



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

**OFFICE OF THE DIRECTOR
Economic Analysis & Tax Research**
1509 West Seventh Street, Room 404
Post Office Box 3278
Little Rock, Arkansas 72203-3278
Phone: (501) 682-1688
Fax: (501) 682-1086
<http://www.dfa.arkansas.gov>

M E M O R A N D U M

TO: Richard Weiss, Director
Tim Leathers, Deputy Director

FROM: John Shelnutt, Economic Analysis & Tax Research

SUBJECT: **General Revenue Report for September (FY 2011)**

DATE: October 4, 2010

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 \$1,181.6 million, \$24.6 million or 2.1 percent above forecast. After completion of the first quarter into the fiscal year, revenue collections continue to outpace both the forecast and year ago levels, despite gross collections coming in below forecast for the month of September.

Growth contributions continue to be broad based across the major revenue sources of Individual Income Tax, Gross Receipts Tax, and Corporate Income Tax. The Individual Income Tax was up 2.8 percent over last year, including 4.9 percent growth in the economically correlated category of withholding income tax. The Gross Receipts tax composed primarily of sales and use tax was up 7.8 percent over last year and the gain was from both consumer and business spending in the state economy.

Last year total net available general revenue included one-time transfers of \$71 Million into general revenue. After three months of improved collections, net available general revenue for FY 2011 is ahead of FY 2010 levels for the first quarter, even with the \$71 million supplement factored into the 2010 total.

Year-to-date Gross General Revenues: Year-to-date gross collections total \$1,349.5 Million, representing an increase of \$74.8 million or 5.9 percent above last year. Gross general revenues are \$15.4 million or 1.2 percent above the general revenue forecast.

Year-to-date Individual Income Taxes: Year-to-date individual income tax collections total \$593.9 million, \$16.0 million or 2.8 percent above FY 2010 collections. Collections growth for individual withholding is up 4.9 percent over year ago levels and 3.8 percent above forecast. Individual estimate tax payments, which are largely remitted on last year economy and tax liabilities, were less than forecast which decreased total income tax collections for the quarter. This resulted in total year-to-date income taxes totaling \$11.4 million or 1.9 percent below forecast. Underestimated payments which were based on last year's income and tax liabilities, should recover later in the fiscal year.

Year-to-date individual income tax refunds total \$22.5 million, down \$1.5 million or -6.1 percent compared to last year and \$3.3 million or 12.7 percent below forecast. Amounts below forecast in refund categories contributed to higher net available revenue.

Year-to-date Gross Receipts Collections: Gross receipts consist primarily of sales and use taxes. On a year-to-date basis, gross receipts total \$548.0 million, an increase of \$39.6 million or 7.8 percent above FY 2010 and \$5.3 million or 1.0 percent above forecast.

Year-to-date Corporate Income Taxes: Year-to-date corporate revenues total \$97.0 million, an increase of \$26.9 million or 38.3 percent from year-to-date FY 2010. Corporate income is above forecast by \$16.7 million or 20.8 percent.

Year-to-date corporate income tax refunds total \$5.3 million, flat compared to the same year-to-date period last year. Corporate refunds are 27 percent below forecast for the year year-to-date period.

SEPTEMBER REVENUE SUMMARY

September Net Available General Revenues total \$438.5 million, \$28.1 million or 6.9 percent above year ago levels and \$8.1 million, or 1.8 percent, below the current forecast. Individual income tax withholding which reflects employment and wages and is the most economically significant category of income tax collections continued to exceed year ago and forecast comparisons. Individual estimates, which are based on last year income tax liabilities, offset those gains for the month but should recover in tax payments later in the year. This, combined with approximately \$2.5 million in unanticipated Gross Receipts tax Refunds of taxes overpaid in prior years offset the gains. There was elevated growth in Corporate Income Tax and a variety of smaller

revenue sources with unusually high growth compared to year ago or relative to forecast.

September Gross General Revenues: September collections total \$492.6 million, an increase of \$28.4 million or 6.1 percent above year ago levels extending this trend for the fifth consecutive month. Gross collections were below forecast by \$10.3 million or 2.0 percent, largely due to individual income tax estimate payments which should be recovered later in the fiscal year.

September Individual Income Tax collections total \$223.8 million. The largest category of Individual Income Tax (withholding) was above forecast by \$3.4 million or 2.2 percent and above year ago levels by \$5.1 million or 3.2 percent. Quarterly estimated payments in September collections offset these gains resulting in collections decreasing by \$3.0 million, or -1.3 percent, compared to last year and \$22.6 million or 9.2 percent below forecast. As discussed previously the estimates should recover in payments later in the fiscal year.

September Individual Income Tax Refunds total \$7.0 million, flat compared to last year and \$0.5 million or 6.9 percent below forecast. Amounts below forecast in refund categories contributed to higher than forecast net available revenue.

September Gross Receipts Collections: September collections total \$171.8 million, an increase of \$9.1 million or 5.6 percent above last year extending this trend to six consecutive months. Partially due to an unanticipated \$2.5 million dollar refund for overpayment of taxes in previous years collections were below monthly forecast levels by \$4.0 million or -2.3 percent.

September Corporate Income Tax collections total \$68.2 million, an increase of \$22.5 million or 49.2 percent above year earlier levels, and \$15.9 million or 30.4 percent over forecast.

September Corporate Income Tax Refunds total \$2.4 million. This amount is \$1.2 million or 112.8 percent above year ago levels.

September Tobacco Tax collections, a small component of general revenue, total \$20.9 million or 0.7 percent above year earlier levels, and \$1.4 million or 7.1 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 Medicaid Program Trust Fund: Year-to-date collections of the dedicated soft drink tax total \$12.5 million, a decrease of \$0.2 million or -1.5 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 2010, \$35.5 million was collected and deposited to the fund. After deductions, the net amount is \$34.5 million. The monthly collection is equivalent to a 6.0 percent increase from prior year collections.

C: /FISCNOT/September FY 2011
Attachment (2)

YEAR TO DATE REPORT, SEPTEMBER 2010
(PREPARED BY ECONOMIC ANALYSIS AND TAX RESEARCH, DFA)

THROUGH SEPTEMBER 2010
3 Months YTD
Forecast Date: 05/04/2010

MILLIONS OF DOLLARS

	CURRENT YEAR				CURRENT YEAR TO DATE				ACTUAL AS % OF FORECAST
	ACTUAL FY 2010	FORECAST FY 2011	INCREASE AMOUNT PERCENT		ACTUAL FY 2010	ACTUAL FY 2011	INCREASE AMOUNT PERCENT		
INDIVIDUAL INCOME	577.9	605.3	27.4	4.7	577.9	593.9	16.0	2.8	98.1
CORPORATE INCOME	70.1	80.3	10.2	14.5	70.1	97.0	26.9	38.3	120.8
GROSS RECEIPTS ¹	508.4	542.7	34.3	6.8	508.4	548.0	39.6	7.8	101.0
ALCOHOLIC BEVERAGE ²	7.9	8.6	0.7	9.1	7.9	8.6	0.7	9.0	99.8
TOBACCO	63.8	58.5	-5.3	-8.3	63.8	62.5	-1.4	-2.1	106.8
INSURANCE	21.7	22.6	0.9	4.1	21.7	22.9	1.2	5.4	101.3
RACING	1.0	1.0	0.0	-4.3	1.0	0.8	-0.2	-19.8	83.8
GAMES OF SKILL	1.8	1.5	-0.3	-15.4	1.8	2.7	0.9	51.8	179.4
MISCELLANEOUS ³	22.1	13.6	-8.5	-38.4	22.1	13.2	-8.9	-40.5	96.7
TOTAL GROSS	1,274.7	1,334.1	59.4	4.7	1,274.7	1,349.5	74.8	5.9	101.2
PLUS:									
REVENUE ALLOTMENT RESERVE	61.0	0.0	-61.0	-100.0	61.0	0.0	-61.0	-100.0	0.0
LESS: SCSF/COF ⁴	38.2	40.1	1.9	4.9	38.2	40.5	2.2	5.9	101.0
IND INCOME TAX REFUNDS	24.0	25.8	1.8	7.6	24.0	22.5	-1.5	-6.1	87.3
CORP INCOME TAX REFUNDS	5.2	7.2	2.0	38.3	5.2	5.3	0.0	1.0	73.0
CLAIMS	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
ECON DEVEL INCENTIVE FUND	2.7	6.0	3.3	125.2	2.7	1.7	-1.0	-36.8	28.1
WATER/SEWER BONDS	3.3	3.9	0.6	18.2	3.3	3.9	0.6	18.2	100.0
COLLEGE SAVINGS BONDS	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
CITY/CO. TOURIST	1.8	1.4	-0.4	-22.9	1.8	1.3	-0.5	-27.4	94.2
SCHOOL DESEGREGATION	19.2	19.2	0.0	0.0	19.2	19.2	0.0	0.0	100.0
EDUCATIONAL EXCELLENCE	71.0	66.9	-4.1	-5.8	71.0	67.2	-3.9	-5.5	100.4
EDUCATIONAL ADEQUACY	6.3	6.0	-0.3	-4.4	6.3	5.9	-0.3	-5.5	98.9
ELDERLY TRANSPORTATION	0.5	0.6	0.1	29.9	0.5	0.4	0.0	-3.5	74.3
NET AVAILABLE	1,163.6	1,157.0	-6.6	-0.6	1,163.6	1,181.6	18.0	1.5	102.1

REVENUE FORECAST SUMMARY FOR SEPTEMBER

YEAR-TO-DATE GROSS	\$ 15.4 MILLION OR 1.2% ABOVE FORECAST.
YEAR-TO-DATE REFUNDS	\$ 5.2 MILLION OR 15.8% BELOW FORECAST.
YEAR-TO-DATE NET AVAILABLE	\$ 24.6 MILLION OR 2.1% ABOVE FORECAST

SOFT DRINK EXCISE TAX (MEDICAID PROGRAM TRUST FUND)	<u>YTD FY 10</u> 12.7	<u>YTD FY 11</u> 12.5	<u>% CHANGE</u> -1.5
EDUCATIONAL ADEQUACY FUND (NET DEPOSIT)	<u>YTD FY 10</u> 101.9	<u>YTD FY 11</u> 109.2	<u>% CHANGE</u> 7.2

- 1) Gross Receipts includes the sales, use, 10% mixed drink, 3% beverage excise, vehicle rental, short-term rental, residential moving, and wholesale vending taxes.
- 2) Alcoholic Beverage does not include 10% Mixed Drink and 3% Beverage Excise.
- 3) Miscellaneous includes severance, corporate franchise, real estate transfer, dyed diesel, and various other miscellaneous taxes.
- 4) State Central Services Fund and Constitutional Officers Fund.

SEPTEMBER GENERAL REVENUE REPORT
(ECONOMIC ANALYSIS AND TAX RESEARCH, DFA)
(682-1688 for further information)

September 30, 2010
Days Remaining: 0
Forecast date: 05/04/2010

MILLIONS OF \$

	CURRENT MONTH				CURRENT MONTH TO DATE				ACTUAL AS % OF FORECAST
	ACTUAL FY 2010	FORECAST FY 2011	CHANGE AMOUNT	PERCENT	ACTUAL FY 2010	ACTUAL FY 2011	CHANGE AMOUNT	PERCENT	
INDIVIDUAL INCOME	226.8	246.4	19.6	8.7	226.8	223.8	-3.0	-1.3	90.8
CORPORATE INCOME	45.7	52.3	6.6	14.4	45.7	68.2	22.5	49.2	130.4
GROSS RECEIPTS ¹	162.7	175.8	13.1	8.1	162.7	171.8	9.1	5.6	97.7
ALCOHOLIC BEVERAGE ²	2.3	2.5	0.2	8.2	2.3	2.4	0.1	2.4	94.6
TOBACCO	20.7	19.5	-1.2	-6.0	20.7	20.9	0.1	0.7	107.1
INSURANCE	1.0	1.0	0.0	1.8	1.0	0.6	-0.4	-38.6	60.3
RACING	0.4	0.4	0.0	11.8	0.4	0.2	-0.2	-49.4	45.3
GAMES OF SKILL	0.6	0.5	-0.1	-17.0	0.6	0.9	0.3	56.9	189.0
MISCELLANEOUS ³	4.0	4.5	0.5	11.1	4.0	3.8	-0.2	-5.6	85.0
TOTAL GROSS	464.2	502.9	38.7	8.3	464.2	492.6	28.4	6.1	98.0
PLUS:									
REV. ALLOTMENT RESERVE	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
LESS: 3% (SCSF/COF) ⁴	13.9	15.1	1.2	8.4	13.9	14.8	0.9	6.1	97.9
IND INC TAX REFUNDS	7.0	7.5	0.5	7.7	7.0	7.0	0.0	0.3	93.1
CORP INC TAX REFUNDS	1.1	1.9	0.8	71.9	1.1	2.4	1.2	112.8	123.8
CLAIMS	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
ECON DEVEL INCENTIVE FUND	0.8	2.0	1.2	142.5	0.8	0.2	-0.6	-76.8	9.6
WATER/SEWER BONDS	1.1	1.3	0.2	18.2	1.1	1.3	0.2	18.2	100.0
COLLEGE SAVINGS BONDS	0.0	0.0	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	0.0	0.0
SCHOOL DESEGREGATION	4.0	4.0	0.0	0.0	4.0	4.0	0.0	0.0	100.0
EDUCATIONAL EXCELLENCE	23.7	22.3	-1.4	-5.8	23.7	22.4	-1.3	-5.4	100.4
EDUCATIONAL ADEQUACY	2.1	2.0	-0.1	-4.4	2.1	2.0	-0.1	-5.4	98.9
ELDERLY TRANSPORTATION	0.2	0.2	0.0	32.6	0.2	0.1	0.0	-3.3	72.9
NET AVAILABLE	410.3	446.6	36.3	8.8	410.3	438.5	28.1	6.9	98.2

REVENUE FORECAST SUMMARY FOR SEPTEMBER

SEPTEMBER GROSS \$ 10.3 MILLION OR 2.0% BELOW FORECAST.
SEPTEMBER NET AVAILABLE \$ 8.1 MILLION OR 1.8% BELOW FORECAST

EDUCATIONAL ADEQUACY FUND (NET DEPOSIT, MONTH-TO-DATE)	<u>Sept 09</u> 32.5	<u>Sept 10</u> 34.5	<u>% CH</u> 6.0
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- 1) Gross Receipts includes the sales, use, 10% mixed drink, 3% beverage excise, vehicle rental, short-term rental, residential moving, and wholesale vending taxes.
- 2) Alcoholic Beverage does not include 10% Mixed Drink and 3% Beverage Excise.
- 3) Miscellaneous includes estate tax, severance, corporate franchise, real estate transfer, dyed diesel, and various other miscellaneous taxes.
- 4) State Central Services Fund and Constitutional Officers Fund.