



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

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MEMORANDUM

TO: Larry Walther, Director
Tim Leathers, Deputy Director

FROM: John Shelnett, Economic Analysis & Tax Research JS

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

DATE: March 2, 2016

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 \$3,412.9 million, which is \$74.4 million or 2.2 percent above year ago levels. On February 1st, the Official Forecast was revised before the start of the fiscal session. That forecast raised guidance for FY 2016 to include a fully funded budget under the current Revenue Stabilization Law and predicted a surplus of \$35.9 million. After eight months into the fiscal year and after the upward forecast revision, net available revenue is above the revised forecast by \$31.8 million.

Year-to-date Gross General Revenues: Year-to-date gross collections total \$4,052.9 million, representing an increase of \$18.0 million or 0.4 percent above last year. Gross general revenues are below forecast by \$6.7 million or -0.2 percent.

Year-to-date Individual Income Taxes: Year-to-date individual income tax collections total \$1,919.3 million, \$51.3 million or -2.6 percent below FY 2015 collections and \$4.6 million or -0.2 percent below forecast.

Year-to-date individual income tax refunds total \$160.0 million, down \$74.6 million or -31.8 percent compared to last year and \$33.0 million or -17.1 percent below forecast. Amounts below forecast in refund categories add to net available revenue results.

Year-to-date Sales and Use Tax Collections: On a year-to-date basis, sales and use taxes total \$1,536.9 million, an increase of \$56.9 million or 3.8 percent from FY 2015 and \$3.7 million or -0.2 percent below forecast.

Year-to-date Corporate Income Taxes: Year-to-date corporate revenues total \$271.0 million, an increase of \$8.7 million or 3.3 percent above year-to-date FY 2015. Corporate income is above forecast by \$1.3 million or 0.5 percent.

Year-to-date corporate income tax refunds total \$58.3 million, an increase of \$26.0 million compared to the same year-to-date period last year.

FEBRUARY REVENUE SUMMARY

February Net Available General Revenues total \$279.9 million, \$61.6 million or 28.2 percent above last year and \$31.8 million or 12.8 percent above forecast.

Results in February were above forecast because of declines in income tax refunds. Collection results were below forecast in Individual Income tax and Sales and Use tax. Corporate Income tax was above forecast in an otherwise low collection month for that category.

Among smaller revenue sources, Tobacco matched the forecast and Games of Skill was above forecast by 6.7 percent (+\$0.3 million).

February Gross General Revenues: February collections total \$420.4 million, a decrease of \$0.3 million or -0.1 percent below last year and \$6.7 million or -1.6 percent below forecast.

February Individual Income Tax collections total \$205.8 million. Collections decreased by \$4.7 million, or -2.2 percent compared to last year. With respect to the forecast, collections were \$4.6 million or -2.2 percent below forecast. Reduced collections from Withholding tax accounted for the decline from year ago levels.

February Individual Income Tax Refunds total \$88.1 million, \$60.3 million below last year and \$33.0 million below forecast. Refund amounts below forecast add to net available fund results.

February Sales and Use Tax Collections: February collections total \$178.3 million, an increase of \$1.8 million or 1.0 percent above last year. Collections were below monthly forecast levels by \$3.7 million or -2.0 percent. The results largely reflect taxable sales activity in January.

February Corporate Income Tax collections total \$6.0 million, an increase of \$1.7 million from year ago, and \$1.3 million or 26.7 percent above forecast. The gain occurred mainly in estimated payments.

February Corporate Income Tax Refunds total \$4.4 million. This amount is \$0.9 million below year ago levels. Refunds were \$1.5 million below forecast.

February Tobacco Tax collections, a smaller component of general revenue in annual terms, total \$16.5 million. Collections increased by \$1.0 million or 6.6 percent from year earlier levels and were -0.2 percent below forecast. 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 \$30.0 million, an increase of 5.1 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 February 2016, \$36.7 million was collected and deposited to the fund. After deductions, the net amount is \$35.6 million. The monthly collection is equivalent to a gain of 0.7 percent from prior year collections.

FEBRUARY 2016 YEAR-TO-DATE GENERAL REVENUE REPORT
ECONOMIC ANALYSIS AND TAX RESEARCH, DFA

FORECAST DATE: 2/1/2016

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	1,970.6	1,923.9	1,919.3	-4.6	-0.2	-51.3	-2.6
CORPORATE INCOME	262.2	269.7	271.0	1.3	0.5	8.7	3.3
SALES AND USE	1,480.0	1,540.6	1,536.9	-3.7	-0.2	56.9	3.8
ALCOHOLIC BEVERAGE	34.8	35.2	35.2	0.0	0.0	0.4	1.2
TOBACCO	145.4	146.8	146.8	0.0	0.0	1.3	0.9
INSURANCE	46.3	45.5	45.6	0.1	0.3	-0.7	-1.5
RACING	1.6	1.6	1.6	0.0	-0.5	0.0	-3.0
GAMES OF SKILL	28.6	34.7	35.0	0.3	0.8	6.4	22.2
MISCELLANEOUS ¹	65.3	61.6	61.6	0.0	0.0	-3.7	-5.7
TOTAL GROSS	4,034.9	4,059.6	4,052.9	-6.7	-0.2	18.0	0.4
LESS: SCSF/COF ²	129.1	129.9	129.7	-0.2	-0.2	0.6	0.4
INDIV INCOME TAX REFUNDS	234.6	193.0	160.0	-33.0	-17.1	-74.6	-31.8
CORP INCOME TAX REFUNDS	32.3	59.8	58.3	-1.5	-2.5	26.0	80.4
CLAIMS	0.0	0.0	0.0	0.0	0.0	0.0	0.0
ECON DEVEL INCENTIVE FUND	7.1	8.2	4.5	-3.7	-45.6	-2.7	-37.4
WATER/SEWER BONDS	10.0	10.0	10.0	0.0	0.0	0.0	0.0
COLLEGE SAVINGS BONDS	5.2	4.7	4.7	0.0	-0.9	-0.6	-10.6
CITY & COUNTY TOURIST	2.1	0.8	0.8	0.0	-1.8	-1.3	-62.6
SCHOOL DESEGREGATION	60.1	53.8	53.8	0.0	0.1	-6.3	-10.5
EDUCATIONAL EXCELLENCE	198.3	200.6	200.5	-0.1	0.0	2.2	1.1
EDUCATIONAL ADEQUACY	17.5	17.7	17.7	0.0	0.2	0.2	1.1
TOTAL DEDUCTIONS	696.4	678.5	640.0	-38.5	-5.7	-56.4	-8.1
NET AVAILABLE	3,338.5	3,381.1	3,412.9	31.8	0.9	74.4	2.2

REVENUE FORECAST SUMMARY FOR FEBRUARY

YEAR-TO-DATE GROSS	\$ 6.7 MILLION OR 0.2% BELOW FORECAST
YEAR-TO-DATE NET AVAILABLE	\$ 31.8 MILLION OR 0.9% ABOVE FORECAST

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

2) State Central Services Fund and Constitutional Officers Fund.

FEBRUARY 2016 GENERAL REVENUE REPORT
ECONOMIC ANALYSIS AND TAX RESEARCH, DFA

FORECAST DATE: 2/1/2016

MILLIONS OF \$

	CHANGE FROM FORECAST				CHANGE FROM LAST YEAR		
	ACTUAL FEB FY15	FORECAST FEB FY16	ACTUAL FEB FY16	DOLLAR DIFFERENCE	PERCENT DIFFERENCE	DOLLAR DIFFERENCE	PERCENT DIFFERENCE
INDIVIDUAL INCOME	210.5	210.4	205.8	-4.6	-2.2	-4.7	-2.2
CORPORATE INCOME	4.3	4.7	6.0	1.3	26.7	1.7	38.4
SALES AND USE	176.5	182.0	178.3	-3.7	-2.0	1.8	1.0
ALCOHOLIC BEVERAGE	3.9	4.0	4.0	0.0	0.3	0.1	2.5
TOBACCO	15.5	16.6	16.5	0.0	-0.2	1.0	6.6
INSURANCE	0.7	0.7	0.8	0.1	17.4	0.1	9.8
RACING	0.3	0.3	0.3	0.0	-2.7	0.0	3.2
GAMES OF SKILL	4.2	4.3	4.5	0.3	6.7	0.4	8.6
MISCELLANEOUS ¹	4.8	4.2	4.2	0.0	0.1	-0.6	-11.7
TOTAL GROSS	420.7	427.1	420.4	-6.7	-1.6	-0.3	-0.1
LESS: SCSF/COF ²	13.5	13.7	13.5	-0.2	-1.5	0.0	-0.1
INDIV INCOME TAX REFUNDS	148.4	121.1	88.1	-33.0	-27.2	-60.3	-40.6
CORP INCOME TAX REFUNDS	5.3	5.9	4.4	-1.5	-25.6	-0.9	-16.5
CLAIMS	0.0	0.0	0.0	0.0	0.0	0.0	0.0
ECON DEVEL INCENTIVE FUND	1.0	3.8	0.1	-3.7	-98.5	-1.0	-94.5
WATER/SEWER BONDS	1.2	1.2	1.2	0.0	0.0	0.0	0.0
COLLEGE SAVINGS BONDS	0.0	0.0	0.0	0.0	-100.0	0.0	0.0
CITY & COUNTY TOURIST	0.0	0.0	0.0	0.0	-100.0	0.0	0.0
SCHOOL DESEGREGATION	6.0	5.9	6.0	0.0	0.5	0.0	0.0
EDUCATIONAL EXCELLENCE	24.8	25.1	25.1	-0.1	-0.2	0.3	1.1
EDUCATIONAL ADEQUACY	2.2	2.2	2.2	0.0	1.3	0.0	1.1
TOTAL DEDUCTIONS	202.3	179.0	140.5	-38.5	-21.5	-61.8	-30.6
NET AVAILABLE	218.3	248.1	279.9	31.8	12.8	61.6	28.2

REVENUE FORECAST SUMMARY FOR FEBRUARY

FEBRUARY GROSS	\$ 6.7 MILLION OR 1.6% BELOW FORECAST
FEBRUARY NET AVAILABLE	\$ 31.8 MILLION OR 12.8% ABOVE FORECAST

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

2) State Central Services Fund and Constitutional Officers Fund.