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**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 June and FY 2011 Summary**

DATE: July 5, 2011

Copy: Governor's Office  
Management Services

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**FISCAL YEAR 2011 REVENUE SUMMARY**

**Fiscal Year 2011 Net Available General Revenues:** Fiscal year 2011 net available general revenues total \$4,572.8 million. This amount is \$249.7 million or 5.8 percent above last year. Net available revenue is \$93.9 million or 2.1 percent above forecast.

The fiscal year ended above forecast mainly as a result of Individual Income Tax and Corporate Income Tax exceeding forecast by \$62.2 million and \$16.2 million, respectively. This reflected a recovering economy during tax year 2010 as reported on tax filings in 2011.

The other major revenue category, Gross Receipts Tax, which is dominated by sales tax, also grew with the economy, but was below forecast by \$11.1 million. This reduced the amount that total collections exceeded forecast. Growth in sales tax slowed late in the fiscal year as increased fuel prices impacted taxpayer spending. As a result of this trend we will cautiously monitor Gross Receipts Tax collections as we begin a new fiscal year.

Insurance revenues added to the total amount above forecast principally because of a special year end transfer of fee revenue surplus from the Insurance Department

pursuant to ACA 23-61-710(c). This contributed \$16.4 million to the total amount above forecast.

Individual Income Tax refunds exceeded forecast by \$12.8 million which reduced the total amount above forecast in net available funds. Corporate Income Tax refunds were below forecast by \$2.6 million which added to the total amount above forecast.

**Fiscal Year 2011 Gross General Revenues:** Fiscal year 2011 gross collections total \$5,673.4 million, representing an increase of \$243.0 million or 4.5 percent above last year. Gross general revenues are \$91.4 million or 1.6 percent above forecast.

**Fiscal Year 2011 Individual Income Taxes:** Fiscal year 2011 individual income tax collections total \$2,739.0 million, \$159.8 million or 6.2 percent above FY 2010 collections and \$62.2 million or 2.3 percent above forecast. Collections for individual monthly withholding, the largest component of individual income tax, were \$2,187.6 million, representing a 5.4 percent increase over last year.

**Fiscal Year 2011 individual income tax refunds** total \$468.6 million, \$19.5 million or -4.0 percent below last year and \$12.8 million or 2.8 percent above forecast. The average refund paid was 6.1 percent less than last year while 1.7 percent more refunds were paid.

**Fiscal Year 2011 Gross Receipts Collections:** Gross receipts consist primarily of sales and use taxes. Fiscal year 2011 gross receipts total \$2,072.4 million, an increase of \$91.2 million or 4.6 percent over FY 2010 and \$11.1 million or -0.5 percent below forecast. Gains in sales tax collections relative to FY 2010 reflect economic rebound from recession-levels of consumer and business activity in the prior year.

**Fiscal Year 2011 Corporate Income Taxes:** Fiscal year corporate revenues total \$391.6 million, a decrease of \$32.0 million or -7.6 percent below FY 2010. Collections came in \$16.2 million or 4.3 percent above forecast. Corporate income tax is below last year because of large, one-time collections recorded in the prior year.

**Fiscal Year 2011 Corporate income tax refunds** total \$40.8 million, \$20.9 million or -33.8 percent below last year and \$2.6 million below the general revenue forecast. Amounts below forecast in refund categories contributed to higher net available revenue.

## JUNE REVENUE SUMMARY

**June Net Available General Revenues** total \$473.8 million, \$55.5 million or 13.3 percent above last year and \$75.2 million or 18.9 percent above forecast. Net available funds were boosted by a significant upturn in estimated payments in both Individual and Corporate Income. The upturn in income tax collections more than offset continued weakness in sales tax collections (gross receipts) relative to year ago levels and forecast.

**June Gross General Revenues:** June collections total \$551.6 million, an increase of \$46.0 million or 9.1 percent above last year and \$71.0 million or 14.8 percent above forecast.

**June Individual Income Tax** collections total \$235.3 million. Collections increased by \$10.8 million, or 4.8 percent, compared to last year. With respect to the forecast, collections are \$40.8 million or 21.0 percent above forecast. Gains in estimated payments of 11.6 percent year-over-year accounted for much of the growth, while withholding grew by 2.8 percent.

**June Individual Income Tax Refunds** total \$24.8 million. This amount is \$11.3 million or 83.3 percent above year ago refunds and \$8.8 million above forecast for the month.

**June Gross Receipts Collections:** June collections total \$166.4 million, an increase of \$2.0 million or 1.2 percent from last year. Collections were below monthly forecast levels by \$5.8 million or -3.4 percent.

**June Corporate Income Tax** collections total \$72.9 million, an increase of \$15.5 million or 27.0 percent from year earlier levels, and \$14.6 million or 25.1 percent above forecast.

**June Corporate Income Tax Refunds** total \$5.5 million. This amount is \$2.1 million or -27.4 percent below year ago refunds.

**June Tobacco Tax** collections, a small component of general revenue, total \$19.5 million or -9.4 percent below year earlier levels.

## SPECIAL REVENUES OF NOTE

**Fiscal Year 2011 Medicaid Program Trust Fund:** Fiscal year 2011 collections of the dedicated soft drink tax total \$46.5 million, an increase of \$1.0 million or 2.2 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 June 2011, \$36.2 million was collected and deposited to the fund. After deductions, the net amount is \$35.2 million. The monthly collection is equivalent to a -1.3 percent decrease from prior year collections. Fiscal year net collections total \$428.7 million, compared to \$411.3 million last year. This represents a 4.2 percent fiscal year increase from prior year collections.

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

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

THROUGH JUNE 2011  
12 Months YTD  
Forecast Date: 04/21/2011

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	INCREASE PERCENT	ACTUAL FY 2010	ACTUAL FY 2011	INCREASE AMOUNT	INCREASE PERCENT	
INDIVIDUAL INCOME	2,579.2	2,676.8	97.6	3.8	2,579.2	2,739.0	159.8	6.2	102.3
CORPORATE INCOME	423.6	375.4	-48.2	-11.4	423.6	391.6	-32.0	-7.6	104.3
GROSS RECEIPTS <sup>1</sup>	1,981.2	2,083.5	102.3	5.2	1,981.2	2,072.4	91.2	4.6	99.5
ALCOHOLIC BEVERAGE <sup>2</sup>	31.2	32.9	1.7	5.4	31.2	32.9	1.8	5.6	100.2
TOBACCO	245.1	238.3	-6.8	-2.8	245.1	239.6	-5.5	-2.2	100.6
INSURANCE	94.3	94.7	0.4	0.4	94.3	114.5	20.2	21.4	120.9
RACING	4.6	3.8	-0.8	-16.9	4.6	4.0	-0.6	-13.5	104.1
GAMES OF SKILL	8.5	12.3	3.8	44.1	8.5	14.8	6.3	73.7	120.6
MISCELLANEOUS <sup>3</sup>	62.7	64.3	1.6	2.6	62.7	64.6	1.9	3.0	100.4
<b>TOTAL GROSS</b>	<b>5,430.4</b>	<b>5,582.0</b>	<b>151.6</b>	<b>2.8</b>	<b>5,430.4</b>	<b>5,673.4</b>	<b>243.0</b>	<b>4.5</b>	<b>101.6</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>	162.8	167.5	4.7	2.9	162.8	169.5	6.8	4.2	101.2
SCSF STABILIZATION TRANSFER	20.0	0.0	-20.0	-100.0	20.0	0.0	-20.0	-100.0	0.0
IND INCOME TAX REFUNDS	488.1	455.8	-32.3	-6.6	488.1	468.6	-19.5	-4.0	102.8
CORP INCOME TAX REFUNDS	61.7	43.4	-18.3	-29.7	61.7	40.8	-20.9	-33.8	94.1
CLAIMS	0.0	10.0	10.0	0.0	0.0	0.0	0.0	0.0	0.0
ECON DEVEL INCENTIVE FUND	12.1	18.4	6.3	52.0	12.1	12.9	0.7	6.2	69.8
WATER/SEWER BONDS	12.9	14.9	2.0	15.5	12.9	14.9	2.0	15.5	100.0
COLLEGE SAVINGS BONDS	23.7	24.0	0.3	1.4	23.7	23.9	0.3	1.2	99.7
CITY/CO. TOURIST	7.3	5.3	-2.0	-27.1	7.3	5.3	-2.0	-27.4	99.5
SCHOOL DESEGREGATION	68.9	69.8	0.9	1.4	68.9	70.6	1.7	2.5	101.1
EDUCATIONAL EXCELLENCE	284.1	268.6	-15.5	-5.4	284.1	268.6	-15.5	-5.4	100.0
EDUCATIONAL ADEQUACY	25.1	23.7	-1.4	-5.6	25.1	23.7	-1.4	-5.4	100.2
ELDERLY TRANSPORTATION	1.8	1.7	-0.1	-4.1	1.8	1.7	-0.1	-3.9	100.3
<b>NET AVAILABLE</b>	<b>4,323.1</b>	<b>4,478.9</b>	<b>155.8</b>	<b>3.6</b>	<b>4,323.1</b>	<b>4,572.8</b>	<b>249.7</b>	<b>5.8</b>	<b>102.1</b>
LESS: SURPLUS TO ALLOTMENT RESERVE FUND	0.0	0.0			0.0	-93.9			
<b>NET AVAILABLE DISTRIBUTION</b>	<b>4,323.1</b>	<b>4,478.9</b>	<b>155.8</b>	<b>3.6</b>	<b>4,323.1</b>	<b>4,478.9</b>	<b>155.8</b>	<b>3.6</b>	

REVENUE FORECAST SUMMARY FOR JUNE

YEAR-TO-DATE GROSS	\$ 91.4 MILLION OR 1.6% ABOVE FORECAST.
YEAR-TO-DATE REFUNDS	\$ 10.2 MILLION OR 2.1% ABOVE FORECAST.
YEAR-TO-DATE NET AVAILABLE	\$ 93.9 MILLION OR 2.1% ABOVE FORECAST

SOFT DRINK EXCISE TAX (MEDICAID PROGRAM TRUST FUND)	<u>YTD FY 10</u>	<u>YTD FY 11</u>	<u>% CHANGE</u>
	45.5	46.5	2.2
EDUCATIONAL ADEQUACY FUND (NET COLLECTIONS)	<u>YTD FY 10</u>	<u>YTD FY 11</u>	<u>% CHANGE</u>
	411.3	428.7	4.2

- 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.

