



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>

**MEMORANDUM**

TO: Richard Weiss, Director  
Tim Leathers, Deputy Director

FROM: John Shelnett, Economic Analysis & Tax Research

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

DATE: January 4, 2011

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 \$2,262.3 million, \$3.4 million or 0.2 percent above forecast. After six months into the fiscal year, net available revenues are on pace with the official forecast, and also slightly above year ago levels.

Net Available General Revenue growth continues primarily from the two most economically significant revenue categories of Gross Receipts tax (Sales and Use tax) and Withholding Income tax. The Gross Receipts tax was up 7.8 percent over last year representing broad-based gains across consumer and business spending. Withholding income tax from payrolls was up 5.7 percent in the year-to-date period over the same period a year ago. Overall collections growth was up 2.4 percent, reflecting rebound from weakness in year ago collections. Collections growth adjusted for one-time events is notably higher since corporate income tax included \$60 million one-time audit payments last year.

**Year-to-date Gross General Revenues:** Year-to-date gross collections total \$2,638.2 million, representing an increase of \$61.2 million or 2.4 percent above last year. Gross general revenues are \$6.4 million or 0.2 percent below the general revenue forecast.

**Year-to-date Individual Income Taxes:** Year-to-date individual income tax collections total \$1,177.3 million, \$38.8 million or 3.4 percent above FY 2010 collections. Collections growth for individual withholding is up 5.7 percent over year ago levels and 4.6 percent above forecast.

**Year-to-date individual income tax refunds** total \$52.9 million, down \$10.3 million or -16.3 percent compared to last year and \$8.7 million or 14.2 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 \$1,063.7 million, an increase of \$76.5 million or 7.8 percent above FY 2010 and \$6.7 million or 0.6 percent above forecast.

**Year-to-date Corporate Income Taxes:** Year-to-date corporate revenues total \$181.1 million, a decrease of \$46.3 million or -20.4 percent from year-to-date FY 2010. Corporate income is below forecast by \$11.0 million or 5.7 percent. Decline compared to year ago levels is due to large, one-time gains in the prior year.

**Year-to-date corporate income tax refunds** total \$30.3 million, down \$4.5 million or -13.0 percent compared to the same year-to-date period last year. Corporate refunds are 5.3 percent above forecast for the year year-to-date period.

## DECEMBER REVENUE SUMMARY

**December Net Available General Revenues** total \$381.8 million, \$5.6 million or 1.5 percent above year ago levels. The key collection categories of individual withholding and sales tax (gross receipts) continued to perform well and in concert with economic recovery in the state. Withholding growth was up 10.9 percent compared to year ago levels and sales tax was up 7.4 percent. Corporate income tax collections and refunds combined to produce a monthly decline in net available funds of \$22.0 million, or -5.4 percent below the forecast. Although corporate income tax is less significant than sales tax and individual income tax as a share of total revenues, its greater volatility can offset the larger sources in select months.

**December Gross General Revenues:** December collections total \$439.5 million, an increase of \$10.2 million or 2.4 percent above year ago levels. Gross collections were also below forecast by \$20.3 million or -4.4 percent.

**December Individual Income Tax** collections total \$187.5 million, an increase of \$8.8 million or 5.0 percent from year ago levels and \$1.2 million or 0.6 percent above forecast. The largest category of Individual Income Tax (withholding) was above forecast by \$15.2 million or 9.8 percent and above year ago levels by 10.9 percent.

**December Individual Income Tax Refunds** total \$3.0 million, down \$0.9 million or -23.6 percent compared to last year and \$1.3 million or -29.5 percent below forecast. Amounts below forecast in refund categories contributed to higher than forecast net available revenue.

**December Gross Receipts Collections:** December collections total \$171.8 million, an increase of \$11.9 million or 7.4 percent above last year extending this trend to nine consecutive months. Gross receipts are below forecast by \$1.4 million or -0.8 percent. Large percentage gains over prior year levels continue to be derived from recovery by business and consumer spending from depressed levels in the year ago period.

**December Corporate Income Tax** collections total \$52.3 million, a decrease of \$11.2 million or -17.6 percent below year earlier levels, and \$20.5 million or 28.2 percent below forecast. Corporate income tax is a volatile component of general revenue.

**December Corporate Income Tax Refunds** total \$10.6 million. This amount is \$6.6 million or 163.7 percent above year ago levels.

**December Tobacco Tax** collections, a small component of general revenue, total \$20.0 million. This amount is \$0.5 million or 2.5 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 \$23.9 million, an increase of \$0.5 million or 2.2 percent above 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 December 2010, \$35.3 million was collected and deposited to the fund. After deductions, the net amount is \$34.3 million. The monthly collection is equivalent to a 7.2 percent increase from prior year collections.

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

THROUGH DECEMBER 2010  
6 Months YTD  
Forecast Date: 05/04/2010

MILLIONS OF DOLLARS

	<u>CURRENT YEAR</u>				<u>CURRENT YEAR TO DATE</u>				ACTUAL AS % OF FORECAST
	ACTUAL FY 2010	FORECAST FY 2011	INCREASE AMOUNT PERCENT		ACTUAL FY 2010	ACTUAL FY 2011	INCREASE AMOUNT PERCENT		
INDIVIDUAL INCOME	1,138.6	1,185.5	46.9	4.1	1,138.6	1,177.3	38.8	3.4	99.3
CORPORATE INCOME	227.4	192.1	-35.3	-15.5	227.4	181.1	-46.3	-20.4	94.3
GROSS RECEIPTS <sup>1</sup>	987.1	1,057.0	69.9	7.1	987.1	1,063.7	76.5	7.8	100.6
ALCOHOLIC BEVERAGE <sup>2</sup>	14.8	16.3	1.5	10.0	14.8	16.2	1.4	9.5	99.6
TOBACCO	126.9	117.0	-9.9	-7.8	126.9	123.0	-3.9	-3.1	105.1
INSURANCE	45.2	47.1	1.9	4.3	45.2	45.5	0.3	0.7	96.5
RACING	1.9	1.9	0.0	-0.9	1.9	1.7	-0.2	-8.9	91.9
GAMES OF SKILL	3.6	3.2	-0.4	-10.6	3.6	5.6	2.0	55.2	173.6
MISCELLANEOUS <sup>3</sup>	31.5	24.5	-7.0	-22.3	31.5	24.1	-7.4	-23.6	98.3
<b>TOTAL GROSS</b>	<b>2,577.0</b>	<b>2,644.6</b>	<b>67.6</b>	<b>2.6</b>	<b>2,577.0</b>	<b>2,638.2</b>	<b>61.2</b>	<b>2.4</b>	<b>99.8</b>
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 <sup>4</sup>	77.3	79.4	2.1	2.7	77.3	79.1	1.8	2.4	99.7
IND INCOME TAX REFUNDS	63.2	61.6	-1.6	-2.5	63.2	52.9	-10.3	-16.3	85.8
CORP INCOME TAX REFUNDS	34.9	28.8	-6.1	-17.4	34.9	30.3	-4.5	-13.0	105.3
CLAIMS	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
ECON DEVEL INCENTIVE FUND	5.4	12.0	6.6	120.4	5.4	9.4	4.0	73.1	78.5
WATER/SEWER BONDS	6.6	7.7	1.1	16.7	6.6	7.7	1.1	16.7	100.0
COLLEGE SAVINGS BONDS	5.6	5.7	0.1	1.1	5.6	5.7	0.1	1.5	100.3
CITY/CO. TOURIST	3.6	2.7	-0.9	-25.7	3.6	2.6	-1.0	-27.4	97.7
SCHOOL DESEGREGATION	41.0	41.0	0.0	0.0	41.0	41.0	0.0	0.0	100.0
EDUCATIONAL EXCELLENCE	142.0	133.6	-8.4	-5.9	142.0	134.3	-7.7	-5.4	100.5
EDUCATIONAL ADEQUACY	12.6	12.0	-0.6	-4.4	12.6	11.9	-0.7	-5.4	98.9
ELDERLY TRANSPORTATION	0.9	1.2	0.3	29.6	0.9	0.9	0.0	-5.0	73.3
<b>NET AVAILABLE</b>	<b>2,244.9</b>	<b>2,258.9</b>	<b>14.0</b>	<b>0.6</b>	<b>2,244.9</b>	<b>2,262.3</b>	<b>17.5</b>	<b>0.8</b>	<b>100.2</b>

REVENUE FORECAST SUMMARY FOR DECEMBER

YEAR-TO-DATE GROSS	\$ 6.4 MILLION OR 0.2% BELOW FORECAST.
YEAR-TO-DATE REFUNDS	\$ 7.2 MILLION OR 8.0% BELOW FORECAST.
YEAR-TO-DATE NET AVAILABLE	\$ 3.4 MILLION OR 0.2% ABOVE FORECAST

SOFT DRINK EXCISE TAX (MEDICAID PROGRAM TRUST FUND)	<u>YTD FY 10</u> 23.4	<u>YTD FY 11</u> 23.9	<u>% CHANGE</u> 2.2
EDUCATIONAL ADEQUACY FUND (NET COLLECTIONS)	<u>YTD FY 10</u> 197.8	<u>YTD FY 11</u> 212.6	<u>% CHANGE</u> 7.5

- 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.

