



STATE OF ARKANSAS
**Department of Finance
and Administration**

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MEMORANDUM

TO: Larry Walther, Secretary
Paul Louthian, Deputy Director

FROM: John Shelnett, Economic Analysis & Tax Research JS

SUBJECT: **General Revenue Report for October (FY 2020)**

DATE: November 4, 2019

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 \$1,986.8 million, \$78.4 million or 4.1 percent above year ago levels. After four months into the fiscal year, net available revenue is above forecast by \$72.2 million or 3.8 percent.

Year-to-date Gross General Revenues: Year-to-date gross collections total \$2,247.9 million, representing an increase of \$81.2 million or 3.7 percent above last year. Gross general revenues are above forecast by \$69.2 million or 3.2 percent.

Year-to-date Individual Income Taxes: Year-to-date individual income tax collections total \$1,073.2 million, \$53.8 million or 5.3 percent above FY 2019 collections and \$27.4 million or 2.6 percent above forecast.

Year-to-date individual income tax refunds total \$53.5 million, up \$0.9 million or 1.6 percent compared to last year and \$3.0 million or 6.0 percent above forecast. Amounts above forecast in refund categories subtract from net available revenue results.

Year-to-date Sales and Use Tax Collections: On a year-to-date basis, sales and use taxes total \$851.7 million, an increase of \$22.8 million or 2.7 percent from FY 2019 and \$4.2 million or 0.5 percent above forecast.

Year-to-date Corporate Income Taxes: Year-to-date corporate revenues total \$153.1 million, an increase of \$14.0 million from year-to-date FY 2019. Corporate income is above forecast by \$32.4 million or 26.9 percent.

Year-to-date corporate income tax refunds total \$6.2 million, a decrease of \$1.7 million compared to the same year-to-date period last year.

OCTOBER REVENUE SUMMARY

October Net Available General Revenues total \$470.9 million, \$35.5 million or 8.1 percent above last year and \$33.3 million or 7.6 percent above forecast.

All major categories of collections were above forecast in October and above year ago levels. Sales tax collections were 7.0 percent above last year with gains in both consumer- and business-related categories.

Among smaller revenue sources, Tobacco was higher than forecast by \$0.2 million and below year ago collections. Results in Gaming revenue exceeded forecast by \$0.3 million.

October Gross General Revenues: October collections total \$554.4 million, an increase of \$44.4 million or 8.7 percent above last year and \$36.8 million or 7.1 percent above forecast.

October Individual Income Tax collections total \$274.1 million. Collections increased by \$21.7 million or 8.6 percent compared to last year. With respect to the forecast, collections were \$11.7 million or 4.4 percent above forecast. Individual withholding increased 6.4 percent compared to last year.

October Individual Income Tax Refunds total \$28.9 million, \$6.2 million or 27.1 percent above last year and \$3.3 million above forecast. Refund amounts above forecast subtract from net available fund results.

October Sales and Use Tax Collections: October collections total \$213.7 million, an increase of \$13.9 million or 7.0 percent above last year. Collections were also above monthly forecast levels by \$8.8 million or 4.3 percent.

October Corporate Income Tax collections total \$35.8 million, an increase of \$14.4 million from year ago, and \$16.5 million above forecast.

October Corporate Income Tax Refunds total \$3.4 million. This amount is \$0.2 million below year ago levels. Refunds were also \$0.5 million below forecast.

October Tobacco Tax collections, a smaller component of general revenue in annual terms, total \$18.2 million. Collections decreased by -6.8 percent from year earlier levels

and were above forecast by \$0.2 million. Monthly changes in tobacco tax collections can be attributed to uneven patterns of stamp sales to wholesale purchasers.

SPECIAL REVENUES OF NOTE

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 October 2019, \$44.3 million was collected and deposited to the fund. After deductions, the net amount is \$43.0 million. The monthly collection is equivalent to a 6.5 percent increase from prior year collections.

C: /FISCNOT/October FY 2020
Attachment (2)

October 2019 Year-to-Date General Revenue Report
Economic Analysis and Tax Research, DFA

Forecast Date: 05/15/2019

Millions of \$

	Actual Oct FY19	Forecast Oct FY20	Actual Oct FY20	<u>Change from Forecast</u>		<u>Change from Last Year</u>	
				Dollar Difference	Percent Difference	Dollar Difference	Percent Difference
Individual Income	1,019.3	1,045.8	1,073.2	27.4	2.6	53.8	5.3
Corporate Income	139.2	120.7	153.1	32.4	26.9	14.0	10.0
Sales & Use	828.9	847.5	851.7	4.2	0.5	22.8	2.7
Alcohol	19.4	19.6	20.6	1.0	5.3	1.2	6.3
Tobacco	74.5	70.8	74.8	4.0	5.6	0.3	0.4
Insurance	23.1	22.1	23.3	1.2	5.6	0.2	0.8
Racing	0.5	0.5	0.4	-0.1	-11.3	-0.1	-13.2
Gaming	22.1	12.6	13.5	0.9	7.5	-8.6	-38.8
Miscellaneous ¹	39.7	39.1	37.2	-1.9	-4.9	-2.5	-6.3
Total Gross	2,166.8	2,178.7	2,247.9	69.2	3.2	81.2	3.7
LESS: (SCSF/COF) ²	67.2	67.5	69.7	2.2	3.2	2.5	3.7
Individual Income Tax Refunds	52.7	50.5	53.5	3.0	6.0	0.9	1.6
Corporate Income Tax Refunds	7.9	8.6	6.2	-2.4	-27.4	-1.7	-21.2
Claims	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Economic Development Incentive	4.8	7.8	3.5	-4.3	-55.1	-1.3	-27.2
Amendment 82 Bonds	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Recycling Tax Credit	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Water / Sewer Bonds	5.2	5.2	5.2	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	0.4	0.4	0.4	0.0	11.0	0.0	0.0
Educational Excellence	110.4	114.0	112.6	-1.4	-1.2	2.2	2.0
Educational Adequacy	9.8	10.1	10.0	-0.1	-1.5	0.2	2.0
Total Deductions	258.4	264.1	261.1	-3.0	-1.1	2.8	1.1
Net Available	1,908.4	1,914.6	1,986.8	72.2	3.8	78.4	4.1

Revenue Forecast Summary for October

Year-to-Date Gross: \$ 69.2 Million OR 3.2% Above Forecast

Year-to-Date Net Available: \$ 72.2 Million OR 3.8% 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.

October 2019 General Revenue Report
Economic Analysis and Tax Research, DFA

Forecast Date: 05/15/2019

Millions of \$

	Actual Oct FY19	Forecast Oct FY20	Actual Oct FY20	<u>Change from Forecast</u>		<u>Change from Last Year</u>	
				Dollar Difference	Percent Difference	Dollar Difference	Percent Difference
Individual Income	252.4	262.4	274.1	11.7	4.4	21.7	8.6
Corporate Income	21.4	19.3	35.8	16.5	85.6	14.4	67.4
Sales & Use	199.7	204.9	213.7	8.8	4.3	13.9	7.0
Alcohol	4.5	4.5	4.9	0.4	9.5	0.5	10.6
Tobacco	19.6	18.0	18.2	0.2	1.3	-1.3	-6.8
Insurance	1.6	0.9	1.9	1.0	108.3	0.3	17.3
Racing	0.1	0.1	0.1	0.0	-8.9	0.0	-27.3
Gaming	5.4	2.2	2.5	0.3	15.5	-2.9	-53.2
Miscellaneous ¹	5.4	5.3	3.2	-2.1	-39.1	-2.1	-39.9
Total Gross	510.0	517.6	554.4	36.8	7.1	44.4	8.7
LESS: (SCSF/COF) ²	15.8	16.0	17.2	1.2	7.4	1.4	8.7
Individual Income Tax Refunds	22.7	25.6	28.9	3.3	12.8	6.2	27.1
Corporate Income Tax Refunds	3.6	3.9	3.4	-0.5	-13.7	-0.2	-6.8
Claims	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Economic Development Incentive	0.9	1.9	2.0	0.1	3.5	1.1	115.8
Amendment 82 Bonds	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Recycling Tax 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
Educational Excellence	27.6	28.5	28.1	-0.4	-1.2	0.5	2.0
Educational Adequacy	2.4	2.6	2.5	-0.1	-4.3	0.0	2.0
Total Deductions	74.6	80.0	83.6	3.6	4.4	8.9	12.0
Net Available	435.4	437.6	470.9	33.3	7.6	35.5	8.1

Revenue Forecast Summary for October

October Gross: \$ 36.8 Million OR 7.1% Above Forecast

October Net Available: \$ 33.3 Million OR 7.6% 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.