



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 January (FY 2013)**

DATE: February 4, 2013

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 \$2,946.4 million, \$146.0 million or 5.2 percent above year ago levels. Net available revenue is above forecast by \$83.4 million or 2.9 percent.

Year-to-date Gross General Revenues: Year-to-date gross collections total \$3,409.5 million, representing an increase of \$120.9 million or 3.7 percent above last year. Gross general revenues are above forecast by \$49.5 million or 1.5 percent.

Year-to-date Individual Income Taxes: Year-to-date individual income tax collections total \$1,672.3 million, \$118.4 million or 7.6 percent above FY 2012 collections and \$71.8 million or 4.5 percent above forecast. Collections growth for individual withholding is up 4.6 percent over year ago levels.

Year-to-date individual income tax refunds total \$62.2 million, down \$24.7 million or -28.4 percent compared to last year and \$28.5 million or -31.5 percent below forecast. Amounts below forecast contribute to net available funds.

Year-to-date Sales and Use Tax Collections: On a year-to-date basis, sales and use taxes total \$1,237.4 million, an increase of \$2.9 million or 0.2% from FY 2012 and \$12.8 million or -1.0 percent below forecast.

Year-to-date Corporate Income Taxes: Year-to-date corporate revenues total \$219.3 million, a decrease of \$10.8 million or -4.7 percent from year-to-date FY 2012. Corporate income tax is below forecast by \$6.5 million or -2.9 percent.

Year-to-date corporate income tax refunds total \$40.6 million, a decrease of \$6.7 million compared to the same year-to-date period last year.

JANUARY REVENUE SUMMARY

January Net Available General Revenues total \$516.1 million, \$55.2 million or 12.0 percent above last year and \$61.3 million or 13.5 percent above forecast.

Results were mainly driven by Individual Income tax collections which grew 10.1 percent compared to last year. Although payroll timing shifts were negative this month for withholding results, the gain of over 52 percent in individual estimated payments accounted for the overall gain in the category and total collections. The tax strategy of income shifting into tax year 2012 to avoid higher tax rates accounted for much of this surge. Individual refunds were below expectations in January due to delays in federal tax filing dates and related shifts in Arkansas tax returns and refund claims. Monthly shifts in refund payout compared to forecast provides a temporary boost to revenue results.

Sales and Use taxes were down compared to last year by -1.0 percent and underperformed the forecast by -5.0 percent. Storm-related effects in December would be counted in January collections, along with portions of the holiday shopping season.

Corporate Income tax collections exceeded the forecast in January with a 6.7 percent gain in year over year terms and 2.5 percent above forecast. Monthly collections in corporate income are a volatile component of general revenue.

January Gross General Revenues: January collections total \$583.0 million, an increase of \$30.5 million or 5.5 percent above last year and \$34.7 million or 6.3 percent above forecast.

January Individual Income Tax collections total \$341.4 million. Collections increased by \$31.2 million, or 10.1 percent compared to last year. With respect to the forecast, collections are \$46.8 million or 15.9 percent above forecast. Individual withholding decreased 3.3 percent compared to last year, largely reflecting payroll timing shifts month to month and relative to last year.

January Individual Income Tax Refunds total \$10.3 million, \$23.9 million or -69.8 percent below last year and \$25.7 million or -71.3 percent below forecast. Amounts below forecast for refunds contribute to gains in net available funds. Delays in accepting

returns for processing at the federal level accounted for much of the departure from forecast and year ago levels.

January Sales and Use Tax Collections: January collections total \$178.3 million, a decrease of \$1.8 million or -1.0 percent from last year. Collections were below monthly forecast levels by \$9.3 million or -5.0 percent.

January Corporate Income Tax collections total \$27.9 million, an increase of \$1.7 million or 6.7 percent over year earlier levels, and \$0.7 million or 2.5 percent above forecast.

January Corporate Income Tax Refunds total \$3.1 million. This amount is \$0.2 million or 8.1 percent above year ago levels. Refunds were below forecast by \$0.3 million.

January Tobacco Tax collections, a small component of general revenue in annual terms, total \$15.2 million. Collections decreased by \$1.3 million or -7.9 percent below year earlier levels and below forecast by \$4.2 million. 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 Soft Drink Tax (for Medicaid Program Trust Fund): Year-to-date collections of the dedicated soft drink tax total \$27.6 million, a decrease of \$1.1 million or -3.9 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 January 2013, \$36.9 million was collected and deposited to the fund. After deductions, the net amount is \$35.7 million. The monthly collection is equivalent to a -1.0 percent decrease from prior year collections.

YEAR TO DATE REPORT, JANUARY 2013
(PREPARED BY ECONOMIC ANALYSIS AND TAX RESEARCH, DFA)

THROUGH JANUARY 2013
7 Months YTD
Forecast Date: 11/15/2012

MILLIONS OF DOLLARS

	<u>CURRENT YEAR</u>				<u>CURRENT YEAR TO DATE</u>				ACTUAL AS % OF FORECAST
	ACTUAL FY 2012	FORECAST FY 2013	INCREASE AMOUNT	INCREASE PERCENT	ACTUAL FY 2012	ACTUAL FY 2013	INCREASE AMOUNT	INCREASE PERCENT	
INDIVIDUAL INCOME	1,553.9	1,600.5	46.6	3.0	1,553.9	1,672.3	118.4	7.6	104.5
CORPORATE INCOME	230.0	225.8	-4.2	-1.8	230.0	219.3	-10.8	-4.7	97.1
SALES AND USE	1,234.5	1,250.2	15.7	1.3	1,234.5	1,237.4	2.9	0.2	99.0
ALCOHOLIC BEVERAGE	28.5	29.2	0.7	2.4	28.5	29.1	0.6	2.2	99.8
TOBACCO	140.9	135.9	-5.0	-3.6	140.9	131.9	-9.1	-6.4	97.0
INSURANCE	43.7	43.4	-0.3	-0.6	43.7	42.8	-0.9	-2.0	98.6
RACING	1.9	1.6	-0.3	-14.0	1.9	1.6	-0.3	-14.9	98.9
GAMES OF SKILL	13.9	17.7	3.8	27.6	13.9	19.1	5.2	37.7	107.9
MISCELLANEOUS ¹	41.4	55.7	14.3	34.6	41.4	56.0	14.7	35.4	100.6
TOTAL GROSS	3,288.7	3,360.0	71.3	2.2	3,288.7	3,409.5	120.9	3.7	101.5
LESS: SCSF/COF ²	108.5	110.9	2.4	2.2	108.5	112.5	4.0	3.7	101.5
IND INCOME TAX REFUNDS	86.8	90.7	3.9	4.5	86.8	62.2	-24.7	-28.4	68.5
CORP INCOME TAX REFUNDS	47.3	44.1	-3.2	-6.7	47.3	40.6	-6.7	-14.2	92.0
CLAIMS	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
ECON DEVEL INCENTIVE FUND	11.0	10.9	-0.1	-0.6	11.0	7.2	-3.8	-34.2	66.2
WATER/SEWER BONDS	8.9	8.8	-0.1	-1.1	8.9	8.8	-0.1	-1.1	100.0
COLLEGE SAVINGS BONDS	2.1	5.4	3.3	159.8	2.1	5.5	3.4	162.2	100.9
CITY/CO. TOURIST	4.0	2.1	-1.9	-46.9	4.0	2.1	-1.8	-46.7	100.3
SCHOOL DESEGREGATION	41.8	41.8	0.0	0.0	41.8	41.8	0.0	0.0	100.0
EDUCATIONAL EXCELLENCE	163.3	167.5	4.2	2.5	163.3	167.7	4.3	2.6	100.1
EDUCATIONAL ADEQUACY	14.4	14.8	0.4	2.5	14.4	14.8	0.4	2.6	100.1
ELDERLY TRANSPORTATION	0.2	0.0	-0.2	-100.0	0.2	0.0	-0.2	-100.0	0.0
NET AVAILABLE	2,800.4	2,863.0	62.6	2.2	2,800.4	2,946.4	146.0	5.2	102.9

REVENUE FORECAST SUMMARY FOR JANUARY

YEAR-TO-DATE GROSS	\$ 49.5 MILLION OR 1.5% ABOVE FORECAST.
YEAR-TO-DATE REFUNDS	\$ 32.1 MILLION OR 23.8% BELOW FORECAST.
YEAR-TO-DATE NET AVAILABLE	\$ 83.4 MILLION OR 2.9% ABOVE FORECAST

SOFT DRINK EXCISE TAX (MEDICAID PROGRAM TRUST FUND)	<u>YTD FY 12</u> 28.7	<u>YTD FY 13</u> 27.6	<u>% CHANGE</u> -3.9
EDUCATIONAL ADEQUACY FUND (NET COLLECTIONS)	<u>YTD FY 12</u> 248.6	<u>YTD FY 13</u> 249.7	<u>% CHANGE</u> 0.4

- 1) Miscellaneous includes severance, corporate franchise, real estate transfer, dyed diesel, and various other miscellaneous taxes.
2) State Central Services Fund and Constitutional Officers Fund.

