



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 February (FY 2020)**

DATE: March 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 \$3,903.9 million, \$171.4 million or 4.6 percent above year ago levels. After eight months into the fiscal year, net available revenue is above forecast by \$97.7 million or 2.6 percent.

Year-to-date Gross General Revenues: Year-to-date gross collections total \$4,531.9 million, representing an increase of \$185.3 million or 4.3 percent above last year. Gross general revenues are above forecast by \$89.2 million or 2.0 percent.

Year-to-date Individual Income Taxes: Year-to-date individual income tax collections total \$2,225.0 million, \$133.0 million or 6.4 percent above FY 2019 collections and \$13.6 million or 0.6 percent above forecast.

Year-to-date individual income tax refunds total \$184.4 million, higher by \$15.3 million or 9.1 percent compared to last year and \$2.6 million or 1.5 percent above forecast. Amounts above forecast in refund categories reduce net available revenue results.

Year-to-date Sales and Use Tax Collections: On a year-to-date basis, Sales and Use taxes total \$1,708.1 million, an increase of \$65.4 million or 4.0 percent from FY 2019 and \$10.8 million or 0.6 percent above forecast.

Year-to-date Corporate Income Taxes: Year-to-date corporate revenues total \$278.9 million, an increase of \$3.0 million from year-to-date FY 2019. Corporate income is above forecast by \$48.6 million or 21.1 percent.

Year-to-date corporate income tax refunds total \$34.0 million, a decrease of \$13.1 million compared to the same year-to-date period last year.

FEBRUARY REVENUE SUMMARY

February Net Available General Revenues total \$343.1 million, \$21.7 million or 6.7 percent above last year and \$3.5 million or 1.0 percent above forecast.

Individual and Corporate Income Tax collections were above forecast in February. Payroll Withholding Tax collections were better than expected for the month with high gains from payday timing effects compared to the same period in the prior year. Sales tax collections were \$3.6 million below forecast due to weakness in business-related sectors. The motor vehicle portion of Sales Tax experienced high growth. Individual Income Tax refunds were higher than forecast in the first major refund month of the income tax filing season.

Among smaller revenue sources, Tobacco was above forecast by \$0.8 million and above year ago collections. Results in Gaming revenue exceeded forecast by \$0.3 million.

February Gross General Revenues: February collections total \$501.5 million, an increase of \$42.4 million or 9.2 percent above last year and \$8.6 million or 1.7 percent above forecast.

February Individual Income Tax collections total \$271.6 million. Collections increased by \$34.9 million or 14.8 percent compared to last year. With respect to the forecast, collections were \$9.3 million or 3.5 percent above forecast. Individual withholding increased 14.8 percent compared to last year as a result of payday timing differences.

February Individual Income Tax Refunds total \$105.3 million, \$16.7 million above last year and \$4.5 million above forecast.

February Sales and Use Tax Collections: February collections total \$193.1 million, an increase of \$7.6 million or 4.1 percent above last year. Collections were below monthly forecast levels by \$3.6 million or -1.9 percent.

February Corporate Income Tax collections total \$8.1 million, an increase of \$0.5 million from year ago, and \$0.6 million above forecast.

February Corporate Income Tax Refunds total \$4.5 million. This amount is \$1.6 million above year ago levels. Refunds were also \$1.5 million above forecast.

February Tobacco Tax collections, a smaller component of general revenue in annual terms, total \$15.9 million. Collections increased by \$0.9 million from year earlier levels and were above forecast by \$0.8 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 February 2020, \$40.4 million was collected and deposited to the fund. After deductions, the net amount is \$39.2 million. The monthly collection is equivalent to a 4.4 percent increase from prior year collections.

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

February 2020 Year-to-Date General Revenue Report
Economic Analysis and Tax Research, DFA

Forecast Date: 02/01/2020

Millions of \$

| | Actual Feb FY19 | Forecast Feb FY20 | Actual Feb FY20 | <u>Change from Forecast</u> | | <u>Change from Last Year</u> | |
|--------------------------------|--------------------|----------------------|--------------------|-----------------------------|-----------------------|------------------------------|-----------------------|
| | | | | Dollar Difference | Percent Difference | Dollar Difference | Percent Difference |
| Individual Income | 2,092.0 | 2,211.4 | 2,225.0 | 13.6 | 0.6 | 133.0 | 6.4 |
| Corporate Income | 275.9 | 230.3 | 278.9 | 48.6 | 21.1 | 3.0 | 1.1 |
| Sales & Use | 1,642.7 | 1,697.3 | 1,708.1 | 10.8 | 0.6 | 65.4 | 4.0 |
| Alcohol | 37.7 | 37.9 | 40.1 | 2.2 | 5.7 | 2.4 | 6.4 |
| Tobacco | 143.1 | 136.3 | 143.8 | 7.5 | 5.5 | 0.7 | 0.5 |
| Insurance | 46.0 | 44.4 | 48.4 | 4.0 | 9.0 | 2.4 | 5.1 |
| Racing | 1.1 | 1.1 | 1.2 | 0.1 | 6.1 | 0.0 | 3.4 |
| Gaming | 43.9 | 21.8 | 24.8 | 3.0 | 13.7 | -19.1 | -43.5 |
| Miscellaneous ¹ | 64.3 | 62.2 | 61.7 | -0.5 | -0.8 | -2.5 | -3.9 |
| Total Gross | 4,346.6 | 4,442.7 | 4,531.9 | 89.2 | 2.0 | 185.3 | 4.3 |
| LESS: (SCSF/COF) ² | 134.7 | 137.7 | 140.5 | 2.8 | 2.0 | 5.7 | 4.3 |
| Individual Income Tax Refunds | 169.1 | 181.8 | 184.4 | 2.6 | 1.5 | 15.3 | 9.1 |
| Corporate Income Tax Refunds | 47.1 | 38.3 | 34.0 | -4.3 | -11.2 | -13.1 | -27.8 |
| Claims | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Economic Development Incentive | 7.6 | 15.6 | 9.0 | -6.6 | -42.2 | 1.5 | 19.2 |
| 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 | 10.0 | 10.0 | 10.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| College Savings Bonds | 3.4 | 3.3 | 3.2 | -0.1 | -1.5 | -0.2 | -4.7 |
| City & County Tourist | 0.7 | 0.6 | 0.7 | 0.1 | 11.0 | 0.0 | 0.0 |
| Educational Excellence | 220.8 | 228.0 | 225.2 | -2.8 | -1.2 | 4.3 | 2.0 |
| Educational Adequacy | 19.5 | 20.1 | 19.9 | -0.2 | -1.0 | 0.4 | 2.0 |
| Total Deductions | 614.0 | 636.5 | 628.0 | -8.5 | -1.3 | 14.0 | 2.3 |
| Net Available | 3,732.6 | 3,806.2 | 3,903.9 | 97.7 | 2.6 | 171.4 | 4.6 |

Revenue Forecast Summary for February

Year-to-Date Gross: \$ 89.2 Million OR 2.0% Above Forecast

Year-to-Date Net Available: \$ 97.7 Million OR 2.6% 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.

February 2020 General Revenue Report
Economic Analysis and Tax Research, DFA

Forecast Date: 02/01/2020

Millions of \$

| | Actual Feb FY19 | Forecast Feb FY20 | Actual Feb FY20 | <u>Change from Forecast</u> | | <u>Change from Last Year</u> | |
|--------------------------------|--------------------|----------------------|--------------------|-----------------------------|-----------------------|------------------------------|-----------------------|
| | | | | Dollar Difference | Percent Difference | Dollar Difference | Percent Difference |
| Individual Income | 236.6 | 262.3 | 271.6 | 9.3 | 3.5 | 34.9 | 14.8 |
| Corporate Income | 7.7 | 7.5 | 8.1 | 0.6 | 8.5 | 0.5 | 5.9 |
| Sales & Use | 185.5 | 196.7 | 193.1 | -3.6 | -1.9 | 7.6 | 4.1 |
| Alcohol | 4.1 | 4.2 | 4.2 | 0.0 | -0.1 | 0.1 | 1.6 |
| Tobacco | 15.0 | 15.1 | 15.9 | 0.8 | 5.1 | 0.9 | 6.1 |
| Insurance | 0.8 | 0.6 | 1.8 | 1.2 | 207.7 | 1.0 | 126.7 |
| Racing | 0.2 | 0.2 | 0.2 | 0.0 | 20.5 | 0.0 | 8.9 |
| Gaming | 5.4 | 2.5 | 2.8 | 0.3 | 12.3 | -2.6 | -48.3 |
| Miscellaneous ¹ | 3.7 | 3.8 | 3.8 | 0.0 | -0.5 | 0.0 | 1.1 |
| Total Gross | 459.1 | 492.9 | 501.5 | 8.6 | 1.7 | 42.4 | 9.2 |
| LESS: (SCSF/COF) ² | 14.2 | 15.3 | 15.5 | 0.2 | 1.6 | 1.3 | 9.2 |
| Individual Income Tax Refunds | 88.6 | 100.8 | 105.3 | 4.5 | 4.5 | 16.7 | 18.8 |
| Corporate Income Tax Refunds | 2.8 | 3.0 | 4.5 | 1.5 | 48.5 | 1.6 | 58.2 |
| Claims | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Economic Development Incentive | 0.7 | 2.0 | 1.3 | -0.7 | -37.1 | 0.5 | 71.5 |
| 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 | 1.2 | 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 | 137.7 | 153.3 | 158.4 | 5.1 | 3.3 | 20.7 | 15.1 |
| Net Available | 321.5 | 339.6 | 343.1 | 3.5 | 1.0 | 21.7 | 6.7 |

Revenue Forecast Summary for February

February Gross: \$ 8.6 Million OR 1.7% Above Forecast

February Net Available: \$ 3.5 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.