



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 September (FY 2017)**

DATE: October 4, 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 \$1,332.3 million, \$4.3 million or -0.3 percent below year ago levels. After three months into the fiscal year, net available revenue is below forecast by \$32.0 million or -2.3 percent.

Year-to-date Gross General Revenues: Year-to-date gross collections total \$1,520.1 million, representing a decrease of \$1.8 million or -0.1 percent below last year. Gross general revenues are below forecast by \$36.1 million or -2.3 percent.

Year-to-date Individual Income Taxes: Year-to-date individual income tax collections total \$700.5 million, \$19.2 million or 2.8 percent above FY 2016 collections and \$2.1 million or 0.3 percent above forecast.

Year-to-date individual income tax refunds total \$16.1 million, down \$3.8 million or -19.1 percent compared to last year and \$1.9 million or -10.4 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 \$589.6 million, a decrease of \$6.5 million or -1.1 percent from FY 2016 and \$27.9 million or -4.5 percent below forecast.

Year-to-date Corporate Income Taxes: Year-to-date corporate revenues total \$85.1 million, a decrease of \$21.5 million or -20.1 percent from year-to-date FY 2016. Corporate income is below forecast by \$25.1 million or -22.8 percent.

Year-to-date corporate income tax refunds total \$6.6 million, an increase of \$2.0 million compared to the same year-to-date period last year.

SEPTEMBER REVENUE SUMMARY

September Net Available General Revenues total \$515.5 million, \$0.5 million or -0.1 percent below last year and \$16.7 million or -3.1 percent below forecast.

September results were below forecast in two major categories of collections, Sales Tax and Corporate Income Tax.

Among the major categories, Sales tax collections were -1.0 percent below year ago levels. The collections were \$10.9 million below forecast for the month. Corporate Income tax collections were down 9.1 percent below year ago and \$9.7 million below forecast. Individual Income tax collections were 3.9 percent above year ago collections (\$1.3 million over forecast).

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

September Gross General Revenues: September collections total \$578.8 million, an increase of \$1.7 million or 0.3 percent above last year and \$17.0 million or -2.9 percent below forecast.

September Individual Income Tax collections total \$275.8 million. Collections increased by \$10.5 million, or 3.9 percent compared to last year. With respect to the forecast, collections were \$1.3 million or 0.5 percent above forecast. Individual withholding increased 6.2 percent compared to last year.

September Individual Income Tax Refunds total \$4.9 million, \$0.2 million or -4.0 percent below last year and \$0.1 million or -2.0 percent below forecast. Refund amounts below forecast add to net available fund results.

September Sales and Use Tax Collections: September collections total \$196.4 million, a decrease of \$2.1 million or -1.0 percent from last year. Collections were below monthly forecast levels by \$10.9 million or -5.3 percent.

September Corporate Income Tax collections total \$72.8 million, a decrease of \$7.3 million from year ago, and \$9.7 million or -11.8 percent below forecast.

September Corporate Income Tax Refunds total \$3.2 million. This amount is \$1.6 million above year ago levels. Refunds were also \$1.6 million above forecast.

September Tobacco Tax collections, a smaller component of general revenue in annual terms, total \$17.6 million. Collections decreased by \$1.0 million or -5.4 percent from year earlier levels and were above forecast by \$0.3 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 \$12.7 million, an increase of 9.6 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 2016, \$40.8 million was collected and deposited to the fund. After deductions, the net amount is \$39.6 million. The monthly collection is equivalent to a 0.4 percent increase from prior year collections.

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

FORECAST DATE: 2/1/2016

MILLIONS OF \$

	ACTUAL FY16	FORECAST FY17	ACTUAL FY17	CHANGE FROM FORECAST		CHANGE FROM LAST YEAR	
				DOLLAR DIFFERENCE	PERCENT DIFFERENCE	DOLLAR DIFFERENCE	PERCENT DIFFERENCE
INDIVIDUAL INCOME	681.4	698.4	700.5	2.1	0.3	19.2	2.8
CORPORATE INCOME	106.6	110.2	85.1	-25.1	-22.8	-21.5	-20.1
SALES AND USE	596.1	617.5	589.6	-27.9	-4.5	-6.5	-1.1
ALCOHOLIC BEVERAGE	13.2	13.2	14.3	1.1	8.2	1.1	8.6
TOBACCO	57.5	53.5	54.6	1.1	2.1	-2.9	-5.0
INSURANCE	22.0	22.0	22.2	0.2	0.9	0.2	1.0
RACING	0.5	0.5	0.5	0.0	-5.2	0.0	-1.8
GAMES OF SKILL	13.1	13.0	14.1	1.1	8.8	1.1	8.1
MISCELLANEOUS ¹	31.6	27.9	39.1	11.2	40.0	7.5	23.6
TOTAL GROSS	1,521.9	1,556.2	1,520.1	-36.1	-2.3	-1.8	-0.1
LESS: SCSF/COF ²	48.7	49.9	48.6	-1.3	-2.5	-0.1	-0.1
INDIV INCOME TAX REFUNDS	19.9	18.0	16.1	-1.9	-10.4	-3.8	-19.1
CORP INCOME TAX REFUNDS	4.5	4.4	6.6	2.2	48.9	2.0	45.4
CLAIMS	0.0	0.0	0.0	0.0	0.0	0.0	0.0
ECON DEVEL INCENTIVE FUND	2.2	5.7	3.1	-2.6	-44.8	0.9	42.9
AMENDMENT 82 BONDS	0.0	0.0	0.0	0.0	0.0	0.0	0.0
RECYCLING EQUIP CREDIT	0.0	0.0	0.0	0.0	0.0	0.0	0.0
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	-100.0
CITY & COUNTY TOURIST	0.3	0.2	0.2	0.0	11.0	0.0	-15.2
SCHOOL DESEGREGATION	23.9	24.0	23.9	-0.1	-0.3	0.0	0.0
EDUCATIONAL EXCELLENCE	75.2	78.9	78.4	-0.5	-0.7	3.2	4.2
EDUCATIONAL ADEQUACY	6.6	6.9	6.9	0.0	0.4	0.3	4.2
TOTAL DEDUCTIONS	185.3	191.9	187.8	-4.1	-2.1	2.5	1.4
NET AVAILABLE	1,336.6	1,364.3	1,332.3	-32.0	-2.3	-4.3	-0.3

REVENUE FORECAST SUMMARY FOR SEPTEMBER

YEAR-TO-DATE GROSS	\$ 36.1 MILLION OR 2.3% BELOW FORECAST
YEAR-TO-DATE NET AVAILABLE	\$ 32.0 MILLION OR 2.3% 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.

SEPTEMBER 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 SEP FY16	FORECAST SEP FY17	ACTUAL SEP FY17	DOLLAR DIFFERENCE	PERCENT DIFFERENCE	DOLLAR DIFFERENCE	PERCENT DIFFERENCE
INDIVIDUAL INCOME	265.3	274.5	275.8	1.3	0.5	10.5	3.9
CORPORATE INCOME	80.1	82.5	72.8	-9.7	-11.8	-7.3	-9.1
SALES AND USE	198.4	207.3	196.4	-10.9	-5.3	-2.1	-1.0
ALCOHOLIC BEVERAGE	3.5	3.5	4.3	0.8	22.6	0.8	23.0
TOBACCO	18.6	17.3	17.6	0.3	1.5	-1.0	-5.4
INSURANCE	1.7	1.7	1.9	0.2	8.9	0.2	12.2
RACING	0.1	0.1	0.1	0.0	22.8	0.0	-2.3
GAMES OF SKILL	4.4	4.4	4.7	0.3	6.4	0.3	6.8
MISCELLANEOUS ¹	5.0	4.5	5.3	0.8	17.4	0.3	6.4
TOTAL GROSS	577.0	595.8	578.8	-17.0	-2.9	1.7	0.3
LESS: SCSF/COF ²	18.5	19.2	18.5	-0.7	-3.5	0.1	0.3
INDIV INCOME TAX REFUNDS	5.1	5.0	4.9	-0.1	-2.0	-0.2	-4.0
CORP INCOME TAX REFUNDS	1.6	1.6	3.2	1.6	98.5	1.6	97.9
CLAIMS	0.0	0.0	0.0	0.0	0.0	0.0	0.0
ECON DEVEL INCENTIVE FUND	1.2	1.9	1.0	-0.9	-49.7	-0.3	-23.3
AMENDMENT 82 BONDS	0.0	0.0	0.0	0.0	0.0	0.0	0.0
RECYCLING EQUIP CREDIT	0.0	0.0	0.0	0.0	0.0	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	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	61.0	63.6	63.3	-0.3	-0.5	2.3	3.7
NET AVAILABLE	516.0	532.2	515.5	-16.7	-3.1	-0.5	-0.1

REVENUE FORECAST SUMMARY FOR SEPTEMBER

SEPTEMBER GROSS	\$ 17.0 MILLION OR 2.9% BELOW FORECAST
SEPTEMBER NET AVAILABLE	\$ 16.7 MILLION OR 3.1% 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.