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and Administration**

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**MEMORANDUM**

TO: Larry Walther, Director  
Tim Leathers, Deputy Director

FROM: John Shelnett, Economic Analysis & Tax Research

SUBJECT: **General Revenue Report for August (FY 2016)**

DATE: September 2, 2015

Copy: Governor's Office  
Management Services

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**YEAR-TO-DATE REVENUE SUMMARY**

**Year-to-date Net Available General Revenues:** Year-to-date net available general revenues total \$820.6 million, \$19.1 million or 2.4 percent above year ago levels. After two months into the fiscal year, net available revenue is above forecast by \$34.8 million or 4.4 percent.

**Year-to-date Gross General Revenues:** Year-to-date gross collections total \$944.9 million, representing an increase of \$17.1 million or 1.8 percent above last year. Gross general revenues are above forecast by \$27.7 million or 3.0 percent.

**Year-to-date Individual Income Taxes:** Year-to-date individual income tax collections total \$416.0 million, \$6.4 million or -1.5 percent below FY 2015 collections and \$12.2 million or 3.0 percent above forecast.

**Year-to-date individual income tax refunds** total \$14.8 million, down \$3.6 million or -19.5 percent compared to last year and \$4.6 million or -23.6 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 \$397.7 million, an increase of \$24.0 million or 6.4 percent from FY 2015 and \$16.6 million or 4.4 percent above forecast.

**Year-to-date Corporate Income Taxes:** Year-to-date corporate revenues total \$26.5 million, an increase of \$0.3 million or 1.3 percent from year-to-date FY 2015. Corporate income is below forecast by \$7.9 million or -22.8 percent.

**Year-to-date corporate income tax refunds** total \$2.9 million, a decrease of \$0.1 million compared to the same year-to-date period last year.

## **AUGUST REVENUE SUMMARY**

**August Net Available General Revenues** total \$421.4 million, \$23.1 million or 5.8 percent above last year and \$28.0 million or 7.1 percent above forecast.

August results were ahead of forecast in the two largest categories of collections, Individual Income tax and Sales and Use tax. A decline in Corporate Income tax collections occurred in an otherwise minor collection month.

Among major contributors, Sales tax growth was 8.7 percent above year ago collections (\$12.7 million over forecast), of which several one-time audit payments amounted to additions of \$6.0 million during the month. Sales tax growth excluding the one-time collections was 5.5 percent. Gains excluding one-time effects were significant overall and in a variety of consumption categories. Individual Income tax collections were up 2.9 percent above year ago collections (\$11.5 million over forecast), partly attributable to payroll timing effects in the Withholding tax category.

Among smaller revenue sources, Tobacco was slightly above forecast and moderately above year ago collections. Results in Gaming revenue exceeded forecast and continued to display double-digit growth over year ago revenue.

**August Gross General Revenues:** August collections total \$478.1 million, an increase of \$21.1 million or 4.6 percent above last year and \$23.2 million or 5.1 percent above forecast.

**August Individual Income Tax** collections total \$215.2 million. Collections increased by \$6.0 million, or 2.9 percent compared to last year. With respect to the forecast, collections were \$11.5 million or 5.6 percent above forecast. Individual withholding increased 2.7 percent compared to last year.

**August Individual Income Tax Refunds** total \$5.2 million, \$2.8 million or -35.3 percent below last year and \$3.3 million or -38.7 percent below forecast. Refund amounts below forecast add to net available fund results.

**August Sales and Use Tax Collections:** August collections total \$204.6 million, an increase of \$16.4 million or 8.7 percent above last year. Collections were above monthly forecast levels by \$12.7 million or 6.6 percent. The results reflect the one-time contribution of sales tax audit payments during the month, combined with continued growth in underlying economic indicators for consumption.

**August Corporate Income Tax** collections total \$6.2 million, a decrease of \$1.7 million from year ago, and \$1.5 million or -20.0 percent below forecast in an otherwise minor collection month in this category.

**August Corporate Income Tax Refunds** total \$1.6 million. This amount is \$0.1 million below year ago levels. Refunds were \$0.2 million below forecast.

**August Tobacco Tax** collections, a smaller component of general revenue in annual terms, total \$18.0 million. Collections increased by \$0.5 million or 2.6 percent from year earlier levels and were also above forecast by \$0.2 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 \$7.8 million, an increase of 4.5 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 August 2015, \$42.1 million was collected and deposited to the fund. After deductions, the net amount is \$40.8 million. The monthly collection is equivalent to an 8.2 percent increase from prior year collections.

AUGUST 2015 YEAR-TO-DATE GENERAL REVENUE REPORT  
ECONOMIC ANALYSIS AND TAX RESEARCH, DFA

FORECAST DATE: 5/6/2015

MILLIONS OF \$

	ACTUAL FY15	FORECAST FY16	ACTUAL FY16	CHANGE FROM FORECAST		CHANGE FROM LAST YEAR	
				DOLLAR DIFFERENCE	PERCENT DIFFERENCE	DOLLAR DIFFERENCE	PERCENT DIFFERENCE
INDIVIDUAL INCOME	422.4	403.8	416.0	12.2	3.0	-6.4	-1.5
CORPORATE INCOME	26.2	34.4	26.5	-7.9	-22.8	0.3	1.3
SALES AND USE	373.7	381.1	397.7	16.6	4.4	24.0	6.4
ALCOHOLIC BEVERAGE	10.0	9.9	9.7	-0.2	-2.4	-0.4	-3.6
TOBACCO	38.5	36.3	38.9	2.6	7.2	0.4	1.0
INSURANCE	20.7	20.7	20.3	-0.4	-1.8	-0.3	-1.7
RACING	0.4	0.4	0.4	0.0	-10.7	0.0	-12.3
GAMES OF SKILL	6.8	7.0	8.7	1.7	24.4	1.9	27.7
MISCELLANEOUS <sup>1</sup>	29.1	23.6	26.6	3.0	12.8	-2.5	-8.5
<b>TOTAL GROSS</b>	<b>927.8</b>	<b>917.2</b>	<b>944.9</b>	<b>27.7</b>	<b>3.0</b>	<b>17.1</b>	<b>1.8</b>
LESS: SCSF/COF <sup>2</sup>	29.7	29.4	30.2	0.8	2.8	0.5	1.8
INDIV INCOME TAX REFUNDS	18.4	19.4	14.8	-4.6	-23.6	-3.6	-19.5
CORP INCOME TAX REFUNDS	3.0	3.1	2.9	-0.2	-6.4	-0.1	-4.1
CLAIMS	0.0	0.0	0.0	0.0	0.0	0.0	0.0
ECON DEVEL INCENTIVE FUND	0.0	3.8	1.0	-2.8	-74.9	1.0	0.0
WATER/SEWER BONDS	2.6	2.6	2.6	0.0	0.0	0.0	0.0
COLLEGE SAVINGS BONDS	0.0	0.0	0.0	0.0	0.0	0.0	105.8
CITY & COUNTY TOURIST	0.7	0.3	0.3	0.0	-12.7	-0.4	-62.6
SCHOOL DESEGREGATION	17.9	18.0	17.9	-0.1	-0.3	0.0	0.0
EDUCATIONAL EXCELLENCE	49.6	50.4	50.1	-0.3	-0.5	0.6	1.1
EDUCATIONAL ADEQUACY	4.4	4.4	4.4	0.0	0.7	0.0	1.1
<b>NET AVAILABLE</b>	<b>801.4</b>	<b>785.8</b>	<b>820.6</b>	<b>34.8</b>	<b>4.4</b>	<b>19.1</b>	<b>2.4</b>

REVENUE FORECAST SUMMARY FOR AUGUST

YEAR-TO-DATE GROSS	\$ 27.7 MILLION OR 3.0% ABOVE FORECAST
YEAR-TO-DATE NET AVAILABLE	\$ 34.8 MILLION OR 4.4% ABOVE FORECAST

SOFT DRINK EXCISE TAX (MEDICAID PROGRAM TRUST FUND)	<u>YTD FY15</u> 7.5	<u>YTD FY16</u> 7.8	<u>% CH</u> 4.5
EDUCATIONAL ADEQUACY FUND (NET COLLECTIONS)	<u>YTD FY15</u> 75.7	<u>YTD FY16</u> 80.5	<u>% CH</u> 6.3

1) Miscellaneous includes severance, corporate franchise, real estate transfer, dyed diesel, and other miscellaneous taxes.

2) State Central Services Fund and Constitutional Officers Fund.

AUGUST 2015 GENERAL REVENUE REPORT  
ECONOMIC ANALYSIS AND TAX RESEARCH, DFA

FORECAST DATE: 5/6/2015

MILLIONS OF \$

	CHANGE FROM FORECAST				CHANGE FROM LAST YEAR		
	ACTUAL AUG FY15	FORECAST AUG FY16	ACTUAL AUG FY16	DOLLAR DIFFERENCE	PERCENT DIFFERENCE	DOLLAR DIFFERENCE	PERCENT DIFFERENCE
INDIVIDUAL INCOME	209.1	203.7	215.2	11.5	5.6	6.0	2.9
CORPORATE INCOME	7.8	7.7	6.2	-1.5	-20.0	-1.7	-21.3
SALES AND USE	188.2	191.9	204.6	12.7	6.6	16.4	8.7
ALCOHOLIC BEVERAGE	4.3	4.4	4.3	-0.1	-2.1	0.0	0.0
TOBACCO	17.5	17.8	18.0	0.2	1.1	0.5	2.6
INSURANCE	19.7	19.7	19.6	-0.1	-0.4	0.0	-0.2
RACING	0.2	0.2	0.2	0.0	-10.0	0.0	-20.0
GAMES OF SKILL	3.5	3.6	4.6	1.0	28.4	1.1	31.2
MISCELLANEOUS <sup>1</sup>	6.6	5.9	5.4	-0.5	-7.8	-1.2	-17.6
TOTAL GROSS	457.0	454.9	478.1	23.2	5.1	21.1	4.6
LESS: SCSF/COF <sup>2</sup>	14.6	14.6	15.3	0.7	4.8	0.7	4.6
INDIV INCOME TAX REFUNDS	8.1	8.5	5.2	-3.3	-38.7	-2.8	-35.3
CORP INCOME TAX REFUNDS	1.8	1.8	1.6	-0.2	-10.8	-0.1	-8.3
CLAIMS	0.0	0.0	0.0	0.0	0.0	0.0	0.0
ECON DEVEL INCENTIVE FUND	0.0	1.9	0.0	-1.9	-99.4	0.0	0.0
WATER/SEWER BONDS	1.3	1.3	1.3	0.0	0.0	0.0	0.0
COLLEGE SAVINGS BONDS	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
SCHOOL DESEGREGATION	6.0	6.0	6.0	0.0	-0.3	0.0	0.0
EDUCATIONAL EXCELLENCE	24.8	25.2	25.1	-0.1	-0.5	0.3	1.1
EDUCATIONAL ADEQUACY	2.2	2.2	2.2	0.0	0.7	0.0	1.1
NET AVAILABLE	398.3	393.4	421.4	28.0	7.1	23.1	5.8

REVENUE FORECAST SUMMARY FOR AUGUST

AUGUST GROSS	\$ 23.2 MILLION OR 5.1% ABOVE FORECAST
AUGUST NET AVAILABLE	\$ 28.0 MILLION OR 7.1% ABOVE FORECAST

EDUCATIONAL ADEQUACY FUND (NET DEPOSIT, MONTH-TO-DATE)	<u>Aug FY15</u> 37.7	<u>Aug FY16</u> 40.8	<u>% CH</u> 8.2
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1) Miscellaneous includes severance, corporate franchise, real estate transfer, dyed diesel, and other miscellaneous taxes.

2) State Central Services Fund and Constitutional Officers Fund.