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**Department of Finance
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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 September (FY 2016)**

DATE: October 2, 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 \$1,336.6 million, \$14.4 million or 1.1 percent above year ago levels. After three months into the fiscal year, net available revenue is above forecast by \$49.9 million or 3.9 percent.

Year-to-date Gross General Revenues: Year-to-date gross collections total \$1,521.9 million, representing an increase of \$8.7 million or 0.6 percent above last year. Gross general revenues are above forecast by \$40.7 million or 2.7 percent.

Year-to-date Individual Income Taxes: Year-to-date individual income tax collections total \$681.4 million, \$32.3 million or -4.5 percent below FY 2015 collections and \$8.1 million or 1.2 percent above forecast.

Year-to-date individual income tax refunds total \$19.9 million, down \$4.5 million or -18.4 percent compared to last year and \$5.8 million or -22.4 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 \$596.1 million, an increase of \$38.8 million or 7.0 percent from FY 2015 and \$27.7 million or 4.9 percent above forecast.

Year-to-date Corporate Income Taxes: Year-to-date corporate revenues total \$106.6 million, an increase of \$3.4 million or 3.3 percent from year-to-date FY 2015. Corporate income is below forecast by \$2.5 million or -2.3 percent.

Year-to-date corporate income tax refunds total \$4.5 million, a decrease of \$0.2 million compared to the same year-to-date period last year.

SEPTEMBER REVENUE SUMMARY

September Net Available General Revenues total \$516.0 million, \$4.7 million or -0.9 percent below last year and \$15.1 million or 3.0 percent above forecast.

September results were ahead of forecast in Sales and Use tax and Corporate Income tax, and marginally below forecast in Individual Income tax. Lower than expected refunds also boosted net available funds.

Among major contributors, Sales tax growth was 8.0 percent above year ago collections and \$11.1 million over forecast. Corporate Income tax collections also added \$5.4 million to the amount above forecast. Individual Income tax collections were down -8.9 percent below year ago collections (\$4.2 million below forecast), partly attributable to payroll timing effects in the Withholding tax category. Estimated payments were above forecast in both Individual and Corporate Income Tax.

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.

September Gross General Revenues: September collections total \$577.0 million, a decrease of \$8.4 million or -1.4 percent below last year and \$13.0 million or 2.3 percent above forecast.

September Individual Income Tax collections total \$265.3 million. Collections decreased by \$26.0 million, or -8.9 percent compared to last year. With respect to the forecast, collections were \$4.2 million or -1.5 percent below forecast. Estimated payments in September were \$1.4 million above forecast and 1.0 percent above year ago payments.

September Individual Income Tax Refunds total \$5.1 million, \$0.9 million or -14.7 percent below last year and \$1.2 million or -18.9 percent below forecast. Refund amounts below forecast add to net available fund results.

September Sales and Use Tax Collections: September collections total \$198.4 million, an increase of \$14.7 million or 8.0 percent above last year. Collections were above monthly forecast levels by \$11.1 million or 5.9 percent. The results reflect continued growth in underlying economic indicators for consumption, and now totals six consecutive months of elevated growth in collections.

September Corporate Income Tax collections total \$80.1 million, an increase of \$3.1 million from year ago, and \$5.4 million or 7.2 percent above forecast. Corporate Estimated Payments accounted for \$3.7 million of the amount above forecast.

September Corporate Income Tax Refunds total \$1.6 million. This amount is \$0.1 million below year ago levels. Refunds were \$0.6 million below forecast.

September Tobacco Tax collections, a smaller component of general revenue in annual terms, total \$18.6 million. Collections increased by \$0.8 million or 4.3 percent from year earlier levels and were also 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 \$11.6 million, an increase of 4.3 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 September 2015, \$40.7 million was collected and deposited to the fund. After deductions, the net amount is \$39.4 million. The monthly collection is equivalent to a 5.3 percent increase from prior year collections.

SEPTEMBER 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	713.7	673.3	681.4	8.1	1.2	-32.3	-4.5
CORPORATE INCOME	103.2	109.1	106.6	-2.5	-2.3	3.4	3.3
SALES AND USE	557.4	568.4	596.1	27.7	4.9	38.8	7.0
ALCOHOLIC BEVERAGE	14.0	14.0	13.2	-0.8	-6.0	-0.8	-5.8
TOBACCO	56.3	54.1	57.5	3.4	6.3	1.2	2.1
INSURANCE	22.1	22.1	22.0	-0.1	-0.6	-0.1	-0.5
RACING	0.6	0.5	0.5	0.0	-3.5	-0.1	-13.9
GAMES OF SKILL	10.5	10.6	13.1	2.5	23.5	2.6	25.1
MISCELLANEOUS ¹	35.5	29.1	31.6	2.5	8.6	-4.0	-11.1
TOTAL GROSS	1,513.2	1,481.2	1,521.9	40.7	2.7	8.7	0.6
LESS: SCSF/COF ²	48.4	47.4	48.7	1.3	2.7	0.3	0.6
INDIV INCOME TAX REFUNDS	24.4	25.7	19.9	-5.8	-22.4	-4.5	-18.4
CORP INCOME TAX REFUNDS	4.7	5.3	4.5	-0.8	-15.0	-0.2	-5.1
CLAIMS	0.0	0.0	0.0	0.0	0.0	0.0	0.0
ECON DEVEL INCENTIVE FUND	3.9	5.7	2.2	-3.5	-61.4	-1.7	-43.9
WATER/SEWER BONDS	3.9	3.9	3.9	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	23.9	24.0	23.9	-0.1	-0.3	0.0	0.0
EDUCATIONAL EXCELLENCE	74.4	75.6	75.2	-0.4	-0.5	0.8	1.1
EDUCATIONAL ADEQUACY	6.6	6.6	6.6	0.0	0.7	0.1	1.1
NET AVAILABLE	1,322.2	1,286.7	1,336.6	49.9	3.9	14.4	1.1

REVENUE FORECAST SUMMARY FOR SEPTEMBER

YEAR-TO-DATE GROSS	\$ 40.7 MILLION OR 2.7% ABOVE FORECAST
YEAR-TO-DATE NET AVAILABLE	\$ 49.9 MILLION OR 3.9% ABOVE FORECAST

SOFT DRINK EXCISE TAX (MEDICAID PROGRAM TRUST FUND)	<u>YTD FY15</u> 11.2	<u>YTD FY16</u> 11.6	<u>% CH</u> 4.3
EDUCATIONAL ADEQUACY FUND (NET COLLECTIONS)	<u>YTD FY15</u> 113.1	<u>YTD FY16</u> 119.9	<u>% CH</u> 6.0

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

2) State Central Services Fund and Constitutional Officers Fund.

SEPTEMBER 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 SEPT FY15	FORECAST SEPT FY16	ACTUAL SEPT FY16	DOLLAR DIFFERENCE	PERCENT DIFFERENCE	DOLLAR DIFFERENCE	PERCENT DIFFERENCE
INDIVIDUAL INCOME	291.3	269.5	265.3	-4.2	-1.5	-26.0	-8.9
CORPORATE INCOME	77.0	74.7	80.1	5.4	7.2	3.1	4.0
SALES AND USE	183.7	187.3	198.4	11.1	5.9	14.7	8.0
ALCOHOLIC BEVERAGE	3.9	4.1	3.5	-0.6	-14.9	-0.4	-11.4
TOBACCO	17.8	17.8	18.6	0.8	4.3	0.8	4.3
INSURANCE	1.4	1.4	1.7	0.3	17.9	0.2	17.5
RACING	0.2	0.1	0.1	0.0	25.6	0.0	-18.2
GAMES OF SKILL	3.6	3.6	4.4	0.8	21.8	0.7	20.2
MISCELLANEOUS ¹	6.5	5.5	5.0	-0.5	-9.7	-1.5	-23.1
TOTAL GROSS	585.4	564.0	577.0	13.0	2.3	-8.4	-1.4
LESS: SCSF/COF ²	18.7	18.0	18.5	0.5	2.6	-0.3	-1.4
INDIV INCOME TAX REFUNDS	6.0	6.3	5.1	-1.2	-18.9	-0.9	-14.7
CORP INCOME TAX REFUNDS	1.7	2.2	1.6	-0.6	-27.1	-0.1	-7.0
CLAIMS	0.0	0.0	0.0	0.0	0.0	0.0	0.0
ECON DEVEL INCENTIVE FUND	3.9	1.9	1.2	-0.7	-34.4	-2.7	-68.2
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	520.7	500.9	516.0	15.1	3.0	-4.7	-0.9

REVENUE FORECAST SUMMARY FOR SEPTEMBER

SEPTEMBER GROSS	\$ 13.0 MILLION OR 2.3% ABOVE FORECAST
SEPTEMBER NET AVAILABLE	\$ 15.1 MILLION OR 3.0% ABOVE FORECAST

EDUCATIONAL ADEQUACY FUND (NET DEPOSIT, MONTH-TO-DATE)	<u>Sept FY15</u> 37.4	<u>Sept FY16</u> 39.4	<u>% CH</u> 5.3
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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.