



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 November (FY 2014)**

DATE: December 3, 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 \$2,043.4 million, \$69.6 million or 3.5 percent above year ago levels. After five months into the fiscal year, net available revenue is above forecast by \$29.4 million or 1.5 percent.

Year-to-date Gross General Revenues: Year-to-date gross collections total \$2,389.0 million, representing an increase of \$80.1 million or 3.5 percent above last year. Gross general revenues are above forecast by \$25.9 million or 1.1 percent.

Year-to-date Individual Income Taxes: Year-to-date individual income tax collections total \$1,115.6 million, \$27.7 million or 2.5 percent above FY 2013 collections and \$2.3 million or 0.2 percent above forecast. Collections for individual withholding are up 1.6 percent from year ago levels.

Year-to-date individual income tax refunds total \$50.9 million, up \$1.0 million or 1.9 percent compared to last year and \$1.5 million or -2.9 percent below forecast. Amounts below forecast in refund categories add to net available revenue.

Year-to-date Sales and Use Tax Collections: On a year-to-date basis, sales and use taxes total \$914.3 million, an increase of \$36.1 million or 4.1 percent from FY 2013 and \$2.2 million or 0.2 percent above forecast.

Year-to-date Corporate Income Taxes: Year-to-date corporate revenues total \$139.9 million, an increase of \$11.2 million or 8.7 percent from year-to-date FY 2013. Corporate income is above forecast by \$9.3 million or 7.1 percent.

Year-to-date corporate income tax refunds total \$32.3 million, an increase of \$1.9 million compared to the same year-to-date period last year.

NOVEMBER REVENUE SUMMARY

November Net Available General Revenues total \$349.7 million, \$0.8 million or -0.2 percent below last year and \$8.4 million or -2.3 percent below forecast.

Results in November were impacted by swings in Corporate Income tax, a volatile component of general revenue. Gross collections in Corporate Income tax were \$4.2 million below forecast and -41.6 percent below year ago levels, while Corporate Refunds were \$2.6 million above expectations and 36.6 percent above year ago levels. These monthly results differed dramatically from year-to-date results for the same categories. Other major categories of general revenue were below forecast by lesser amounts. Individual Income was \$3.6 million below forecast (-1.8 percent) and Sales and Use Tax was below forecast by \$0.8 million (-0.5 percent). Timing effects in collections compared to year ago activity and the Thanksgiving holiday were anticipated as shown in Sales Tax growth compared to last year.

November Gross General Revenues: November collections total \$430.2 million, an increase of \$2.6 million or 0.6 percent above last year and \$8.4 million or -1.9 percent below forecast.

November Individual Income Tax collections total \$197.7 million. Collections increased by \$5.3 million, or 2.7 percent compared to last year. With respect to the forecast, collections were \$3.6 million or -1.8 percent below forecast. Individual withholding increased 4.6 percent compared to last year.

November Individual Income Tax Refunds total \$12.8 million, \$0.6 million or -4.6 percent below last year and \$1.2 million or -8.3 percent below forecast. Refund amounts below forecast add to net available fund results.

November Sales and Use Tax Collections: November collections total \$175.2 million, an increase of \$2.0 million or 1.2 percent above last year. Collections were below monthly forecast levels by \$0.8 million or -0.5 percent.

November Corporate Income Tax collections total \$6.2 million, a decrease of \$4.4 million from year ago, and \$4.2 million or -40.3 percent below forecast.

November Corporate Income Tax Refunds total \$14.1 million. This amount is \$3.8 million above year ago levels. Refunds were 22.6 percent above forecast.

November Tobacco Tax collections, a smaller component of general revenue in annual terms, total \$17.3 million. Collections decreased by \$2.3 million or -11.5 percent from year earlier levels and were below forecast by -6.7 percent. 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 \$19.0 million, a decrease of -3.0 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 November 2013, \$36.2 million was collected and deposited to the fund. After deductions, the net amount is \$35.1 million. The monthly collection is equivalent to a 0.5 percent increase from prior year collections.

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

THROUGH NOVEMBER 2013
5 Months YTD
Forecast Date: 05/01/2013

MILLIONS OF DOLLARS

	<u>CURRENT YEAR</u>				<u>CURRENT YEAR TO DATE</u>				ACTUAL AS % OF FORECAST
	ACTUAL FY 2013	FORECAST FY 2014	INCREASE AMOUNT	INCREASE PERCENT	ACTUAL FY 2013	ACTUAL FY 2014	INCREASE AMOUNT	INCREASE PERCENT	
INDIVIDUAL INCOME	1,087.9	1,113.3	25.4	2.3	1,087.9	1,115.6	27.7	2.5	100.2
CORPORATE INCOME	128.7	130.6	1.9	1.5	128.7	139.9	11.2	8.7	107.1
SALES AND USE	878.2	912.1	33.9	3.9	878.2	914.3	36.1	4.1	100.2
ALCOHOLIC BEVERAGE	20.7	20.8	0.1	0.3	20.7	21.7	1.0	4.7	104.4
TOBACCO	97.2	92.5	-4.7	-4.9	97.2	94.3	-3.0	-3.0	101.9
INSURANCE	41.6	42.4	0.8	2.0	41.6	43.5	2.0	4.7	102.6
RACING	1.1	1.0	-0.1	-9.2	1.1	1.0	-0.1	-13.5	95.3
GAMES OF SKILL	13.5	13.5	0.0	-0.3	13.5	15.8	2.2	16.4	116.7
MISCELLANEOUS ¹	40.0	36.9	-3.1	-7.7	40.0	43.0	3.1	7.7	116.6
TOTAL GROSS	2,308.9	2,363.1	54.2	2.3	2,308.9	2,389.0	80.1	3.5	101.1
LESS: SCSF/COF ²	76.2	78.0	1.8	2.4	76.2	78.8	2.6	3.5	101.1
IND INCOME TAX REFUNDS	49.9	52.4	2.5	5.0	49.9	50.9	1.0	1.9	97.1
CORP INCOME TAX REFUNDS	30.4	33.4	3.0	9.9	30.4	32.3	1.9	6.3	96.7
CLAIMS	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
ECON DEVEL INCENTIVE FUND	4.4	9.5	5.1	118.2	4.4	8.1	3.7	85.5	85.0
WATER/SEWER BONDS	6.4	6.4	0.0	0.0	6.4	6.4	0.0	0.0	100.0
COLLEGE SAVINGS BONDS	5.5	5.4	-0.1	-0.9	5.5	5.3	-0.1	-2.1	98.9
CITY/CO. TOURIST	1.4	1.4	0.0	-0.3	1.4	1.4	0.0	-0.1	100.2
SCHOOL DESEGREGATION	30.6	30.6	0.0	0.0	30.6	30.6	0.0	0.0	100.0
EDUCATIONAL EXCELLENCE	119.8	121.5	1.7	1.5	119.8	121.0	1.3	1.1	99.6
EDUCATIONAL ADEQUACY	10.6	10.5	-0.1	-0.8	10.6	10.7	0.1	1.1	101.9
NET AVAILABLE	1,973.8	2,014.0	40.2	2.0	1,973.8	2,043.4	69.6	3.5	101.5

REVENUE FORECAST SUMMARY FOR NOVEMBER

YEAR-TO-DATE GROSS	\$ 25.9 MILLION OR 1.1% ABOVE FORECAST
YEAR-TO-DATE REFUNDS	\$ 2.6 MILLION OR 3.1% BELOW FORECAST
YEAR-TO-DATE NET AVAILABLE	\$ 29.4 MILLION OR 1.5% ABOVE FORECAST

SOFT DRINK EXCISE TAX (MEDICAID PROGRAM TRUST FUND)	<u>YTD FY 13</u> 19.5	<u>YTD FY 14</u> 19.0	<u>% CHANGE</u> -3.0
EDUCATIONAL ADEQUACY FUND (NET COLLECTIONS)	<u>YTD FY 13</u> 177.7	<u>YTD FY 14</u> 185.0	<u>% CHANGE</u> 4.1

- 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.

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

November 27, 2013
Days Remaining: 0
Forecast date: 05/01/2013

MILLIONS OF \$

	<u>CURRENT MONTH</u>				<u>CURRENT MONTH TO DATE</u>				ACTUAL AS % OF FORECAST
	ACTUAL FY 2013	FORECAST FY 2014	CHANGE AMOUNT	PERCENT	ACTUAL FY 2013	ACTUAL FY 2014	CHANGE AMOUNT	PERCENT	
INDIVIDUAL INCOME	192.5	201.3	8.8	4.6	192.5	197.7	5.3	2.7	98.2
CORPORATE INCOME	10.6	10.4	-0.2	-2.1	10.6	6.2	-4.4	-41.6	59.7
SALES AND USE	173.2	176.0	2.8	1.6	173.2	175.2	2.0	1.2	99.5
ALCOHOLIC BEVERAGE	4.1	4.1	0.0	-0.8	4.1	4.2	0.0	0.8	101.6
TOBACCO	19.5	18.5	-1.0	-5.2	19.5	17.3	-2.3	-11.5	93.3
INSURANCE	20.3	20.6	0.3	1.5	20.3	20.5	0.2	0.8	99.3
RACING	0.3	0.2	-0.1	-30.8	0.3	0.3	0.0	-12.9	125.9
GAMES OF SKILL	2.7	2.7	0.0	1.9	2.7	3.1	0.4	15.7	113.6
MISCELLANEOUS ¹	4.4	4.8	0.4	7.9	4.4	5.8	1.4	31.2	121.7
TOTAL GROSS	427.6	438.6	11.0	2.6	427.6	430.2	2.6	0.6	98.1
LESS: (SCSF/COF) ²	14.1	14.5	0.4	2.8	14.1	14.2	0.1	0.6	97.9
IND INC TAX REFUNDS	13.5	14.0	0.5	4.1	13.5	12.8	-0.6	-4.6	91.7
CORP INC TAX REFUNDS	10.3	11.5	1.2	11.5	10.3	14.1	3.8	36.6	122.6
CLAIMS	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
ECON DEVEL INCENTIVE FUND	0.8	1.9	1.1	130.9	0.8	0.8	0.0	1.1	43.8
WATER/SEWER BONDS	1.2	1.2	0.0	0.0	1.2	1.2	0.0	0.0	100.0
COLLEGE SAVINGS BONDS	5.4	5.4	0.0	-0.8	5.4	5.3	-0.1	-2.1	98.7
CITY & COUNTY TOURIST	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
SCHOOL DESEGREGATION	5.6	5.6	0.0	0.0	5.6	5.6	0.0	0.0	100.0
EDUCATIONAL EXCELLENCE	24.0	24.3	0.3	1.5	24.0	24.2	0.3	1.1	99.6
EDUCATIONAL ADEQUACY	2.1	2.1	0.0	-0.8	2.1	2.1	0.0	1.1	101.9
NET AVAILABLE	350.6	358.1	7.5	2.1	350.6	349.7	-0.8	-0.2	97.7

REVENUE FORECAST SUMMARY FOR NOVEMBER

NOVEMBER GROSS \$ 8.4 MILLION OR 1.9% BELOW FORECAST
NOVEMBER NET AVAILABLE \$ 8.4 MILLION OR 2.3% BELOW FORECAST

	<u>Nov 12</u>	<u>Nov 13</u>	<u>% CH</u>
EDUCATIONAL ADEQUACY FUND (NET DEPOSIT, MONTH-TO-DATE)	34.9	35.1	0.5

- 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.