Available General Revenues total \$482.8 million, \$10.7 million or 2.3 percent above last year and \$19.3 million or 4.2 percent above forecast.

December results were above forecast from a combination of gains in Corporate Income tax collections and tax refund payments running below expectation in both Corporate and Individual Income tax.

Collections in the two largest revenue categories were below forecast. Sales Tax collections were 1.1 percent below forecast (-\$2.1 million) and Individual Income tax was below forecast by 2.6 percent (-\$6.1 million).

Among smaller revenue sources, tobacco was above forecast but below year ago levels. Gaming results were below forecast, potentially due to collection timing and reporting issues

December Gross General Revenues: December collections total \$542.2 million, an increase of \$9.1 million or 1.7 percent above last year and \$12.0 million or 2.3 percent above forecast.

December Individual Income Tax collections total \$233.0 million. Collections decreased by \$12.3 million, or -5.0 percent compared to last year. With respect to the forecast, collections were \$6.1 million or -2.6 percent below forecast. Individual withholding decreased -4.9 percent compared to last year, reflecting calendar-related shift effects from payroll timing and offsetting an opposite swing in November collections.

December Individual Income Tax Refunds total \$2.2 million, -\$1.1 million or -33.6 percent below last year and \$1.3 million or -37.8 percent below forecast. Refund amounts below forecast contribute to bottom line, net available fund results.

December Sales and Use Tax Collections: December collections total \$188.4 million, an increase of \$1.9 million or 1.0 percent above last year. Collections were below monthly forecast levels by \$2.1 million or -1.1 percent.

December Corporate Income Tax collections total \$85.4 million, an increase of \$21.7 million from year ago, and \$21.1 million or 32.8 percent above forecast.

December Corporate Income Tax Refunds total \$5.2 million. This amount is \$1.6 million below year ago levels.

December Tobacco Tax collections, a smaller component of general revenue in annual terms, total \$18.9 million. Collections decreased by \$0.4 million or -2.1 percent from year earlier levels and were above forecast by \$1.4 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 \$21.3 million, a decrease of -2.1 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 December 2014, \$38.7 million was collected and deposited to the fund. After deductions, the net amount is \$37.5 million. The monthly collection is equivalent to a 0.4 percent decrease from prior year collections.

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

THROUGH DECEMBER 2014
6 Months YTD
Forecast Date: 11/13/2014

MILLIONS OF DOLLARS

| | CURRENT YEAR | | | | CURRENT YEAR TO DATE | | | | ACTUAL AS % OF FORECAST |
|-----------------------------|-------------------|---------------------|-------------------------------|------|----------------------|-------------------|-------------------------------|-------|-------------------------------|
| | ACTUAL FY 2014 | FORECAST FY 2015 | INCREASE AMOUNT PERCENT | | ACTUAL FY 2014 | ACTUAL FY 2015 | INCREASE AMOUNT PERCENT | | |
| INDIVIDUAL INCOME | 1,360.9 | 1,397.8 | 36.9 | 2.7 | 1,360.9 | 1,403.9 | 43.0 | 3.2 | 100.4 |
| CORPORATE INCOME | 203.6 | 204.5 | 0.9 | 0.5 | 203.6 | 224.4 | 20.8 | 10.2 | 109.7 |
| SALES AND USE | 1,100.8 | 1,111.6 | 10.8 | 1.0 | 1,100.8 | 1,110.2 | 9.4 | 0.9 | 99.9 |
| ALCOHOLIC BEVERAGE | 25.7 | 26.3 | 0.6 | 2.2 | 25.7 | 26.3 | 0.5 | 2.0 | 99.9 |
| TOBACCO | 113.5 | 111.5 | -2.0 | -1.8 | 113.5 | 113.4 | -0.1 | -0.1 | 101.7 |
| INSURANCE | 44.1 | 44.7 | 0.6 | 1.4 | 44.1 | 44.8 | 0.7 | 1.7 | 100.2 |
| RACING | 1.2 | 1.2 | 0.0 | -2.9 | 1.2 | 1.1 | -0.2 | -13.8 | 88.8 |
| GAMES OF SKILL | 18.8 | 20.4 | 1.6 | 8.2 | 18.8 | 18.4 | -0.4 | -2.4 | 90.2 |
| MISCELLANEOUS ¹ | 53.3 | 55.9 | 2.6 | 4.8 | 53.3 | 56.0 | 2.6 | 4.9 | 100.2 |
| TOTAL GROSS | 2,922.0 | 2,973.9 | 51.9 | 1.8 | 2,922.0 | 2,998.5 | 76.5 | 2.6 | 100.8 |
| LESS: SCSF/COF ² | 96.4 | 95.2 | -1.2 | -1.3 | 96.4 | 96.0 | -0.5 | -0.5 | 100.8 |
| IND INCOME TAX REFUNDS | 54.2 | 54.1 | -0.1 | -0.1 | 54.2 | 51.3 | -2.9 | -5.3 | 94.8 |
| CORP INCOME TAX REFUNDS | 39.1 | 36.4 | -2.7 | -7.0 | 39.1 | 22.6 | -16.5 | -42.1 | 62.2 |
| CLAIMS | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| ECON DEVEL INCENTIVE FUND | 8.2 | 9.3 | 1.1 | 13.3 | 8.2 | 5.5 | -2.7 | -33.2 | 58.9 |
| WATER/SEWER BONDS | 7.6 | 7.6 | 0.0 | 0.0 | 7.6 | 7.6 | 0.0 | 0.0 | 100.0 |
| COLLEGE SAVINGS BONDS | 5.3 | 5.2 | -0.1 | -2.6 | 5.3 | 5.2 | -0.1 | -2.4 | 100.2 |
| CITY/CO. TOURIST | 1.4 | 1.4 | 0.0 | -0.2 | 1.4 | 1.4 | 0.0 | -0.2 | 100.0 |
| SCHOOL DESEGREGATION | 36.2 | 48.1 | 11.9 | 32.9 | 36.2 | 48.2 | 12.0 | 33.1 | 100.1 |
| EDUCATIONAL EXCELLENCE | 145.2 | 148.7 | 3.5 | 2.4 | 145.2 | 148.7 | 3.5 | 2.4 | 100.0 |
| EDUCATIONAL ADEQUACY | 12.8 | 13.1 | 0.3 | 2.0 | 12.8 | 13.1 | 0.3 | 2.4 | 100.4 |
| NET AVAILABLE | 2,515.5 | 2,554.8 | 39.3 | 1.6 | 2,515.5 | 2,598.9 | 83.4 | 3.3 | 101.7 |

REVENUE FORECAST SUMMARY FOR DECEMBER

YEAR-TO-DATE GROSS
YEAR-TO-DATE NET AVAILABLE

\$ 24.6 MILLION OR 0.8% ABOVE FORECAST
\$ 44.1 MILLION OR 1.7% ABOVE FORECAST

| | | | |
|-------------------------------|------------------|------------------|-----------------|
| SOFT DRINK EXCISE TAX | <u>YTD FY 14</u> | <u>YTD FY 15</u> | <u>% CHANGE</u> |
| (MEDICAID PROGRAM TRUST FUND) | 21.8 | 21.3 | -2.1 |
| EDUCATIONAL ADEQUACY FUND | <u>YTD FY 14</u> | <u>YTD FY 15</u> | <u>% CHANGE</u> |
| (NET COLLECTIONS) | 222.6 | 224.0 | 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.

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

December 31, 2014
Days Remaining: 0
Forecast date: 11/13/2014

MILLIONS OF \$

| | CURRENT MONTH | | | | CURRENT MONTH TO DATE | | | | ACTUAL AS % OF FORECAST |
|-------------------------------|-------------------|---------------------|------------------|-------------|-----------------------|-------------------|------------------|------------|-------------------------------|
| | ACTUAL FY 2014 | FORECAST FY 2015 | CHANGE AMOUNT | PERCENT | ACTUAL FY 2014 | ACTUAL FY 2015 | CHANGE AMOUNT | PERCENT | |
| INDIVIDUAL INCOME | 245.3 | 239.1 | -6.2 | -2.5 | 245.3 | 233.0 | -12.3 | -5.0 | 97.4 |
| CORPORATE INCOME | 63.7 | 64.3 | 0.6 | 0.9 | 63.7 | 85.4 | 21.7 | 34.0 | 132.8 |
| SALES AND USE | 186.5 | 190.5 | 4.0 | 2.1 | 186.5 | 188.4 | 1.9 | 1.0 | 98.9 |
| ALCOHOLIC BEVERAGE | 4.0 | 4.1 | 0.1 | 1.6 | 4.0 | 4.0 | 0.0 | -1.0 | 97.5 |
| TOBACCO | 19.3 | 17.5 | -1.8 | -9.2 | 19.3 | 18.9 | -0.4 | -2.1 | 107.8 |
| INSURANCE | 0.6 | 0.6 | 0.0 | 7.6 | 0.6 | 0.6 | 0.0 | 5.3 | 97.8 |
| RACING | 0.3 | 0.2 | -0.1 | -29.3 | 0.3 | 0.1 | -0.2 | -56.1 | 62.1 |
| GAMES OF SKILL | 3.1 | 3.4 | 0.3 | 9.8 | 3.1 | 1.3 | -1.8 | -57.0 | 39.1 |
| MISCELLANEOUS ¹ | 10.3 | 10.5 | 0.2 | 1.9 | 10.3 | 10.5 | 0.2 | 1.8 | 100.0 |
| TOTAL GROSS | 533.0 | 530.2 | -2.8 | -0.5 | 533.0 | 542.2 | 9.1 | 1.7 | 102.3 |
| LESS: (SCSF/COF) ² | 17.6 | 17.0 | -0.6 | -3.4 | 17.6 | 17.3 | -0.2 | -1.4 | 102.1 |
| IND INC TAX REFUNDS | 3.3 | 3.5 | 0.2 | 6.7 | 3.3 | 2.2 | -1.1 | -33.6 | 62.2 |
| CORP INC TAX REFUNDS | 6.8 | 9.7 | 2.9 | 42.4 | 6.8 | 5.2 | -1.6 | -23.7 | 53.6 |
| CLAIMS | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| ECON DEVEL INCENTIVE FUND | 0.1 | 2.3 | 2.2 | 1638.3 | 0.1 | 0.5 | 0.3 | 258.0 | 20.6 |
| 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 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| SCHOOL DESEGREGATION | 5.6 | 6.0 | 0.4 | 7.1 | 5.6 | 6.0 | 0.4 | 6.8 | 99.7 |
| EDUCATIONAL EXCELLENCE | 24.2 | 24.8 | 0.6 | 2.4 | 24.2 | 24.8 | 0.6 | 2.4 | 99.9 |
| EDUCATIONAL ADEQUACY | 2.1 | 2.2 | 0.1 | 2.8 | 2.1 | 2.2 | 0.1 | 2.4 | 99.6 |
| NET AVAILABLE | 472.1 | 463.5 | -8.6 | -1.8 | 472.1 | 482.8 | 10.7 | 2.3 | 104.2 |

REVENUE FORECAST SUMMARY FOR DECEMBER

| | |
|------------------------|--|
| DECEMBER GROSS | \$ 12.0 MILLION OR 2.3% ABOVE FORECAST |
| DECEMBER NET AVAILABLE | \$ 19.3 MILLION OR 4.2% ABOVE FORECAST |

| | | | |
|---|-------------------------|-------------------------|---------------------|
| EDUCATIONAL ADEQUACY FUND (NET DEPOSIT, MONTH-TO-DATE) | <u>Dec FY14</u> 37.7 | <u>Dec FY15</u> 37.5 | <u>% CH</u> -0.4 |
|---|-------------------------|-------------------------|---------------------|

- 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.