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**Department of Finance  
and Administration**

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**MEMORANDUM**

TO: Larry Walther, Director  
Tim Leathers, Deputy Director

FROM: John Shelnett, Economic Analysis & Tax Research JS

SUBJECT: **General Revenue Report for February (FY 2016)**

DATE: March 2, 2016

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 \$3,412.9 million, which is \$74.4 million or 2.2 percent above year ago levels. On February 1<sup>st</sup>, the Official Forecast was revised before the start of the fiscal session. That forecast raised guidance for FY 2016 to include a fully funded budget under the current Revenue Stabilization Law and predicted a surplus of \$35.9 million. After eight months into the fiscal year and after the upward forecast revision, net available revenue is above the revised forecast by \$31.8 million.

**Year-to-date Gross General Revenues:** Year-to-date gross collections total \$4,052.9 million, representing an increase of \$18.0 million or 0.4 percent above last year. Gross general revenues are below forecast by \$6.7 million or -0.2 percent.

**Year-to-date Individual Income Taxes:** Year-to-date individual income tax collections total \$1,919.3 million, \$51.3 million or -2.6 percent below FY 2015 collections and \$4.6 million or -0.2 percent below forecast.

**Year-to-date individual income tax refunds** total \$160.0 million, down \$74.6 million or -31.8 percent compared to last year and \$33.0 million or -17.1 percent below forecast. Amounts below forecast in refund categories add to net available revenue results.

**Year-to-date Sales and Use Tax Collections:** On a year-to-date basis, sales and use taxes total \$1,536.9 million, an increase of \$56.9 million or 3.8 percent from FY 2015 and \$3.7 million or -0.2 percent below forecast.

**Year-to-date Corporate Income Taxes:** Year-to-date corporate revenues total \$271.0 million, an increase of \$8.7 million or 3.3 percent above year-to-date FY 2015. Corporate income is above forecast by \$1.3 million or 0.5 percent.

**Year-to-date corporate income tax refunds** total \$58.3 million, an increase of \$26.0 million compared to the same year-to-date period last year.

## FEBRUARY REVENUE SUMMARY

**February Net Available General Revenues** total \$279.9 million, \$61.6 million or 28.2 percent above last year and \$31.8 million or 12.8 percent above forecast.

Results in February were above forecast because of declines in income tax refunds. Collection results were below forecast in Individual Income tax and Sales and Use tax. Corporate Income tax was above forecast in an otherwise low collection month for that category.

Among smaller revenue sources, Tobacco matched the forecast and Games of Skill was above forecast by 6.7 percent (+\$0.3 million).

**February Gross General Revenues:** February collections total \$420.4 million, a decrease of \$0.3 million or -0.1 percent below last year and \$6.7 million or -1.6 percent below forecast.

**February Individual Income Tax** collections total \$205.8 million. Collections decreased by \$4.7 million, or -2.2 percent compared to last year. With respect to the forecast, collections were \$4.6 million or -2.2 percent below forecast. Reduced collections from Withholding tax accounted for the decline from year ago levels.

**February Individual Income Tax Refunds** total \$88.1 million, \$60.3 million below last year and \$33.0 million below forecast. Refund amounts below forecast add to net available fund results.

**February Sales and Use Tax Collections:** February collections total \$178.3 million, an increase of \$1.8 million or 1.0 percent above last year. Collections were below monthly forecast levels by \$3.7 million or -2.0 percent. The results largely reflect taxable sales activity in January.

**February Corporate Income Tax** collections total \$6.0 million, an increase of \$1.7 million from year ago, and \$1.3 million or 26.7 percent above forecast. The gain occurred mainly in estimated payments.

**February Corporate Income Tax Refunds** total \$4.4 million. This amount is \$0.9 million below year ago levels. Refunds were \$1.5 million below forecast.

**February Tobacco Tax** collections, a smaller component of general revenue in annual terms, total \$16.5 million. Collections increased by \$1.0 million or 6.6 percent from year earlier levels and were -0.2 percent below 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 Soft Drink Tax (for Medicaid Program Trust Fund):** Year-to-date collections of the dedicated soft drink tax total \$30.0 million, an increase of 5.1 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 February 2016, \$36.7 million was collected and deposited to the fund. After deductions, the net amount is \$35.6 million. The monthly collection is equivalent to a gain of 0.7 percent from prior year collections.

C: /FISCNOT/February FY 2016  
Attachment (2)

FEBRUARY 2016 YEAR-TO-DATE GENERAL REVENUE REPORT  
ECONOMIC ANALYSIS AND TAX RESEARCH, DFA

FORECAST DATE: 2/1/2016

MILLIONS OF \$

|                             | ACTUAL<br>FY15 | FORECAST<br>FY16 | ACTUAL<br>FY16 | CHANGE FROM FORECAST |                       | CHANGE FROM LAST YEAR |                       |
|-----------------------------|----------------|------------------|----------------|----------------------|-----------------------|-----------------------|-----------------------|
|                             |                |                  |                | DOLLAR<br>DIFFERENCE | PERCENT<br>DIFFERENCE | DOLLAR<br>DIFFERENCE  | PERCENT<br>DIFFERENCE |
| INDIVIDUAL INCOME           | 1,970.6        | 1,923.9          | 1,919.3        | -4.6                 | -0.2                  | -51.3                 | -2.6                  |
| CORPORATE INCOME            | 262.2          | 269.7            | 271.0          | 1.3                  | 0.5                   | 8.7                   | 3.3                   |
| SALES AND USE               | 1,480.0        | 1,540.6          | 1,536.9        | -3.7                 | -0.2                  | 56.9                  | 3.8                   |
| ALCOHOLIC BEVERAGE          | 34.8           | 35.2             | 35.2           | 0.0                  | 0.0                   | 0.4                   | 1.2                   |
| TOBACCO                     | 145.4          | 146.8            | 146.8          | 0.0                  | 0.0                   | 1.3                   | 0.9                   |
| INSURANCE                   | 46.3           | 45.5             | 45.6           | 0.1                  | 0.3                   | -0.7                  | -1.5                  |
| RACING                      | 1.6            | 1.6              | 1.6            | 0.0                  | -0.5                  | 0.0                   | -3.0                  |
| GAMES OF SKILL              | 28.6           | 34.7             | 35.0           | 0.3                  | 0.8                   | 6.4                   | 22.2                  |
| MISCELLANEOUS <sup>1</sup>  | 65.3           | 61.6             | 61.6           | 0.0                  | 0.0                   | -3.7                  | -5.7                  |
| <b>TOTAL GROSS</b>          | <b>4,034.9</b> | <b>4,059.6</b>   | <b>4,052.9</b> | <b>-6.7</b>          | <b>-0.2</b>           | <b>18.0</b>           | <b>0.4</b>            |
| LESS: SCSF/COF <sup>2</sup> | 129.1          | 129.9            | 129.7          | -0.2                 | -0.2                  | 0.6                   | 0.4                   |
| INDIV INCOME TAX REFUNDS    | 234.6          | 193.0            | 160.0          | -33.0                | -17.1                 | -74.6                 | -31.8                 |
| CORP INCOME TAX REFUNDS     | 32.3           | 59.8             | 58.3           | -1.5                 | -2.5                  | 26.0                  | 80.4                  |
| CLAIMS                      | 0.0            | 0.0              | 0.0            | 0.0                  | 0.0                   | 0.0                   | 0.0                   |
| ECON DEVEL INCENTIVE FUND   | 7.1            | 8.2              | 4.5            | -3.7                 | -45.6                 | -2.7                  | -37.4                 |
| WATER/SEWER BONDS           | 10.0           | 10.0             | 10.0           | 0.0                  | 0.0                   | 0.0                   | 0.0                   |
| COLLEGE SAVINGS BONDS       | 5.2            | 4.7              | 4.7            | 0.0                  | -0.9                  | -0.6                  | -10.6                 |
| CITY & COUNTY TOURIST       | 2.1            | 0.8              | 0.8            | 0.0                  | -1.8                  | -1.3                  | -62.6                 |
| SCHOOL DESEGREGATION        | 60.1           | 53.8             | 53.8           | 0.0                  | 0.1                   | -6.3                  | -10.5                 |
| EDUCATIONAL EXCELLENCE      | 198.3          | 200.6            | 200.5          | -0.1                 | 0.0                   | 2.2                   | 1.1                   |
| EDUCATIONAL ADEQUACY        | 17.5           | 17.7             | 17.7           | 0.0                  | 0.2                   | 0.2                   | 1.1                   |
| <b>TOTAL DEDUCTIONS</b>     | <b>696.4</b>   | <b>678.5</b>     | <b>640.0</b>   | <b>-38.5</b>         | <b>-5.7</b>           | <b>-56.4</b>          | <b>-8.1</b>           |
| <b>NET AVAILABLE</b>        | <b>3,338.5</b> | <b>3,381.1</b>   | <b>3,412.9</b> | <b>31.8</b>          | <b>0.9</b>            | <b>74.4</b>           | <b>2.2</b>            |

REVENUE FORECAST SUMMARY FOR FEBRUARY

|                            |  |
|----------------------------|--|
| YEAR-TO-DATE GROSS         | \$ 6.7 MILLION OR 0.2% BELOW FORECAST  |
| YEAR-TO-DATE NET AVAILABLE | \$ 31.8 MILLION OR 0.9% ABOVE FORECAST |

1) Miscellaneous includes severance, corporate franchise, real estate transfer, dyed diesel, and other miscellaneous taxes.

2) State Central Services Fund and Constitutional Officers Fund.

FEBRUARY 2016 GENERAL REVENUE REPORT  
ECONOMIC ANALYSIS AND TAX RESEARCH, DFA

FORECAST DATE: 2/1/2016

MILLIONS OF \$

|                             | ACTUAL<br>FEB FY15 | FORECAST<br>FEB FY16 | ACTUAL<br>FEB FY16 | CHANGE FROM FORECAST |                       | CHANGE FROM LAST YEAR |                       |
|-----------------------------|--------------------|----------------------|--------------------|----------------------|-----------------------|-----------------------|-----------------------|
|                             |                    |                      |                    | DOLLAR<br>DIFFERENCE | PERCENT<br>DIFFERENCE | DOLLAR<br>DIFFERENCE  | PERCENT<br>DIFFERENCE |
| INDIVIDUAL INCOME           | 210.5              | 210.4                | 205.8              | -4.6                 | -2.2                  | -4.7                  | -2.2                  |
| CORPORATE INCOME            | 4.3                | 4.7                  | 6.0                | 1.3                  | 26.7                  | 1.7                   | 38.4                  |
| SALES AND USE               | 176.5              | 182.0                | 178.3              | -3.7                 | -2.0                  | 1.8                   | 1.0                   |
| ALCOHOLIC BEVERAGE          | 3.9                | 4.0                  | 4.0                | 0.0                  | 0.3                   | 0.1                   | 2.5                   |
| TOBACCO                     | 15.5               | 16.6                 | 16.5               | 0.0                  | -0.2                  | 1.0                   | 6.6                   |
| INSURANCE                   | 0.7                | 0.7                  | 0.8                | 0.1                  | 17.4                  | 0.1                   | 9.8                   |
| RACING                      | 0.3                | 0.3                  | 0.3                | 0.0                  | -2.7                  | 0.0                   | 3.2                   |
| GAMES OF SKILL              | 4.2                | 4.3                  | 4.5                | 0.3                  | 6.7                   | 0.4                   | 8.6                   |
| MISCELLANEOUS <sup>1</sup>  | 4.8                | 4.2                  | 4.2                | 0.0                  | 0.1                   | -0.6                  | -11.7                 |
| <b>TOTAL GROSS</b>          | <b>420.7</b>       | <b>427.1</b>         | <b>420.4</b>       | <b>-6.7</b>          | <b>-1.6</b>           | <b>-0.3</b>           | <b>-0.1</b>           |
| LESS: SCSF/COF <sup>2</sup> | 13.5               | 13.7                 | 13.5               | -0.2                 | -1.5                  | 0.0                   | -0.1                  |
| INDIV INCOME TAX REFUNDS    | 148.4              | 121.1                | 88.1               | -33.0                | -27.2                 | -60.3                 | -40.6                 |
| CORP INCOME TAX REFUNDS     | 5.3                | 5.9                  | 4.4                | -1.5                 | -25.6                 | -0.9                  | -16.5                 |
| CLAIMS                      | 0.0                | 0.0                  | 0.0                | 0.0                  | 0.0                   | 0.0                   | 0.0                   |
| ECON DEVEL INCENTIVE FUND   | 1.0                | 3.8                  | 0.1                | -3.7                 | -98.5                 | -1.0                  | -94.5                 |
| WATER/SEWER BONDS           | 1.2                | 1.2                  | 1.2                | 0.0                  | 0.0                   | 0.0                   | 0.0                   |
| COLLEGE SAVINGS BONDS       | 0.0                | 0.0                  | 0.0                | 0.0                  | -100.0                | 0.0                   | 0.0                   |
| CITY & COUNTY TOURIST       | 0.0                | 0.0                  | 0.0                | 0.0                  | -100.0                | 0.0                   | 0.0                   |
| SCHOOL DESEGREGATION        | 6.0                | 5.9                  | 6.0                | 0.0                  | 0.5                   | 0.0                   | 0.0                   |
| EDUCATIONAL EXCELLENCE      | 24.8               | 25.1                 | 25.1               | -0.1                 | -0.2                  | 0.3                   | 1.1                   |
| EDUCATIONAL ADEQUACY        | 2.2                | 2.2                  | 2.2                | 0.0                  | 1.3                   | 0.0                   | 1.1                   |
| <b>TOTAL DEDUCTIONS</b>     | <b>202.3</b>       | <b>179.0</b>         | <b>140.5</b>       | <b>-38.5</b>         | <b>-21.5</b>          | <b>-61.8</b>          | <b>-30.6</b>          |
| <b>NET AVAILABLE</b>        | <b>218.3</b>       | <b>248.1</b>         | <b>279.9</b>       | <b>31.8</b>          | <b>12.8</b>           | <b>61.6</b>           | <b>28.2</b>           |

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