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and Administration**

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**MEMORANDUM**

TO: Richard Weiss, Director  
Tim Leathers, Deputy Director

FROM: John Shelnett, Economic Analysis & Tax Research

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

DATE: March 2, 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 \$2,936.3 million, \$36.2 million or 1.2 percent above forecast. After eight months into the fiscal year, net available revenues are on pace with the official forecast and modestly above year ago levels, unadjusted for special items relative to year ago collections.

Net Available General Revenue growth continues primarily from the two most economically significant revenue categories of Withholding Income tax and Gross Receipts tax (Sales and Use tax). Withholding income tax from payrolls was up 6.0 percent in the year-to-date period over the same period a year ago. The Gross Receipts tax was up 5.7 percent over last year representing broad-based gains across consumer and business spending. Overall collections growth was up 2.1 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 results also reflect performance boosted by lower than expected refunds in both individual and corporate income tax. While collections are now slightly below

forecast after eight months into the fiscal year, refunds running more than 20.0 percent below forecast are providing a boost to net available funds.

**Year-to-date Gross General Revenues:** Year-to-date gross collections total \$3,539.5 million, representing an increase of \$72.3 million or 2.1 percent above last year. Gross general revenues are \$29.8 million or 0.8 percent below the general revenue forecast. Lower than expected refunds account for the disparity between gross revenue and net available funds.

**Year-to-date Individual Income Taxes:** Year-to-date individual income tax collections total \$1,666.5 million, \$67.9 million or 4.2 percent above FY 2010 collections. Collections growth for individual withholding is up 6.0 percent over year ago levels and 4.9 percent above forecast.

**Year-to-date individual income tax refunds** total \$186.7 million, down \$39.8 million or -17.6 percent compared to last year and \$50.6 million or -21.3 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 \$1,399.9 million, an increase of \$75.4 million or 5.7 percent above FY 2010 and \$7.7 million or -0.5 percent below forecast.

**Year-to-date Corporate Income Taxes:** Year-to-date corporate revenues total \$197.8 million, a decrease of \$66.4 million or -25.1 percent from year-to-date FY 2010. Corporate income is below forecast by \$21.6 million or -9.8 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 \$31.5 million, down \$13.0 million or -29.1 percent compared to the same year-to-date period last year. Corporate refunds are -23.7 percent below forecast for the year year-to-date period. Amounts below forecast in refund categories contributed to higher net available revenue.

## **FEBRUARY REVENUE SUMMARY**

**February Net Available General Revenues** total \$214.1 million, \$32.7 million or 18.0 percent above year ago levels and \$28.3 million or 15.2 percent above forecast. In net terms, lower than expected refunds in both individual and corporate income tax boosted net available revenue results for the month. The effect of lower refunds offset small declines relative to forecast in individual income tax and gross receipts.

Corporate income tax collections were above forecast in an otherwise minor collection month for that category. Corporate collections were ahead of last year by 23.2 percent and ahead of forecast by 7.8 percent.

**February Gross General Revenues:** February collections total \$371.5 million, an increase of \$6.5 million or 1.8 percent above year ago levels. Gross collections were also below forecast by \$8.1 million or -2.1 percent.

**February Individual Income Tax** collections total \$178.1 million, an increase of \$0.3 million or 0.2 percent above year ago levels and \$2.1 million or -1.1 percent below forecast. The largest category of Individual Income Tax (withholding) was above forecast by \$1.0 million or 0.6 percent and above year ago levels by 0.7 percent. Low growth in withholding can be attributed to payroll timing shifts relative to the prior year.

**February Individual Income Tax Refunds** total \$113.3 million, down \$21.3 million or -15.8 percent compared to last year and \$31.5 million or -21.8 percent below forecast. Amounts below forecast in refund categories contributed to higher than forecast net available revenue.

**February Gross Receipts Collections:** February collections total \$162.4 million, an increase of \$4.3 million or 2.7 percent above last year. Gross receipts are below forecast by \$5.3 million or -3.2 percent.

**February Corporate Income Tax** collections total \$5.1 million, an increase of \$1.0 million or 23.2 percent above year earlier levels, and \$0.4 million or 7.8 percent above forecast. Corporate income tax is a volatile component of general revenue.

**February Corporate Income Tax Refunds** total \$0.9 million. This amount is \$2.0 million or -68.3 percent below year ago levels.

**February Tobacco Tax** collections, a small component of general revenue, total \$18.3 million. This amount is \$1.2 million or 6.0 percent below forecast and \$0.2 million or 0.9 percent above year ago levels. 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 \$31.8 million, an increase of \$1.7 million or 5.5 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 February 2011, \$33.3 million was collected and deposited to the fund. After deductions, the net amount is \$32.3 million. The monthly collection is equivalent to a 3.1 percent increase from prior year collections.

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

YEAR TO DATE REPORT, FEBRUARY 2011  
(PREPARED BY ECONOMIC ANALYSIS AND TAX RESEARCH, DFA)

THROUGH FEBRUARY 2011  
8 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	1,598.6	1,670.8	72.2	4.5	1,598.6	1,666.5	67.9	4.2	99.7
CORPORATE INCOME	264.2	219.4	-44.8	-17.0	264.2	197.8	-66.4	-25.1	90.2
GROSS RECEIPTS <sup>1</sup>	1,324.6	1,407.6	83.0	6.3	1,324.6	1,399.9	75.4	5.7	99.5
ALCOHOLIC BEVERAGE <sup>2</sup>	19.2	21.4	2.2	11.6	19.2	20.6	1.5	7.6	96.4
TOBACCO	162.5	156.0	-6.5	-4.0	162.5	159.5	-3.0	-1.8	102.2
INSURANCE	46.1	48.2	2.1	4.4	46.1	46.5	0.3	0.7	96.4
RACING	2.9	2.9	0.0	1.3	2.9	2.4	-0.5	-16.4	82.5
GAMES OF SKILL	4.9	4.3	-0.6	-12.8	4.9	7.9	2.9	59.3	182.8
MISCELLANEOUS <sup>3</sup>	44.3	38.7	-5.6	-12.7	44.3	38.5	-5.9	-13.2	99.4
<b>TOTAL GROSS</b>	<b>3,467.2</b>	<b>3,569.3</b>	<b>102.1</b>	<b>2.9</b>	<b>3,467.2</b>	<b>3,539.5</b>	<b>72.3</b>	<b>2.1</b>	<b>99.2</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>	104.0	107.1	3.1	2.9	104.0	106.2	2.1	2.1	99.1
IND INCOME TAX REFUNDS	226.5	237.3	10.8	4.8	226.5	186.7	-39.8	-17.6	78.7
CORP INCOME TAX REFUNDS	44.5	41.3	-3.2	-7.1	44.5	31.5	-13.0	-29.1	76.3
CLAIMS	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
ECON DEVEL INCENTIVE FUND	7.2	15.8	8.6	119.2	7.2	10.6	3.4	47.1	67.1
WATER/SEWER BONDS	8.8	10.1	1.3	14.8	8.8	10.1	1.3	14.8	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	5.4	4.0	-1.4	-26.6	5.4	4.0	-1.5	-27.4	98.9
SCHOOL DESEGREGATION	52.4	52.4	0.0	0.0	52.4	52.4	0.0	0.0	100.0
EDUCATIONAL EXCELLENCE	189.4	178.0	-11.4	-6.0	189.4	179.1	-10.3	-5.4	100.6
EDUCATIONAL ADEQUACY	16.7	16.0	-0.7	-4.4	16.7	15.8	-0.9	-5.4	98.9
ELDERLY TRANSPORTATION	1.2	1.5	0.3	27.9	1.2	1.1	0.0	-2.1	76.5
<b>NET AVAILABLE</b>	<b>2,866.5</b>	<b>2,900.1</b>	<b>33.6</b>	<b>1.2</b>	<b>2,866.5</b>	<b>2,936.3</b>	<b>69.8</b>	<b>2.4</b>	<b>101.2</b>

REVENUE FORECAST SUMMARY FOR FEBRUARY

YEAR-TO-DATE GROSS	\$ 29.8 MILLION OR 0.8% BELOW FORECAST.
YEAR-TO-DATE REFUNDS	\$ 60.3 MILLION OR 21.7% BELOW FORECAST.
YEAR-TO-DATE NET AVAILABLE	\$ 36.2 MILLION OR 1.2% ABOVE FORECAST

SOFT DRINK EXCISE TAX (MEDICAID PROGRAM TRUST FUND)	<u>YTD FY 10</u>	<u>YTD FY 11</u>	<u>% CHANGE</u>
	30.1	31.8	5.5
EDUCATIONAL ADEQUACY FUND (NET COLLECTIONS)	<u>YTD FY 10</u>	<u>YTD FY 11</u>	<u>% CHANGE</u>
	264.4	279.1	5.5

- 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.

