



STATE OF ARKANSAS  
**Department of Finance  
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 2009)**

DATE: March 3, 2009

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 \$2,915.2 million. This amount is \$68.1 million or 2.4 percent above last year and \$83.4 million or 2.9 percent above the general revenue forecast released on November 13. The amount above forecast is due to gains in both Corporate Income Tax and Individual Income Tax.

**Year-to-date Gross General Revenues:** Year-to-date gross collections total \$3,574.0 million, representing an increase of \$95.4 million or 2.7 percent above last year. Gross general revenues are \$82.6 million or 2.4 percent above the revised general revenue forecast.

**Year-to-date Individual Income Taxes:** Year-to-date individual income tax collections total \$1,687.6 million, \$37.8 million or 2.3 percent above FY 2008 collections and \$49.1 million or 3.0 percent above forecast. Collections growth for individual withholding is up 1.9 percent over year ago levels.

**Year-to-date individual income tax refunds** total \$224.3 million, up \$10.9 million or 5.1 percent compared to last year and \$8.2 million or 3.5 percent below forecast.

**Year-to-date Gross Receipts Collections:** Gross receipts consist primarily of sales and use taxes. On a year-to-date basis, gross receipts total \$1,437.2 million, an increase of \$20.0 million or 1.4 percent above FY 2008 and \$4.2 million or 0.3 percent below forecast.

**Year-to-date Corporate Income Taxes:** Year-to-date corporate income tax revenues total \$220.5 million, an increase of \$17.3 million or 8.5 percent above year-to-date FY 2008. Corporate Income Tax collections are 19.3 percent above forecast for the year-to-date period.

**Year-to-date corporate income tax refunds** total \$43.3 million, up \$17.6 million or 68.8 percent from the comparable year-to-date period last year and \$7.3 million or 20.2 percent above forecast.

## FEBRUARY REVENUE SUMMARY

**February Net Available General Revenues** total \$207.3 million, \$16.4 million or 8.6 percent above last year and \$41.5 million or 25.0 percent above forecast.

**February Gross General Revenues:** February collections total \$396.0 million, an increase of \$20.7 million or 5.5 percent above last year and \$30.2 million or 8.3 percent above forecast.

**February Individual Income Tax** collections total \$200.7 million. Collections increased by \$12.4 million, or 6.6 percent, compared to last year. With respect to the forecast, collections are \$21.4 million or 12.0 percent above forecast. Individual withholding increased 6.5 percent compared to last year. A one-time gain from employment severance payments by companies accounts for most of the growth this month. The payments add to collections in the near term, but permanent losses of the associated tax base are anticipated next year.

**February Individual Income Tax Refunds** total \$136.6 million. Refunds are down \$2.1 million or -1.5 percent below February 2008. This amount is 10.0 percent below forecast for the month. Fewer returns have been processed to date, but processing activity is expected to increase next month.

**February Gross Receipts Collections:** February collections total \$170.3 million, an increase of \$5.1 million or 3.1 percent above last year. Collections were above monthly forecast levels by \$5.0 million or 3.0 percent.

**February Corporate Income Tax** collections total \$3.3 million, a decrease of \$0.3 million or -8.4 percent from year earlier levels, and fractionally below forecast. Corporate tax collections represent a volatile component of general revenues.

**February Corporate Income Tax Refunds** total \$5.4 million. This amount is \$3.5 million or 177.4 percent above year ago refunds.

**February Tobacco Tax** collections, a small component of general revenue, total \$14.5 million or 34.3 percent above year earlier levels. This high growth is associated with advance purchases of cigarette tax stamps in anticipation of tax rate increases.

### **SPECIAL REVENUES OF NOTE**

**Year-to-date Soft Drink Tax (Medicaid Program Trust Fund):** Year-to-date collections of the dedicated soft drink tax total \$32.5 million, an increase of \$1.0 million or 3.1 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 2009, \$34.1 million was collected and deposited to the fund. After deductions, the net amount is \$33.1 million. The monthly collection is equivalent to a -1.2 percent decrease from prior year collections.

YEAR TO DATE REPORT, FEBRUARY 2009  
(PREPARED BY ECONOMIC ANALYSIS AND TAX RESEARCH, DF&A)

THROUGH FEBRUARY 2009  
8 Months YTD  
Forecast Date: 11/13/2008

MILLIONS OF DOLLARS

	ACTUAL	FORECAST	INCREASE		ACTUAL	ACTUAL	INCREASE		ACTUAL
	FY 2008	FY 2009	AMOUNT	PERCENT	FY 2008	FY 2009	AMOUNT	PERCENT	AS % OF FORECAST
INDIVIDUAL INCOME	1,649.8	1,638.5	-11.3	-0.7	1,649.8	1,687.6	37.8	2.3	103.0
ESTATE <sup>1</sup>	-0.4	-0.5	-0.1	24.7	-0.4	-1.2	-0.8	191.2	233.6
CORPORATE INCOME	203.2	184.8	-18.4	-9.1	203.2	220.5	17.3	8.5	119.3
GROSS RECEIPTS <sup>2</sup>	1,417.2	1,441.4	24.2	1.7	1,417.2	1,437.2	20.0	1.4	99.7
ALCOHOLIC BEVERAGE <sup>3</sup>	18.0	18.8	0.7	4.0	18.0	19.8	1.8	9.9	105.6
TOBACCO	93.7	94.3	0.6	0.6	93.7	101.4	7.7	8.2	107.5
INSURANCE	48.7	49.1	0.4	0.8	48.7	44.0	-4.8	-9.8	89.5
RACING	3.2	3.2	0.0	1.5	3.2	3.3	0.2	5.6	104.0
GAMES OF SKILL	3.4	4.4	1.0	28.5	3.4	3.9	0.5	15.3	89.7
MISCELLANEOUS <sup>4</sup>	41.7	57.4	15.7	37.6	41.7	57.5	15.8	37.9	100.2
<b>TOTAL GROSS</b>	<b>3,478.6</b>	<b>3,491.4</b>	<b>12.8</b>	<b>0.4</b>	<b>3,478.6</b>	<b>3,574.0</b>	<b>95.4</b>	<b>2.7</b>	<b>102.4</b>
PLUS:									
PROP. TAX RELIEF TR. FUND	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
REVENUE ALLOTMENT RESERVE	4.7	3.4	-1.4	-28.7	4.7	3.4	-1.4	-28.7	100.0
LESS: SCSF/COF <sup>5</sup>	104.4	104.7	0.3	0.3	104.4	107.3	2.9	2.8	102.4
IND INCOME TAX REFUNDS	213.4	232.5	19.1	8.9	213.4	224.3	10.9	5.1	96.5
CORP INCOME TAX REFUNDS	25.6	36.0	10.4	40.4	25.6	43.3	17.6	68.8	120.2
CLAIMS	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
ECON DEVEL INCENTIVE FUND	8.6	13.6	5.0	57.8	8.6	10.9	2.3	26.8	80.3
WATER/SEWER BONDS	1.6	4.0	2.4	150.0	1.6	4.0	2.4	150.0	100.0
COLLEGE SAVINGS BONDS	6.7	6.1	-0.6	-9.1	6.7	6.1	-0.6	-9.5	99.6
CITY/CO. TOURIST	5.4	5.3	-0.1	-2.5	5.4	5.4	-0.1	-1.5	101.0
SCHOOL DESEGREGATION	52.5	50.3	-2.2	-4.2	52.5	50.3	-2.2	-4.2	100.0
EDUCATIONAL EXCELLENCE	199.0	192.1	-6.9	-3.4	199.0	192.2	-6.8	-3.4	100.0
EDUCATIONAL ADEQUACY	17.6	16.9	-0.7	-3.9	17.6	17.0	-0.6	-3.4	100.5
ELDERLY TRANSPORTATION	1.4	1.4	0.0	-1.3	1.4	1.5	0.1	8.1	109.6
<b>NET AVAILABLE</b>	<b>2,847.1</b>	<b>2,831.9</b>	<b>-15.2</b>	<b>-0.5</b>	<b>2,847.1</b>	<b>2,915.2</b>	<b>68.1</b>	<b>2.4</b>	<b>102.9</b>

REVENUE FORECAST SUMMARY FOR FEBRUARY

YEAR-TO-DATE GROSS	\$ 82.6 MILLION OR 2.4% ABOVE FORECAST.
YEAR-TO-DATE REFUNDS	\$ 0.9 MILLION OR 0.3% BELOW FORECAST.
YEAR-TO-DATE NET AVAILABLE	\$ 83.4 MILLION OR 2.9% ABOVE FORECAST

	<u>YTD FY 08</u>	<u>YTD FY 09</u>	<u>% CHANGE</u>
SOFT DRINK EXCISE TAX (MEDICAID PROGRAM TRUST FUND)	31.5	32.5	3.1
EDUCATIONAL ADEQUACY FUND (NET DEPOSIT)	283.6	286.6	1.1

- 1) Effective January 1, 2005, the federal estate tax credit was abolished, effectively ending state tax collections in FY06.
- 2) Gross Receipts includes the sales, use, 10% mixed drink, 3% beverage excise, vehicle rental, short-term rental, residential moving, and wholesale vending taxes.
- 3) Alcoholic Beverage does not include 10% Mixed Drink and 3% Beverage Excise.
- 4) Miscellaneous includes severance, corporate franchise, real estate transfer, dyed diesel, and various other miscellaneous taxes.
- 5) State Central Services Fund and Constitutional Officers Fund.

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

February 27, 2009  
Days Remaining: 0  
Forecast date: 11/13/2008

MILLIONS OF \$

	<u>CURRENT MONTH</u>				<u>CURRENT MONTH TO DATE</u>				ACTUAL AS % OF FORECAST
	ACTUAL FY 2008	FORECAST FY 2009	CHANGE AMOUNT	CHANGE PERCENT	ACTUAL FY 2008	ACTUAL FY 2009	CHANGE AMOUNT	CHANGE PERCENT	
INDIVIDUAL INCOME	188.3	179.3	-9.0	-4.8	188.3	200.7	12.4	6.6	112.0
ESTATE <sup>1</sup>	0.0	0.0	0.0	0.0	0.0	-0.2	-0.2	0.0	0.0
CORPORATE INCOME	3.6	3.3	-0.3	-7.9	3.6	3.3	-0.3	-8.4	99.5
GROSS RECEIPTS <sup>2</sup>	165.2	165.3	0.1	0.1	165.2	170.3	5.1	3.1	103.0
ALCOHOLIC BEVERAGE <sup>3</sup>	2.2	2.3	0.1	6.7	2.2	2.2	0.0	1.8	95.4
TOBACCO	10.8	10.5	-0.3	-2.6	10.8	14.5	3.7	34.3	137.9
INSURANCE	0.8	0.8	0.0	2.3	0.8	1.2	0.4	51.6	148.1
RACING	0.5	0.5	0.0	1.0	0.5	0.6	0.1	17.9	116.7
GAMES OF SKILL	0.5	0.6	0.1	28.9	0.5	0.5	0.1	16.8	90.6
MISCELLANEOUS <sup>4</sup>	3.5	3.2	-0.3	-8.9	3.5	2.9	-0.6	-17.0	91.2
<b>TOTAL GROSS</b>	<b>375.3</b>	<b>365.8</b>	<b>-9.5</b>	<b>-2.5</b>	<b>375.3</b>	<b>396.0</b>	<b>20.7</b>	<b>5.5</b>	<b>108.3</b>
PLUS:									
PROP. TAX RELIEF TR. FUND	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
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) <sup>5</sup>	11.3	11.0	-0.3	-2.3	11.3	11.9	0.6	5.6	108.1
IND INC TAX REFUNDS	138.6	151.7	13.1	9.4	138.6	136.6	-2.1	-1.5	90.0
CORP INC TAX REFUNDS	1.9	3.0	1.1	54.2	1.9	5.4	3.5	177.4	179.9
CLAIMS	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
ECON DEVEL INCENTIVE FUND	0.2	2.4	2.2	1268.3	0.2	2.8	2.6	1495.2	116.6
WATER/SEWER BONDS	0.2	0.5	0.3	150.0	0.2	0.5	0.3	150.0	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	5.0	5.2	0.2	4.0	5.0	5.2	0.2	4.0	100.0
EDUCATIONAL EXCELLENCE	24.9	24.0	-0.9	-3.5	24.9	24.0	-0.8	-3.4	100.1
EDUCATIONAL ADEQUACY	2.2	2.1	-0.1	-4.5	2.2	2.1	-0.1	-3.4	101.1
ELDERLY TRANSPORTATION	0.2	0.1	-0.1	-37.0	0.2	0.2	0.1	42.2	225.6
<b>NET AVAILABLE</b>	<b>190.9</b>	<b>165.8</b>	<b>-25.1</b>	<b>-13.1</b>	<b>190.9</b>	<b>207.3</b>	<b>16.4</b>	<b>8.6</b>	<b>125.0</b>

EDUCATIONAL ADEQUACY FUND (NET DEPOSIT, MONTH-TO-DATE)	<u>Feb 08</u> 33.5	<u>Feb 09</u> 33.1	<u>% CH</u> -1.2
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- 3) Alcoholic Beverage does not include 10% Mixed Drink and 3% Beverage Excise.
- 4) Miscellaneous includes severance, corporate franchise, real estate transfer, dyed diesel, and various other miscellaneous taxes.
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