STATE OF ARKANSAS
Department of Finance and Administration

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MEMORANDUM

TO: Larry Walther, Secretary
Paul Louthian, Deputy Director

FROM: John Shelnutt, Economic Analysis & Tax Research JS

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

DATE: January 3, 2020

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 $2,966.2 million, $109.2 million or 3.8 percent above year ago levels. After six months into the fiscal year, net available revenue is above forecast by $93.1 million or 3.2 percent.

Year-to-date Gross General Revenues: Year-to-date gross collections total $3,376.7 million, representing an increase of $111.9 million or 3.4 percent above last year. Gross general revenues are above forecast by $82.1 million or 2.5 percent.

Year-to-date Individual Income Taxes: Year-to-date individual income tax collections total $1,594.4 million, $81.3 million or 5.4 percent above FY 2019 collections and $19.7 million or 1.3 percent above forecast.

Year-to-date individual income tax refunds total $77.2 million, lower by $2.2 million or -2.8 percent compared to last year and $2.6 million or -3.2 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 $1,290.7 million, an increase of $41.3 million or 3.3 percent from FY 2019 and $8.7 million or 0.7 percent above forecast.

Year-to-date Corporate Income Taxes: Year-to-date corporate revenues total $232.1 million, a decrease of $4.0 million from year-to-date FY 2019. Corporate income is above forecast by $36.6 million or 18.7 percent.

Year-to-date corporate income tax refunds total $25.3 million, a decrease of $2.3 million compared to the same year-to-date period last year.

DECEMBER REVENUE SUMMARY

December Net Available General Revenues total $547.6 million, $6.0 million or 1.1 percent above last year and $5.6 million or 1.0 percent above forecast.

Corporate Income Tax and Sales Tax were above forecast in December. Corporate Income Tax collections benefited from gains in estimated payments compared to conservative expectations. Sales tax collections were 4.3 percent above last year with gains in both consumer-related categories and business-related categories. The motor vehicle portion of Sales Tax rebounded in December. Income Tax collections were below forecast largely as a result of fewer early, year-end estimated payments. Payroll Withholding Tax matched forecast for the month.

Among smaller revenue sources, Tobacco was above forecast by $1.4 million and below year ago collections. Results in Gaming revenue exceeded forecast by $0.6 million.

December Gross General Revenues: December collections total $613.6 million, an increase of $7.7 million or 1.3 percent above last year and $5.3 million or 0.9 percent above forecast.

December Individual Income Tax collections total $276.9 million. Collections increased by $8.3 million or 3.1 percent compared to last year. With respect to the forecast, collections were $12.0 million or -4.2 percent below forecast. Individual withholding increased 2.7 percent compared to last year with some detraction in growth from payday timing differences compared to the prior year.

December Individual Income Tax Refunds total $5.5 million, $0.2 million or 4.5 percent above last year and equal to forecast.

December Sales and Use Tax Collections: December collections total $225.0 million, an increase of $9.4 million or 4.3 percent above last year. Collections were also above monthly forecast levels by $1.3 million or 0.6 percent.

December Corporate Income Tax collections total $74.1 million, a decrease of $13.5 million from year ago, and $7.0 million above forecast. One-time payments contributed to results in the prior year.

December Corporate Income Tax Refunds total $7.0 million. This amount is $0.9 million above year ago levels. Refunds were also $0.4 million above forecast.

December Tobacco Tax collections, a smaller component of general revenue in annual terms, total $18.6 million. Collections decreased by -5.5 percent from year earlier levels and were above forecast by $1.4 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 December 2019, $46.3 million was collected and deposited to the fund. After deductions, the net amount is $44.9 million. The monthly collection is equivalent to a 3.7 percent increase from prior year collections.

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

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

Forecast Date: 05/15/2019

Millions of $

	Actual Dec FY19	Forecast Dec FY20	Actual Dec FY20	Change from Forecast: Dollar Difference	Change from Forecast: Percent Difference	Change from Last Year: Dollar Difference	Change from Last Year: Percent Difference
Individual Income	1,513.1	1,574.7	1,594.4	19.7	1.3	81.3	5.4
Corporate Income	236.2	195.5	232.1	36.6	18.7	-4.0	-1.7
Sales & Use	1,249.4	1,282.0	1,290.7	8.7	0.7	41.3	3.3
Alcohol	28.6	28.8	30.6	1.8	6.3	2.0	7.0
Tobacco	111.8	105.4	110.4	5.0	4.8	-1.3	-1.2
Insurance	44.4	42.9	45.6	2.7	6.4	1.2	2.8
Racing	0.8	0.8	0.6	-0.2	-23.1	-0.2	-20.4
Gaming	32.6	16.9	19.1	2.2	12.9	-13.5	-41.5
Miscellaneous[1]	48.1	47.6	53.1	5.5	11.6	5.1	10.5
Total Gross	**3,264.9**	**3,294.6**	**3,376.7**	**82.1**	**2.5**	**111.9**	**3.4**
LESS: (SCSF/COF)[2]	101.2	102.1	104.7	2.6	2.5	3.5	3.4
Individual Income Tax Refunds	79.5	79.8	77.2	-2.6	-3.2	-2.2	-2.8
Corporate Income Tax Refunds	27.5	29.4	25.3	-4.1	-14.1	-2.3	-8.2
Claims	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Economic Development Incentive	6.8	11.7	7.2	-4.5	-38.3	0.4	5.5
Amendment 82 Bonds	1.1	1.1	1.1	0.0	-4.5	0.0	-2.9
Recycling Tax Credit	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Water / Sewer Bonds	7.6	7.6	7.6	0.0	0.0	0.0	0.0
College Savings Bonds	3.4	3.3	3.2	-0.1	-1.6	-0.2	-4.8
City & County Tourist	0.4	0.4	0.4	0.0	11.0	0.0	0.0
Educational Excellence	165.6	171.0	168.9	-2.1	-1.2	3.3	2.0
Educational Adequacy	14.6	15.1	14.9	-0.2	-1.1	0.3	2.0
Total Deductions	407.8	421.5	410.5	-11.0	-2.6	2.7	0.7
Net Available	**2,857.0**	**2,873.1**	**2,966.2**	**93.1**	**3.2**	**109.2**	**3.8**

Revenue Forecast Summary for December

Year-to-Date Gross: $ 82.1 Million OR 2.5% Above Forecast

Year-to-Date Net Available: $ 93.1 Million OR 3.2% 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.

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

Forecast Date: 05/15/2019

Millions of $

	Actual Dec FY19	Forecast Dec FY20	Actual Dec FY20	Change from Forecast: Dollar Difference	Change from Forecast: Percent Difference	Change from Last Year: Dollar Difference	Change from Last Year: Percent Difference
Individual Income	268.6	288.9	276.9	-12.0	-4.2	8.3	3.1
Corporate Income	87.6	67.1	74.1	7.0	10.4	-13.5	-15.4
Sales & Use	215.6	223.7	225.0	1.3	0.6	9.4	4.3
Alcohol	4.6	4.6	4.9	0.3	6.6	0.3	6.0
Tobacco	19.7	17.2	18.6	1.4	8.1	-1.1	-5.5
Insurance	0.4	0.6	0.8	0.2	26.2	0.4	89.3
Racing	0.1	0.1	0.1	0.0	-33.9	0.0	1.0
Gaming	5.3	2.2	2.8	0.6	26.8	-2.5	-47.4
Miscellaneous[1]	4.0	3.9	10.5	6.6	169.3	6.5	161.3
Total Gross	**605.9**	**608.3**	**613.6**	**5.3**	**0.9**	**7.7**	**1.3**
LESS: (SCSF/COF)[2]	18.8	18.9	19.0	0.1	0.6	0.2	1.3
Individual Income Tax Refunds	5.3	5.5	5.5	0.0	0.9	0.2	4.5
Corporate Income Tax Refunds	6.1	6.6	7.0	0.4	6.5	0.9	15.5
Claims	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Economic Development Incentive	1.9	2.0	1.5	-0.5	-23.6	-0.3	-17.4
Amendment 82 Bonds	1.1	1.1	1.1	0.0	-4.5	0.0	-2.9
Recycling Tax Credit	0.0	0.0	0.0	0.0	0.0	0.0	0.0
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	0.0	0.0	0.0
City & County Tourist	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Educational Excellence	27.6	28.5	28.1	-0.4	-1.2	0.5	2.0
Educational Adequacy	2.4	2.5	2.5	0.0	-0.5	0.0	2.0
Total Deductions	64.4	66.3	66.0	-0.3	-0.4	1.7	2.6
Net Available	**541.6**	**542.0**	**547.6**	**5.6**	**1.0**	**6.0**	**1.1**

Revenue Forecast Summary for December

December Gross: $ 5.3 Million OR 0.9% Above Forecast

December Net Available: $ 5.6 Million OR 1.0% 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.