



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

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

DATE: May 3, 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 \$4,487.9 million, which is \$160.2 million or 3.7 percent above year ago levels. After ten months into the fiscal year, net available revenue is above forecast by \$110.0 million or 2.5 percent.

Year-to-date Gross General Revenues: Year-to-date gross collections total \$5,394.4 million, representing an increase of \$21.5 million or 0.4 percent above last year. Gross general revenues are above forecast by \$22.5 million or 0.4 percent.

Year-to-date Individual Income Taxes: Year-to-date individual income tax collections total \$2,661.0 million, \$49.1 million or -1.8 percent below FY 2015 collections and \$3.8 million or 0.1 percent above forecast.

Year-to-date individual income tax refunds total \$306.4 million, down \$154.4 million or -33.5 percent compared to last year and \$72.9 million or -19.2 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 \$1,923.5 million, an increase of \$73.7 million or 4.0 percent from FY 2015

and \$3.2 million or 0.2 percent above forecast.

Year-to-date Corporate Income Taxes: Year-to-date corporate revenues total \$392.8 million, a decrease of \$11.3 million or -2.8 percent below year-to-date FY 2015. Corporate income is above forecast by \$3.3 million or 0.9 percent.

Year-to-date corporate income tax refunds total \$63.4 million, an increase of \$23.4 million compared to the same year-to-date period last year. Corporate refunds are \$6.8 million below forecast or -9.7 percent.

APRIL REVENUE SUMMARY

April Net Available General Revenues total \$661.3 million, \$37.2 million or 6.0 percent above last year and \$37.1 million or 5.9 percent above forecast.

Results in April, the largest collection month of the year, were above forecast in Individual Income tax and below forecast in Corporate Income tax and Sales tax. Also, refunds in both Individual and Corporate Income tax were less than expected, adding to Net Available revenue by a combined \$26.9 million.

The results include a one-time deposit of \$8.1 million. This was recorded as Miscellaneous revenue in the report. The deposit to general revenue represents excess funds after the cessation of operations of the Arkansas Comprehensive Health Insurance Pool.

Individual Income tax collections contributed \$4.8 million above forecast in April, as Withholding Income tax from payrolls offset shortfalls compared to forecast in Returns with Payments and Estimated Payments.

Corporate Income tax receipts fell below year ago collections and below forecast for the month, falling \$3.0 million below forecast.

Sales and Use tax revenue rose 1.4 percent compared to year ago but were 0.8 percent below forecast. This amounted to \$1.6 million below forecast for the month.

Among smaller revenue sources, Tobacco was above forecast (+\$1.7 million) and Games of Skill was also above forecast (+\$0.5 million).

April Gross General Revenues: April collections total \$793.7 million, a decrease of \$7.5 million or -0.9 percent below last year and \$8.4 million or 1.1 percent above forecast.

April Individual Income Tax collections total \$505.3 million. Collections decreased by \$4.8 million, or -0.9 percent compared to last year. With respect to the forecast, collections were \$4.8 million or 1.0 percent above expected levels. Gains from

Withholding tax on payrolls accounted for most of the increase from year ago levels and forecast.

April Individual Income Tax Refunds total \$68.2 million, \$42.5 million below last year and \$23.1 million below forecast. Refund amounts below forecast add to net available fund results.

April Sales and Use Tax Collections: April collections total \$192.7 million, an increase of \$2.6 million or 1.4 percent above last year. Collections were below monthly forecast levels by \$1.6 million or -0.8 percent. The collection results largely reflect taxable sales activity in March.

April Corporate Income Tax collections total \$55.9 million, a decrease of \$10.5 million from year ago, and \$3.0 million or -5.1 percent below forecast.

April Corporate Income Tax Refunds total \$2.4 million. This amount is \$2.2 million below year ago levels. Refunds were \$3.8 million below forecast.

April Tobacco Tax collections, a smaller component of general revenue in annual terms, total \$18.5 million. Collections decreased by \$1.1 million or -5.7 percent from year earlier levels and were 10.0 percent above 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 \$37.3 million, an increase of 7.2 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 2016, \$46.9 million was collected and deposited to the fund. After deductions, the net amount is \$45.5 million. The monthly collection is equivalent to a gain of 10.2 percent from prior year collections.

APRIL 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	2,710.1	2,657.2	2,661.0	3.8	0.1	-49.1	-1.8
CORPORATE INCOME	404.1	389.5	392.8	3.3	0.9	-11.3	-2.8
SALES AND USE	1,849.8	1,920.3	1,923.5	3.2	0.2	73.7	4.0
ALCOHOLIC BEVERAGE	43.1	43.8	43.9	0.1	0.2	0.8	1.8
TOBACCO	182.0	180.4	183.9	3.5	2.0	1.9	1.1
INSURANCE	67.4	62.7	62.8	0.1	0.2	-4.5	-6.7
RACING	2.3	2.3	2.2	-0.1	-4.4	-0.1	-5.5
GAMES OF SKILL	38.2	44.2	46.0	1.8	4.1	7.8	20.3
MISCELLANEOUS ¹	75.8	71.5	78.2	6.7	9.4	2.4	3.2
TOTAL GROSS	5,372.9	5,371.9	5,394.4	22.5	0.4	21.5	0.4
LESS: SCSF/COF ²	171.9	171.9	172.6	0.7	0.4	0.7	0.4
INDIV INCOME TAX REFUNDS	460.8	379.3	306.4	-72.9	-19.2	-154.4	-33.5
CORP INCOME TAX REFUNDS	40.0	70.2	63.4	-6.8	-9.7	23.4	58.4
CLAIMS	0.0	0.0	0.0	0.0	0.0	0.0	0.0
ECON DEVEL INCENTIVE FUND	10.1	15.8	7.3	-8.5	-53.6	-2.8	-27.6
WATER/SEWER BONDS	12.4	12.4	12.4	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	2.8	1.0	1.0	0.0	4.7	-1.8	-62.6
SCHOOL DESEGREGATION	72.1	65.8	65.8	0.0	0.0	-6.3	-8.7
EDUCATIONAL EXCELLENCE	247.9	250.8	250.7	-0.1	0.0	2.8	1.1
EDUCATIONAL ADEQUACY	21.9	22.1	22.2	0.1	0.3	0.2	1.1
TOTAL DEDUCTIONS	1,045.2	994.0	906.5	-87.5	-8.8	-138.7	-13.3
NET AVAILABLE	4,327.7	4,377.9	4,487.9	110.0	2.5	160.2	3.7

REVENUE FORECAST SUMMARY FOR APRIL

YEAR-TO-DATE GROSS	\$ 22.5 MILLION OR 0.4% ABOVE FORECAST
YEAR-TO-DATE NET AVAILABLE	\$ 110.0 MILLION OR 2.5% 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.

APRIL 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 APR FY15	FORECAST APR FY16	ACTUAL APR FY16	DOLLAR DIFFERENCE	PERCENT DIFFERENCE	DOLLAR DIFFERENCE	PERCENT DIFFERENCE
INDIVIDUAL INCOME	510.1	500.5	505.3	4.8	1.0	-4.8	-0.9
CORPORATE INCOME	66.5	58.9	55.9	-3.0	-5.1	-10.5	-15.9
SALES AND USE	190.0	194.3	192.7	-1.6	-0.8	2.6	1.4
ALCOHOLIC BEVERAGE	4.2	4.4	4.2	-0.2	-5.3	-0.1	-1.6
TOBACCO	19.6	16.8	18.5	1.7	10.0	-1.1	-5.7
INSURANCE	0.5	0.5	0.9	0.4	89.4	0.5	107.7
RACING	0.4	0.4	0.3	-0.1	-26.2	-0.1	-26.4
GAMES OF SKILL	4.8	4.8	5.3	0.5	11.4	0.5	10.7
MISCELLANEOUS ¹	5.1	4.7	10.5	5.8	124.0	5.4	106.1
TOTAL GROSS	801.2	785.3	793.7	8.4	1.1	-7.5	-0.9
LESS: SCSF/COF ²	25.6	25.1	25.4	0.3	1.2	-0.2	-0.9
INDIV INCOME TAX REFUNDS	110.7	91.3	68.2	-23.1	-25.3	-42.5	-38.4
CORP INCOME TAX REFUNDS	4.6	6.2	2.4	-3.8	-60.7	-2.2	-47.6
CLAIMS	0.0	0.0	0.0	0.0	0.0	0.0	0.0
ECON DEVEL INCENTIVE FUND	1.3	3.8	1.6	-2.2	-56.8	0.3	26.2
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	0.0	0.0	0.0
CITY & COUNTY TOURIST	0.7	0.2	0.3	0.1	30.9	-0.4	-62.6
SCHOOL DESEGREGATION	6.0	6.0	6.0	0.0	-0.3	0.0	0.0
EDUCATIONAL EXCELLENCE	24.8	25.1	25.1	0.0	-0.1	0.3	1.1
EDUCATIONAL ADEQUACY	2.2	2.2	2.2	0.0	0.7	0.0	1.1
TOTAL DEDUCTIONS	177.2	161.1	132.4	-28.7	-17.8	-44.8	-25.3
NET AVAILABLE	624.0	624.2	661.3	37.1	5.9	37.2	6.0

REVENUE FORECAST SUMMARY FOR APRIL

APRIL GROSS	\$ 8.4 MILLION OR 1.1% ABOVE FORECAST
APRIL NET AVAILABLE	\$ 37.1 MILLION OR 5.9% 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.