



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

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MEMORANDUM

TO: Larry Walther, Director
Paul Louthian, Deputy Director

FROM: John Shelnut, Economic Analysis & Tax Research ^{JS}

SUBJECT: **General Revenue Report for September (FY 2018)**

DATE: October 3, 2017

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 \$1,379.2 million, \$46.9 million or 3.5 percent above year ago levels. After three months into the fiscal year, net available revenue is above forecast by \$2.2 million or 0.2 percent.

Year-to-date Gross General Revenues: Year-to-date gross collections total \$1,579.2 million, representing an increase of \$59.1 million or 3.9 percent above last year. Gross general revenues are above forecast by \$8.0 million or 0.5 percent.

Year-to-date Individual Income Taxes: Year-to-date individual income tax collections total \$729.4 million, \$28.9 million or 4.1 percent above FY 2017 collections and \$7.2 million or 1.0 percent above forecast.

Year-to-date individual income tax refunds total \$29.2 million, up \$13.0 million or 80.8 percent compared to last year and \$8.4 million or 40.2 percent above forecast. Amounts above forecast in refund categories reduce net available revenue results.

Year-to-date Sales and Use Tax Collections: On a year-to-date basis, sales and use taxes total \$599.3 million, an increase of \$9.7 million or 1.7 percent from FY 2017 and \$11.5 million or -1.9 percent below forecast.

Year-to-date Corporate Income Taxes: Year-to-date corporate revenues total \$106.7 million, an increase of \$21.5 million from year-to-date FY 2017. Corporate income is above forecast by \$7.4 million or 7.4 percent.

Year-to-date corporate income tax refunds total \$4.8 million, a decrease of \$1.7 million compared to the same year-to-date period last year.

SEPTEMBER REVENUE SUMMARY

September Net Available General Revenues total \$518.8 million, \$3.3 million or 0.6 percent above last year and \$7.1 million or -1.3 percent below forecast.

Among the major categories, Sales tax collection results were held lower by decline in the motor vehicle portion of Sales Tax and by reduced business spending. Consumer categories were notably higher in September collections that reflect spending activity in August. Corporate and Individual Income tax collections were close to expected levels. Income tax refunds exceeded forecast in September.

Among smaller revenue sources, Tobacco was below forecast by \$0.1 million and below year ago collections. Results in Gaming revenue exceeded forecast by \$0.4.

September Gross General Revenues: September collections total \$586.9 million, an increase of \$8.2 million or 1.4 percent above last year and \$2.8 million or -0.5 percent below forecast.

September Individual Income Tax collections total \$283.9 million. Collections increased by \$8.1 million, or 2.9 percent compared to last year. With respect to the forecast, collections were \$0.5 million or -0.2 percent below forecast. Individual withholding increased 7.0 percent compared to last year.

September Individual Income Tax Refunds total \$11.5 million, \$6.6 million above last year and \$5.2 million above forecast. Refund amounts above forecast reduce net available fund results.

September Sales and Use Tax Collections: September collections total \$199.4 million, an increase of \$3.0 million or 1.5 percent above last year. Collections were below monthly forecast levels by \$5.3 million or -2.6 percent.

September Corporate Income Tax collections total \$71.2 million, a decrease of \$1.6 million from year ago, and \$3.3 million or 4.9 percent above forecast in a key filing month for Estimated Payments for this category.

September Corporate Income Tax Refunds total \$2.0 million. This amount is \$1.1 million below year ago levels. Refunds were also \$1.0 million above forecast.

September Tobacco Tax collections, a smaller component of general revenue in annual terms, total \$17.2 million. Collections decreased by \$0.4 million or -2.3 percent from year earlier levels and were also below forecast by \$0.1 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 \$12.8 million, an increase of 0.1 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 September 2017, \$41.0 million was collected and deposited to the fund. After deductions, the net amount is \$39.8 million. The monthly collection is equivalent to a 0.6 percent increase from prior year collections.

SEPTEMBER 2017 YEAR-TO-DATE GENERAL REVENUE REPORT
ECONOMIC ANALYSIS AND TAX RESEARCH, DFA

FORECAST DATE: 5/2/2017

MILLIONS OF \$

	ACTUAL FY17	FORECAST FY18	ACTUAL FY18	CHANGE FROM FORECAST		CHANGE FROM LAST YEAR	
				DOLLAR DIFFERENCE	PERCENT DIFFERENCE	DOLLAR DIFFERENCE	PERCENT DIFFERENCE
INDIVIDUAL INCOME	700.5	722.2	729.4	7.2	1.0	28.9	4.1
CORPORATE INCOME	85.1	99.3	106.7	7.4	7.4	21.5	25.3
SALES AND USE	589.6	610.8	599.3	-11.5	-1.9	9.7	1.7
ALCOHOLIC BEVERAGE	14.3	14.5	14.6	0.1	0.5	0.3	2.0
TOBACCO	54.6	52.8	56.0	3.2	6.1	1.4	2.5
INSURANCE	22.2	22.2	21.1	-1.1	-4.9	-1.1	-4.9
RACING	0.5	0.5	0.4	-0.1	-10.4	0.0	-5.6
GAMES OF SKILL	14.1	14.2	15.5	1.3	9.1	1.3	9.5
MISCELLANEOUS ¹	39.1	34.7	36.1	1.4	4.1	-3.0	-7.6
TOTAL GROSS	1,520.1	1,571.2	1,579.2	8.0	0.5	59.1	3.9
LESS: SCSF/COF ²	48.6	48.7	49.0	0.3	0.5	0.3	0.6
INDIV INCOME TAX REFUNDS	16.1	20.8	29.2	8.4	40.2	13.0	80.8
CORP INCOME TAX REFUNDS	6.6	4.9	4.8	-0.1	-1.3	-1.7	-26.2
CLAIMS	0.0	0.0	0.0	0.0	0.0	0.0	0.0
ECON DEVEL INCENTIVE FUND	3.1	4.9	1.8	-3.1	-63.1	-1.3	-42.5
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	0.0
CITY & COUNTY TOURIST	0.2	0.2	0.2	0.0	11.0	0.0	0.0
SCHOOL DESEGREGATION	23.9	24.0	23.9	-0.1	-0.3	0.0	0.0
EDUCATIONAL EXCELLENCE	78.4	79.8	80.1	0.3	0.4	1.7	2.2
EDUCATIONAL ADEQUACY	6.9	7.0	7.1	0.1	1.1	0.2	2.2
TOTAL DEDUCTIONS	187.8	194.2	200.0	5.8	3.0	12.2	6.5
NET AVAILABLE	1,332.3	1,377.0	1,379.2	2.2	0.2	46.9	3.5

REVENUE FORECAST SUMMARY FOR SEPTEMBER

YEAR-TO-DATE GROSS	\$ 8.0 MILLION OR 0.5% ABOVE FORECAST
YEAR-TO-DATE NET AVAILABLE	\$ 2.2 MILLION OR 0.2% 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.

SEPTEMBER 2017 GENERAL REVENUE REPORT
ECONOMIC ANALYSIS AND TAX RESEARCH, DFA

FORECAST DATE: 5/2/2017

MILLIONS OF \$

	CHANGE FROM FORECAST				CHANGE FROM LAST YEAR		
	ACTUAL SEPT FY17	FORECAST SEPT FY18	ACTUAL SEPT FY18	DOLLAR DIFFERENCE	PERCENT DIFFERENCE	DOLLAR DIFFERENCE	PERCENT DIFFERENCE
INDIVIDUAL INCOME	275.8	284.4	283.9	-0.5	-0.2	8.1	2.9
CORPORATE INCOME	72.8	67.9	71.2	3.3	4.9	-1.6	-2.2
SALES AND USE	196.4	204.7	199.4	-5.3	-2.6	3.0	1.5
ALCOHOLIC BEVERAGE	4.3	4.4	4.6	0.2	4.5	0.3	7.2
TOBACCO	17.6	17.3	17.2	-0.1	-0.8	-0.4	-2.3
INSURANCE	1.9	1.9	1.0	-0.9	-46.2	-0.8	-44.8
RACING	0.1	0.1	0.1	0.0	40.9	0.0	14.8
GAMES OF SKILL	4.7	4.7	5.1	0.4	7.9	0.4	8.3
MISCELLANEOUS ¹	5.3	4.3	4.4	0.1	2.5	-0.9	-16.6
TOTAL GROSS	578.8	589.7	586.9	-2.8	-0.5	8.2	1.4
LESS: SCSF/COF ²	18.5	18.3	18.2	-0.1	-0.6	-0.3	-1.8
INDIV INCOME TAX REFUNDS	4.9	6.3	11.5	5.2	81.9	6.6	133.8
CORP INCOME TAX REFUNDS	3.2	1.0	2.0	1.0	104.4	-1.1	-35.7
CLAIMS	0.0	0.0	0.0	0.0	0.0	0.0	0.0
ECON DEVEL INCENTIVE FUND	1.0	2.0	0.0	-2.0	-98.2	-0.9	-96.3
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	26.1	26.6	26.7	0.1	0.4	0.6	2.2
EDUCATIONAL ADEQUACY	2.3	2.3	2.4	0.1	2.6	0.1	2.2
TOTAL DEDUCTIONS	63.3	63.8	68.1	4.3	6.7	4.8	7.6
NET AVAILABLE	515.5	525.9	518.8	-7.1	-1.3	3.3	0.6

REVENUE FORECAST SUMMARY FOR SEPTEMBER

SEPTEMBER GROSS	\$ 2.8 MILLION OR 0.5% BELOW FORECAST
SEPTEMBER NET AVAILABLE	\$ 7.1 MILLION OR 1.3% 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.