



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 August (FY 2017)**

DATE: September 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 \$816.8 million, \$3.8 million or -0.5 percent below year ago levels. After two months into the fiscal year, net available revenue is below forecast by \$15.3 million or -1.8 percent.

Year-to-date Gross General Revenues: Year-to-date gross collections total \$941.3 million, representing a decrease of \$3.5 million or -0.4 percent below last year. Gross general revenues are below forecast by \$19.1 million or -2.0 percent.

Year-to-date Individual Income Taxes: Year-to-date individual income tax collections total \$424.7 million, \$8.7 million or 2.1 percent above FY 2016 collections and \$0.8 million or 0.2 percent above forecast.

Year-to-date individual income tax refunds total \$11.2 million, down \$3.6 million or -24.3 percent compared to last year and \$1.8 million or -13.7 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 \$393.2 million, a decrease of \$4.5 million or -1.1 percent from FY 2016 and \$17.0 million or -4.1 percent below forecast.

Year-to-date Corporate Income Taxes: Year-to-date corporate revenues total \$12.3 million, a decrease of \$14.2 million or -53.5 percent from year-to-date FY 2016. Corporate income is below forecast by \$15.4 million or -55.5 percent.

Year-to-date corporate income tax refunds total \$3.4 million, an increase of \$0.5 million compared to the same year-to-date period last year.

AUGUST REVENUE SUMMARY

August Net Available General Revenues total \$416.1 million, \$5.2 million or -1.2 percent below last year and \$8.4 million or -2.0 percent below forecast.

August results were below forecast in each major category of collections.

Among the major categories, Sales tax collections were -2.2 percent below year ago levels, due in part to one-time audit payments received last year. The collections were \$8.0 million below forecast for the month. Individual Income tax collections were -0.5 percent below year ago collections (\$5.0 million under forecast), partly attributable to payroll timing effects in the Withholding tax category. Corporate Income tax collections were down slightly in a seasonally low collection month for that revenue type.

Among smaller revenue sources, Tobacco was above forecast and moderately above year ago collections. Results in Gaming revenue also exceeded forecast.

August Gross General Revenues: August collections total \$473.6 million, a decrease of \$4.5 million or -0.9 percent below last year and \$10.8 million or -2.2 percent below forecast.

August Individual Income Tax collections total \$214.1 million. Collections decreased by \$1.0 million, or 0.5 percent compared to last year. With respect to the forecast, collections were \$5.0 million or -2.3 percent below forecast. Individual withholding decreased -1.5 percent compared to last year.

August Individual Income Tax Refunds total \$5.4 million, \$0.1 million or 2.7 percent above last year and \$0.4 million or 7.0 percent above forecast. Refund amounts above forecast reduce net available fund results.

August Sales and Use Tax Collections: August collections total \$200.2 million, a decrease of \$4.4 million or -2.2 percent from last year. Collections were below monthly forecast levels by \$8.0 million or -3.9 percent. Decline compared to year ago reflects the one-time contribution of sales tax audit payments last year.

August Corporate Income Tax collections total \$5.5 million, a decrease of \$0.7 million from year ago, and \$0.9 million or -14.8 percent below forecast in an otherwise minor collection month in this category.

August Corporate Income Tax Refunds total \$0.5 million. This amount is \$1.1 million below year ago levels. Refunds were also \$1.1 million below forecast.

August Tobacco Tax collections, a smaller component of general revenue in annual terms, total \$19.9 million. Collections increased by \$2.0 million or 10.9 percent from year earlier levels and were also above forecast by \$3.2 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 \$8.9 million, an increase of 13.2 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 August 2016, \$41.2 million was collected and deposited to the fund. After deductions, the net amount is \$39.9 million. The monthly collection is equivalent to a -2.2 percent decrease from prior year collections.

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

FORECAST DATE: 2/1/2016

MILLIONS OF \$

				CHANGE FROM FORECAST		CHANGE FROM LAST YEAR	
	ACTUAL FY16	FORECAST FY17	ACTUAL FY17	DOLLAR DIFFERENCE	PERCENT DIFFERENCE	DOLLAR DIFFERENCE	PERCENT DIFFERENCE
INDIVIDUAL INCOME	416.0	423.9	424.7	0.8	0.2	8.7	2.1
CORPORATE INCOME	26.5	27.7	12.3	-15.4	-55.5	-14.2	-53.5
SALES AND USE	397.7	410.2	393.2	-17.0	-4.1	-4.5	-1.1
ALCOHOLIC BEVERAGE	9.7	9.7	10.0	0.3	3.0	0.3	3.3
TOBACCO	38.9	36.2	37.1	0.9	2.4	-1.8	-4.7
INSURANCE	20.3	20.3	20.4	0.1	0.3	0.0	0.1
RACING	0.4	0.4	0.4	0.0	-12.1	0.0	-1.6
GAMES OF SKILL	8.7	8.6	9.5	0.9	10.1	0.8	8.7
MISCELLANEOUS ¹	26.6	23.4	33.8	10.4	44.4	7.2	26.9
TOTAL GROSS	944.9	960.4	941.3	-19.1	-2.0	-3.5	-0.4
LESS: SCSF/COF ²	30.2	30.7	30.1	-0.6	-1.9	-0.1	-0.4
INDIV INCOME TAX REFUNDS	14.8	13.0	11.2	-1.8	-13.7	-3.6	-24.3
CORP INCOME TAX REFUNDS	2.9	2.8	3.4	0.6	20.6	0.5	16.4
CLAIMS	0.0	0.0	0.0	0.0	0.0	0.0	0.0
ECON DEVEL INCENTIVE FUND	1.0	3.8	2.2	-1.6	-42.4	1.2	129.5
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	-100.0
CITY & COUNTY TOURIST	0.3	0.2	0.2	0.0	11.0	0.0	-15.2
SCHOOL DESEGREGATION	17.9	18.0	17.9	-0.1	-0.3	0.0	0.0
EDUCATIONAL EXCELLENCE	50.1	52.6	52.2	-0.4	-0.7	2.1	4.2
EDUCATIONAL ADEQUACY	4.4	4.6	4.6	0.0	0.4	0.2	4.2
TOTAL DEDUCTIONS	124.3	128.3	124.5	-3.8	-2.9	0.2	0.2
NET AVAILABLE	820.6	832.1	816.8	-15.3	-1.8	-3.8	-0.5

REVENUE FORECAST SUMMARY FOR AUGUST

YEAR-TO-DATE GROSS	\$ 19.1 MILLION OR 2.0% BELOW FORECAST
YEAR-TO-DATE NET AVAILABLE	\$ 15.3 MILLION OR 1.8% BELOW 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.

AUGUST 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 AUG FY16	FORECAST AUG FY17	ACTUAL AUG FY17	DOLLAR DIFFERENCE	PERCENT DIFFERENCE	DOLLAR DIFFERENCE	PERCENT DIFFERENCE
INDIVIDUAL INCOME	215.2	219.1	214.1	-5.0	-2.3	-1.0	-0.5
CORPORATE INCOME	6.2	6.4	5.5	-0.9	-14.8	-0.7	-11.5
SALES AND USE	204.6	208.2	200.2	-8.0	-3.9	-4.4	-2.2
ALCOHOLIC BEVERAGE	4.3	4.3	4.4	0.1	1.4	0.1	1.3
TOBACCO	18.0	16.7	19.9	3.2	19.5	2.0	10.9
INSURANCE	19.6	19.6	19.2	-0.4	-1.8	-0.4	-1.9
RACING	0.2	0.2	0.2	0.0	-24.5	0.0	-16.1
GAMES OF SKILL	4.6	4.5	4.9	0.4	8.4	0.3	5.5
MISCELLANEOUS ¹	5.4	5.4	5.2	-0.2	-2.8	-0.2	-3.5
TOTAL GROSS	478.1	484.4	473.6	-10.8	-2.2	-4.5	-0.9
LESS: SCSF/COF ²	15.3	15.5	15.2	-0.3	-2.2	-0.1	-0.9
INDIV INCOME TAX REFUNDS	5.2	5.0	5.4	0.4	7.0	0.1	2.7
CORP INCOME TAX REFUNDS	1.6	1.6	0.5	-1.1	-65.9	-1.1	-66.0
CLAIMS	0.0	0.0	0.0	0.0	0.0	0.0	0.0
ECON DEVEL INCENTIVE FUND	0.0	1.9	0.7	-1.2	-65.2	0.6	5,816.0
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	25.1	26.3	26.1	-0.2	-0.7	1.1	4.2
EDUCATIONAL ADEQUACY	2.2	2.3	2.3	0.0	0.4	0.1	4.2
TOTAL DEDUCTIONS	56.7	59.9	57.4	-2.5	-4.1	0.7	1.3
NET AVAILABLE	421.4	424.5	416.1	-8.4	-2.0	-5.2	-1.2

REVENUE FORECAST SUMMARY FOR AUGUST

AUGUST GROSS	\$ 10.8 MILLION OR 2.2% BELOW FORECAST
AUGUST NET AVAILABLE	\$ 8.4 MILLION OR 2.0% BELOW 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.