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**Department of Finance  
and Administration**

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**MEMORANDUM**

TO: Larry Walther, Director  
Paul Louthian, Deputy Director

FROM: John Shelnett, Economic Analysis & Tax Research <sup>JS</sup>

SUBJECT: **General Revenue Report for February (FY 2017)**

DATE: March 2, 2017

Copy: Governor's Office  
Management Services

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**YEAR-TO-DATE REVENUE SUMMARY**

**Year-to-date Net Available General Revenues:** Year-to-date net available general revenues total \$3,432.0 million, \$19.0 million or 0.6 percent above year ago levels. After eight months into the fiscal year, net available revenue is below forecast by \$15.0 million or -0.4 percent.

**Year-to-date Gross General Revenues:** Year-to-date gross collections total \$4,082.2 million, representing an increase of \$29.3 million or 0.7 percent above last year. Gross general revenues are below forecast by \$50.8 million or -1.2 percent.

**Year-to-date Individual Income Taxes:** Year-to-date individual income tax collections total \$1,966.3 million, \$47.0 million or 2.5 percent above FY 2016 collections and \$0.3 million or a fractional percent below forecast.

**Year-to-date individual income tax refunds** total \$159.4 million, down \$0.6 million or -0.4 percent compared to last year and \$34.6 million or -17.8 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 \$1,558.9 million, an increase of \$22.0 million or 1.4 percent from FY 2016 and \$41.7 million or -2.6 percent below forecast.

**Year-to-date Corporate Income Taxes:** Year-to-date corporate revenues total \$226.1 million, a decrease of \$44.9 million or -16.6 percent from year-to-date FY 2016. Corporate income is below forecast by \$31.0 million or -12.1 percent.

**Year-to-date corporate income tax refunds** total \$56.3 million, a decrease of \$2.0 million compared to the same year-to-date period last year.

## **FEBRUARY REVENUE SUMMARY**

**February Net Available General Revenues** total \$276.7 million, \$3.2 million or -1.2 percent below last year and \$40.9 million or 17.3 percent above forecast.

Results in February were impacted by a timing shift relative to forecast in Payroll Withholding tax collections during the month. The timing shift involved expectations of lower revenues from fewer paydays in the reporting month than last year. Lack of this payday shift caused a gain of \$28.5 million and more than balances out a negative shift in January results. Individual Income Tax overall was \$23.7 million above forecast.

Corporate Income Tax collections were \$1.6 million below forecast as a result of lower than expected Returns and Extension Payments in an otherwise small collection month for this category. Corporate Refunds included larger than expected claims for the month reducing net revenues by a further \$4.0 million.

Among other major categories, Sales and Use Tax collections were \$3.6 million below forecast.

Individual Income Tax Refunds were below forecast by \$25.0 million, adding to Net Available fund results. This amount reflects delays in IRS processing of returns and longer processing times for additional fraud checks of refund requests.

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

**February Gross General Revenues:** February collections total \$432.4 million, an increase of \$12.0 million or 2.9 percent above last year and \$19.5 million or 4.7 percent above forecast.

**February Individual Income Tax** collections total \$214.9 million. Collections increased by \$9.1 million, or 4.4 percent above last year. With respect to the forecast, collections were \$23.7 million or 12.4 percent above forecast. Individual withholding increased 7.3 percent compared to last year. A significant payroll timing shift occurred relative to forecast that benefited collections in February.

**February Individual Income Tax Refunds** total \$96.6 million, \$8.5 million or 9.6 percent above last year and \$25.0 million or -20.6 percent below forecast. Refund amounts below forecast add to net available fund results.

**February Sales and Use Tax Collections:** February collections total \$182.7 million, an increase of \$4.4 million or 2.5 percent above last year. Collections were below monthly forecast levels by \$3.6 million or -1.9 percent.

**February Corporate Income Tax** collections total \$4.4 million, a decrease of \$1.6 million from year ago, and -\$1.6 million below forecast.

**February Corporate Income Tax Refunds** total \$8.4 million. This amount is \$4.0 million above year ago levels. Refunds were also \$4.0 million above forecast.

**February Tobacco Tax** collections, a smaller component of general revenue in annual terms, total \$16.6 million. Collections increased by \$0.1 million or 0.5 percent from year earlier levels and were above forecast by \$1.3 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 \$31.8 million, an increase of 6.0 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 2017, \$38.0 million was collected and deposited to the fund. After deductions, the net amount is \$36.9 million. The monthly collection is equivalent to a 3.6 percent increase from prior year collections.

FEBRUARY 2017 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	1,919.3	1,966.6	1,966.3	-0.3	0.0	47.0	2.5
CORPORATE INCOME	271.0	257.1	226.1	-31.0	-12.1	-44.9	-16.6
SALES AND USE	1,536.9	1,600.6	1,558.9	-41.7	-2.6	22.0	1.4
ALCOHOLIC BEVERAGE	35.2	35.3	35.8	0.5	1.5	0.6	1.8
TOBACCO	146.8	136.4	144.8	8.4	6.2	-2.0	-1.3
INSURANCE	45.6	45.6	45.1	-0.5	-1.2	-0.6	-1.2
RACING	1.6	1.5	1.6	0.1	4.5	0.0	-1.5
GAMES OF SKILL	35.0	34.7	37.5	2.8	8.0	2.5	7.1
MISCELLANEOUS <sup>1</sup>	61.6	55.2	66.2	11.0	19.9	4.6	7.4
<b>TOTAL GROSS</b>	<b>4,052.9</b>	<b>4,133.0</b>	<b>4,082.2</b>	<b>-50.8</b>	<b>-1.2</b>	<b>29.3</b>	<b>0.7</b>
LESS: SCSF/COF <sup>2</sup>	129.7	132.3	130.6	-1.7	-1.3	0.9	0.7
INDIV INCOME TAX REFUNDS	160.0	194.0	159.4	-34.6	-17.8	-0.6	-0.4
CORP INCOME TAX REFUNDS	58.3	45.1	56.3	11.2	24.8	-2.0	-3.4
CLAIMS	0.0	0.0	0.0	0.0	0.0	0.0	0.0
ECON DEVEL INCENTIVE FUND	4.5	15.4	7.5	-7.9	-51.2	3.0	68.3
AMENDMENT 82 BONDS	0.0	1.1	1.1	0.0	2.4	1.1	0.0
RECYCLING EQUIP CREDIT	0.0	0.0	0.0	0.0	0.0	0.0	0.0
WATER/SEWER BONDS	10.0	10.0	10.0	0.0	0.0	0.0	0.0
COLLEGE SAVINGS BONDS	4.7	4.5	3.4	-1.1	-25.5	-1.3	-28.0
CITY & COUNTY TOURIST	0.8	0.6	0.7	0.1	11.0	-0.1	-15.2
SCHOOL DESEGREGATION	53.8	54.0	53.8	-0.2	-0.3	0.0	0.0
EDUCATIONAL EXCELLENCE	200.5	210.4	209.0	-1.4	-0.7	8.4	4.2
EDUCATIONAL ADEQUACY	17.7	18.6	18.5	-0.1	-0.7	0.7	4.2
<b>TOTAL DEDUCTIONS</b>	<b>640.0</b>	<b>686.0</b>	<b>650.3</b>	<b>-35.7</b>	<b>-5.2</b>	<b>10.3</b>	<b>1.6</b>
<b>NET AVAILABLE</b>	<b>3,412.9</b>	<b>3,447.0</b>	<b>3,432.0</b>	<b>-15.0</b>	<b>-0.4</b>	<b>19.0</b>	<b>0.6</b>

REVENUE FORECAST SUMMARY FOR FEBRUARY

YEAR-TO-DATE GROSS	\$ 50.8 MILLION OR 1.2% BELOW FORECAST
YEAR-TO-DATE NET AVAILABLE	\$ 15.0 MILLION OR 0.4% 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.

FEBRUARY 2017 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 FY16	FORECAST FEB FY17	ACTUAL FEB FY17	DOLLAR DIFFERENCE	PERCENT DIFFERENCE	DOLLAR DIFFERENCE	PERCENT DIFFERENCE
INDIVIDUAL INCOME	205.8	191.2	214.9	23.7	12.4	9.1	4.4
CORPORATE INCOME	6.0	6.0	4.4	-1.6	-26.6	-1.6	-26.5
SALES AND USE	178.3	186.3	182.7	-3.6	-1.9	4.4	2.5
ALCOHOLIC BEVERAGE	4.0	4.0	3.9	-0.1	-2.5	-0.1	-1.6
TOBACCO	16.5	15.3	16.6	1.3	8.5	0.1	0.5
INSURANCE	0.8	0.8	0.5	-0.3	-31.3	-0.2	-31.0
RACING	0.3	0.3	0.4	0.1	40.6	0.1	41.8
GAMES OF SKILL	4.5	4.5	4.7	0.2	4.0	0.1	3.1
MISCELLANEOUS <sup>1</sup>	4.2	4.5	4.2	-0.3	-5.8	0.0	1.0
<b>TOTAL GROSS</b>	<b>420.4</b>	<b>412.9</b>	<b>432.4</b>	<b>19.5</b>	<b>4.7</b>	<b>12.0</b>	<b>2.9</b>
LESS: SCSF/COF <sup>2</sup>	13.5	13.2	13.8	0.6	4.8	0.4	2.9
INDIV INCOME TAX REFUNDS	88.1	121.6	96.6	-25.0	-20.6	8.5	9.6
CORP INCOME TAX REFUNDS	4.4	4.4	8.4	4.0	90.8	4.0	90.5
CLAIMS	0.0	0.0	0.0	0.0	0.0	0.0	0.0
ECON DEVEL INCENTIVE FUND	0.1	2.0	1.3	-0.7	-33.5	1.3	2,216.8
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	1.2	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	0.0	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	2.4	2.3	-0.1	-3.8	0.1	4.2
<b>TOTAL DEDUCTIONS</b>	<b>140.5</b>	<b>177.1</b>	<b>155.8</b>	<b>-21.3</b>	<b>-12.0</b>	<b>15.3</b>	<b>10.9</b>
<b>NET AVAILABLE</b>	<b>279.9</b>	<b>235.8</b>	<b>276.7</b>	<b>40.9</b>	<b>17.3</b>	<b>-3.2</b>	<b>-1.2</b>

REVENUE FORECAST SUMMARY FOR FEBRUARY

FEBRUARY GROSS	\$ 19.5 MILLION OR 4.7% ABOVE FORECAST
FEBRUARY NET AVAILABLE	\$ 40.9 MILLION OR 17.3% 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.