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: Larry Walther, Director
Paul Louthian, Deputy Director

FROM: John Shelnutt, Economic Analysis & Tax Research JS

SUBJECT: **General Revenue Report for July (FY 2018)**

DATE: August 2, 2017

Copy: Governor's Office
Management Services

JULY REVENUE SUMMARY

July Net Available General Revenues total $454.5 million, $53.8 million or 13.4 percent above last year and $10.5 million or 2.4 percent above forecast.

Individual and Corporate Income tax were above forecast and year ago levels. Sales and Use tax was slightly below forecast (-0.7 percent), but ahead of last year by 3.4 percent.

An annual deposit to general revenue from the Arkansas State Auditor's Office added $21.4 million in July compared to $20.0 million in the forecast.

July Gross General Revenues: July collections total $524.1 million, an increase of $56.4 million or 12.0 percent from last year and $11.3 million or 2.2 percent above forecast.

July Individual Income Tax collections total $240.1 million. Collections increased by $29.5 million, or 14.0 percent compared to last year, boosted by growth in payroll withholding tax. With respect to the forecast, collections were $7.9 million or 3.4 percent above forecast. Payroll Withholding tax grew by 15.8 percent year over year due in part to payday timing differences.

July Individual Income Tax Refunds total $10.3 million, $4.4 million above last year and $2.7 million or 35.1 percent above forecast. Refund amounts above forecast lower net available fund results.

July Sales and Use Tax Collections: July collections total $199.6 million, an increase of $6.5 million or 3.4 percent compared to last year. Collections were below monthly forecast levels by $1.4 million or -0.7 percent. Collections from motor vehicle sales tax were down 3.0 percent in July from year ago levels.

July Corporate Income Tax collections total $30.3 million, an increase of $23.4 million from year ago, and $4.8 million above forecast. Variability in Corporate Estimated Payments accounted for a significant drop last July and rebound in the current reporting month.

July Corporate Income Tax Refunds total $0.6 million. This amount is $2.2 million below year ago levels and $1.4 million below forecast.

July Tobacco Tax collections, a smaller component of general revenue in annual terms, total $17.0 million. Collections decreased by $0.1 million or -0.7 percent from year earlier levels and were below forecast by -$0.7 million. Monthly changes in tobacco tax collections can be attributed to uneven patterns of stamp sales to wholesale purchasers.

SPECIAL REVENUES OF NOTE

July Soft Drink Tax (for Medicaid Program Trust Fund): July collections of the dedicated soft drink tax total $4.2 million, a decrease of -$0.7 million 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 July 2017, $41.5 million was collected and deposited to the fund. After deductions, the net amount is $40.3 million. The monthly collection represents a 2.1 percent increase from prior year collections.

C: /FISCNOT/July FY 2018
Attachment (1)

JULY 2017 GENERAL REVENUE REPORT
ECONOMIC ANALYSIS AND TAX RESEARCH, DFA

FORECAST DATE: 5/2/2017

MILLIONS OF $

				CHANGE FROM FORECAST		CHANGE FROM LAST YEAR	
	ACTUAL JULY FY17	FORECAST JULY FY18	ACTUAL JULY FY18	DOLLAR DIFFERENCE	PERCENT DIFFERENCE	DOLLAR DIFFERENCE	PERCENT DIFFERENCE
INDIVIDUAL INCOME	210.6	232.2	240.1	7.9	3.4	29.5	14.0
CORPORATE INCOME	6.9	25.5	30.3	4.8	18.8	23.4	339.9
SALES AND USE	193.1	201.0	199.6	-1.4	-0.7	6.5	3.4
ALCOHOLIC BEVERAGE	5.6	5.7	5.5	-0.2	-4.1	-0.2	-2.9
TOBACCO	17.1	17.7	17.0	-0.7	-3.9	-0.1	-0.7
INSURANCE	1.1	1.1	0.8	-0.3	-24.7	-0.3	-24.8
RACING	0.2	0.2	0.2	0.0	-4.9	0.0	-5.2
GAMES OF SKILL	4.6	4.6	5.1	0.5	11.7	0.5	11.9
MISCELLANEOUS[1]	28.5	24.8	25.5	0.7	2.8	-3.0	-10.6
TOTAL GROSS	467.8	512.8	524.1	11.3	2.2	56.4	12.0
LESS: SCSF/COF[2]	15.0	15.9	16.2	0.3	2.2	1.3	8.5
INDIV INCOME TAX REFUNDS	5.9	7.6	10.3	2.7	35.1	4.4	74.7
CORP INCOME TAX REFUNDS	2.8	2.0	0.6	-1.4	-69.6	-2.2	-78.5
CLAIMS	0.0	0.0	0.0	0.0	0.0	0.0	0.0
ECON DEVEL INCENTIVE FUND	1.5	0.9	0.0	-0.9	-100.0	-1.5	-100.0
AMENDMENT 82 BONDS	0.0	0.0	0.0	0.0	0.0	0.0	0.0
RECYCLING EQUIP CREDIT	0.0	0.0	0.0	0.0	0.0	0.0	0.0
WATER/SEWER BONDS	1.3	1.3	1.3	0.0	0.0	0.0	0.0
COLLEGE SAVINGS BONDS	0.0	0.0	0.0	0.0	0.0	0.0	0.0
CITY & COUNTY TOURIST	0.2	0.2	0.2	0.0	11.0	0.0	0.0
SCHOOL DESEGREGATION	12.0	12.0	12.0	0.0	-0.3	0.0	0.0
EDUCATIONAL EXCELLENCE	26.1	26.6	26.7	0.1	0.4	0.6	2.2
EDUCATIONAL ADEQUACY	2.3	2.3	2.4	0.1	2.6	0.1	2.2
TOTAL DEDUCTIONS	67.1	68.8	69.7	0.9	1.2	2.5	3.8
NET AVAILABLE	400.6	444.0	454.5	10.5	2.4	53.8	13.4

REVENUE FORECAST SUMMARY FOR JULY

JULY GROSS	$ 11.3 MILLION OR 2.2% ABOVE FORECAST
JULY NET AVAILABLE	$ 10.5 MILLION OR 2.4% 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.