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M E M O R A N D U M

TO: Richard Weiss, Director
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FROM: John Shelnutt, Economic Analysis & Tax Research

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

DATE: November 2, 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 \$1,536.1 million, \$28.8 million or 1.9 percent above forecast. After four months into the fiscal year, revenue collections continue to outpace both the forecast and year ago levels.

Growth continues to be driven by Gross Receipts tax (Sales and Use Tax), Corporate Income Tax, and the economically correlated category of withholding income tax. The Gross Receipts tax was up 7.7 percent over last year and the gain was from both consumer and business spending in the state economy. Withholding income tax derived from payrolls was up 6.3 percent in the year-to-date period over the same period a year ago. Overall collections growth was up 7.0 percent, reflecting rebound from weakness in year ago collections.

Year-to-date Gross General Revenues: Year-to-date gross collections total \$1,783.6 million, representing an increase of \$116.6 million or 7.0 percent above last year. Gross general revenues are \$19.1 million or 1.1 percent above the general revenue forecast.

Year-to-date Individual Income Taxes: Year-to-date individual income tax collections total \$800.2 million, \$31.0 million or 4.0 percent above FY 2010 collections. Collections growth for individual withholding is up 6.3 percent over year ago levels and 5.1 percent above forecast. Individual estimate tax payments, which are largely remitted on last year's economy and tax liabilities, were less than forecast which decreased total income tax collections. This resulted in total year-to-date income taxes totaling \$6.0 million or 0.7 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 \$41.7 million, down \$3.1 million or -7.0 percent compared to last year and \$6.5 million or 13.5 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 \$723.2 million, an increase of \$51.7 million or 7.7 percent above FY 2010 and \$7.4 million or 1.0 percent above forecast.

Year-to-date Corporate Income Taxes: Year-to-date corporate revenues total \$120.2 million, an increase of \$40.0 million or 49.9 percent from year-to-date FY 2010. Corporate income is above forecast by \$11.2 million or 10.3 percent.

Year-to-date corporate income tax refunds total \$7.0 million, down \$1.4 million or -16.6 percent compared to the same year-to-date period last year. Corporate refunds are 38.3 percent below forecast for the year year-to-date period.

OCTOBER REVENUE SUMMARY

October Net Available General Revenues total \$354.5 million, \$41.0 million or 13.1 percent above year ago levels and \$4.2 million, or 1.2 percent, above 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.

October Gross General Revenues: October collections total \$434.1 million, an increase of \$41.8 million or 10.7 percent above year ago levels extending this trend for the sixth consecutive month. Gross collections were above forecast by \$3.7 million or 0.9 percent, largely due to high growth in the two largest categories of individual income tax and gross receipts (sales and use tax)

October Individual Income Tax collections total \$206.3 million, \$5.4 million or 2.7 percent above forecast. The largest category of Individual Income Tax (withholding) was above forecast by \$14.4 million or 8.9 percent and above year ago levels by 10.7 percent.

October Individual Income Tax Refunds total \$19.2 million, down \$1.7 million or -8.1 percent compared to last year and \$3.2 million or -14.5 percent below forecast. Amounts below forecast in refund categories contributed to higher than forecast net available revenue.

October Gross Receipts Collections: October collections total \$175.2 million, an increase of \$12.1 million or 7.4 percent above last year extending this trend to seven consecutive months. Gross receipts are above forecast by \$2.1 million or 1.2 percent.

October Corporate Income Tax collections total \$23.2 million, an increase of \$13.1 million or 130.7 percent above year earlier levels, and \$5.5 million or 19.3 percent below forecast. Corporate income tax is a volatile component of general revenue.

October Corporate Income Tax Refunds total \$1.8 million. This amount is \$1.4 million or -44.8 percent below year ago levels.

October Tobacco Tax collections, a small component of general revenue, total \$20.6 million or 1.7 percent above year earlier levels, and \$1.1 million or 5.6 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 \$16.6 million, flat compared to 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 October 2010, \$36.0 million was collected and deposited to the fund. After deductions, the net amount is \$35.0 million. The monthly collection is equivalent to an 8.0 percent increase from prior year collections.

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

THROUGH OCTOBER 2010
4 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	769.2	806.2	37.0	4.8	769.2	800.2	31.0	4.0	99.3
CORPORATE INCOME	80.2	109.0	28.8	35.9	80.2	120.2	40.0	49.9	110.3
GROSS RECEIPTS ¹	671.5	715.8	44.3	6.6	671.5	723.2	51.7	7.7	101.0
ALCOHOLIC BEVERAGE ²	10.3	11.2	0.9	9.1	10.3	11.3	1.0	9.7	100.6
TOBACCO	84.1	78.0	-6.1	-7.2	84.1	83.0	-1.0	-1.2	106.5
INSURANCE	22.6	23.5	0.9	4.1	22.6	23.6	1.1	4.7	100.6
RACING	1.3	1.3	0.0	-2.1	1.3	1.1	-0.2	-14.8	87.0
GAMES OF SKILL	2.4	2.0	-0.4	-15.5	2.4	3.6	1.2	52.4	180.4
MISCELLANEOUS ³	25.5	17.5	-8.0	-31.4	25.5	17.3	-8.2	-32.2	98.9
TOTAL GROSS	1,667.0	1,764.5	97.5	5.8	1,667.0	1,783.6	116.6	7.0	101.1
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	50.0	53.0	3.0	6.0	50.0	53.5	3.5	7.0	101.0
IND INCOME TAX REFUNDS	44.8	48.2	3.4	7.6	44.8	41.7	-3.1	-7.0	86.5
CORP INCOME TAX REFUNDS	8.4	11.4	3.0	35.2	8.4	7.0	-1.4	-16.6	61.7
CLAIMS	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
ECON DEVEL INCENTIVE FUND	5.3	8.0	2.7	50.9	5.3	8.7	3.4	63.4	108.3
WATER/SEWER BONDS	4.4	5.2	0.8	18.2	4.4	5.2	0.8	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	3.6	2.7	-0.9	-25.7	3.6	2.6	-1.0	-27.4	97.7
SCHOOL DESEGREGATION	30.7	30.7	0.0	0.0	30.7	30.7	0.0	0.0	100.0
EDUCATIONAL EXCELLENCE	94.7	89.2	-5.5	-5.8	94.7	89.5	-5.2	-5.5	100.4
EDUCATIONAL ADEQUACY	8.4	8.0	-0.4	-4.4	8.4	7.9	-0.5	-5.5	98.9
ELDERLY TRANSPORTATION	0.6	0.8	0.2	31.3	0.6	0.6	0.0	-2.6	74.2
NET AVAILABLE	1,477.1	1,507.3	30.2	2.0	1,477.1	1,536.1	59.0	4.0	101.9

REVENUE FORECAST SUMMARY FOR OCTOBER

YEAR-TO-DATE GROSS	\$ 19.1 MILLION OR 1.1% ABOVE FORECAST.
YEAR-TO-DATE REFUNDS	\$ 10.9 MILLION OR 18.3% BELOW FORECAST.
YEAR-TO-DATE NET AVAILABLE	\$ 28.8 MILLION OR 1.9% ABOVE FORECAST

SOFT DRINK EXCISE TAX (MEDICAID PROGRAM TRUST FUND)	<u>YTD FY 10</u> 16.6	<u>YTD FY 11</u> 16.6	<u>% CHANGE</u> 0.3
EDUCATIONAL ADEQUACY FUND (NET COLLECTIONS)	<u>YTD FY 10</u> 134.3	<u>YTD FY 11</u> 144.2	<u>% CHANGE</u> 7.4

- 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.

October 29, 2010
Days Remaining: 0
Forecast date: 05/04/2010

CURRENT MONTH

	ACTUAL FY 2010	FORECAST FY 2011	CHANGE AMOUNT	PERCENT	ACTUAL FY 2010	ACTUAL FY 2011	CHANGE AMOUNT	PERCENT	ACTUAL AS % OF FORECAST
INDIVIDUAL INCOME	191.3	200.9	9.6	5.0	191.3	206.3	15.0	7.8	102.7
CORPORATE INCOME	10.0	28.7	18.7	185.8	10.0	23.2	13.1	130.7	80.7
GROSS RECEIPTS ¹	163.1	173.1	10.0	6.1	163.1	175.2	12.1	7.4	101.2
ALCOHOLIC BEVERAGE ²	2.4	2.6	0.2	8.7	2.4	2.7	0.3	12.1	103.1
TOBACCO	20.3	19.5	-0.8	-3.7	20.3	20.6	0.3	1.7	105.6
INSURANCE	0.9	0.9	0.0	3.6	0.9	0.8	-0.1	-13.7	83.4
RACING	0.3	0.3	0.0	5.9	0.3	0.3	0.0	3.4	97.6
GAMES OF SKILL	0.6	0.5	-0.1	-15.9	0.6	0.9	0.3	54.3	183.5
MISCELLANEOUS ³	3.4	3.9	0.5	13.7	3.4	4.2	0.7	21.4	106.7
TOTAL GROSS	392.3	430.4	38.1	9.7	392.3	434.1	41.8	10.7	100.9
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	11.8	12.9	1.1	9.6	11.8	13.0	1.3	10.7	100.9
IND INC TAX REFUNDS	20.8	22.4	1.6	7.5	20.8	19.2	-1.7	-8.1	85.5
CORP INC TAX REFUNDS	3.2	4.2	1.0	30.1	3.2	1.8	-1.4	-44.8	42.4
CLAIMS	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
ECON DEVEL INCENTIVE FUND	2.6	2.0	-0.6	-24.1	2.6	7.0	4.3	164.7	348.8
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	1.8	1.3	-0.5	-28.4	1.8	1.3	-0.5	-27.4	101.4
SCHOOL DESEGREGATION	11.5	11.5	0.0	0.0	11.5	11.5	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	0.1	0.2	0.1	35.5	0.1	0.1	0.0	0.2	74.0
NET AVAILABLE	313.5	350.3	36.8	11.8	313.5	354.5	41.0	13.1	101.2

OCTOBER GROSS	\$ 3.7 MILLION OR 0.9% ABOVE FORECAST.
OCTOBER NET AVAILABLE	\$ 4.2 MILLION OR 1.2% ABOVE FORECAST

EDUCATIONAL ADEQUACY FUND (NET DEPOSIT, MONTH-TO-DATE)	Oct 09 32.4	Oct 10 35.0	% CH 8.0
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- 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.