



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 December (FY 2021)**

DATE: January 5, 2021 Copy: Governor's Office

YEAR-TO-DATE REVENUE SUMMARY

Year-to-date Net Available General Revenues: Year-to-date net available general revenues total \$3,223.8 million, \$257.6 million or 8.7 percent above year ago levels. After six months into the fiscal year, net available revenue is above forecast by \$319.4 million or 11.0 percent. The results include net collection increases tied to the income tax due date shift to July from April in the prior fiscal year.

Year-to-date Gross General Revenues: Year-to-date gross collections total \$3,697.4 million, representing an increase of \$320.7 million or 9.5 percent above last year. Gross general revenues are above forecast by \$348.7 million or 10.4 percent.

Year-to-date Individual Income Taxes: Year-to-date individual income tax collections total \$1,771.6 million, \$177.2 million or 11.1 percent above FY 2020 collections and \$165.2 million or 10.3 percent above forecast.

Year-to-date individual income tax refunds total \$127.5 million, up \$50.3 million or 65.1 percent compared to last year and \$30.0 million or 30.8 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 \$1,392.5 million, an increase of \$101.8 million or 7.9 percent from FY 2020 and \$108.9 million or 8.5 percent above forecast.

Year-to-date Corporate Income Taxes: Year-to-date corporate revenues total \$263.7 million, an increase of \$31.6 million from year-to-date FY 2020. Corporate income is above forecast by \$47.3 million or 21.8 percent.

Year-to-date corporate income tax refunds total \$24.6 million, a decrease of \$0.7 million compared to the same year-to-date period last year.

DECEMBER REVENUE SUMMARY

December Net Available General Revenues total \$530.3 million, \$17.2 million or -3.1 percent below last year and \$36.0 million or 7.3 percent above forecast.

All major collection categories were above forecast in December. Individual Income Tax was above forecast by \$19.9 million, with Payroll Withholding Tax running ahead of projections. Sales Tax collections were above forecast by \$5.2 million, with continued gains in retail and vehicle sales. Corporate Income tax collections were \$18.3 million above forecast led by estimated payments. Income Tax Refunds were higher than forecast in Individual Income and less than forecast in Corporate Refunds.

Among smaller revenue sources, Tobacco was above forecast by \$2.6 million and above year ago collections. Results in Gaming revenue were below forecast by \$0.3 million.

December Gross General Revenues: December collections total \$605.3 million, a decrease of \$8.3 million or -1.4 percent below last year and \$42.9 million or 7.6 percent above forecast.

December Individual Income Tax collections total \$249.7 million. Collections decreased by \$27.1 million or -9.8 percent compared to last year. With respect to the forecast, collections were \$19.9 million or 8.7 percent above forecast. Individual withholding revenue decreased 11.2 percent compared to last year, reflecting payday timing differences in year ago comparisons and an offset to opposite timing differences in the prior month.

December Individual Income Tax Refunds total \$18.4 million, \$12.9 million above last year and \$11.9 million above forecast. Refund amounts above forecast lower net available fund results.

December Sales and Use Tax Collections: December collections total \$229.7 million, an increase of \$4.8 million or 2.1 percent above last year. Collections were above monthly forecast levels by \$5.2 million or 2.3 percent.

December Corporate Income Tax collections total \$90.5 million, an increase of \$16.4 million from year ago, and \$18.3 million or 25.4 percent above forecast in a collection month notable for estimated payments.

December Corporate Income Tax Refunds total \$2.4 million. This amount is \$4.7 million below year ago levels. Refunds were also \$6.4 million below forecast.

December Tobacco Tax collections, a smaller component of general revenue in annual terms, total \$19.9 million. Collections increased by \$1.3 million from year earlier levels and were above forecast by \$2.6 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 2020, \$47.5 million was collected and deposited to the fund. After deductions, the net amount is \$46.1 million. The monthly collection is equivalent to a 2.7 percent increase from prior year collections.

C: /FISCNOT/December FY 2021
Attachment (2)

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

Forecast Date: 04/02/20

Millions of \$

	Actual Dec FY20	Forecast Dec FY21	Actual Dec FY21	<u>Change from Forecast</u>		<u>Change from Last Year</u>	
				Dollar Difference	Percent Difference	Dollar Difference	Percent Difference
Individual Income	1,594.4	1,606.4	1,771.6	165.2	10.3	177.2	11.1
Corporate Income	232.1	216.4	263.7	47.3	21.8	31.6	13.6
Sales & Use	1,290.7	1,283.6	1,392.5	108.9	8.5	101.8	7.9
Alcohol	30.6	31.8	33.8	2.0	6.3	3.2	10.5
Tobacco	110.4	101.2	116.3	15.1	15.0	5.9	5.3
Insurance	45.6	45.6	46.2	0.6	1.4	0.6	1.3
Racing	0.6	0.7	0.4	-0.3	-40.0	-0.2	-31.7
Gaming	19.1	14.7	15.3	0.6	3.8	-3.8	-20.1
Severance	5.0	3.5	3.6	0.1	3.4	-1.4	-27.4
Franchise	3.8	3.7	9.0	5.3	142.1	5.2	138.5
Real Estate Transfer	2.6	2.6	2.6	0.0	0.3	0.0	0.0
Miscellaneous	41.8	38.5	42.4	3.9	10.2	0.7	1.6
Total Gross	3,376.7	3,348.7	3,697.4	348.7	10.4	320.7	9.5
LESS: (SCSF/COF) ¹	104.7	103.8	114.6	10.8	10.4	9.9	9.5
Individual Income Refunds	77.2	97.5	127.5	30.0	30.8	50.3	65.1
Corporate Income Refunds	25.3	31.6	24.6	-7.0	-22.3	-0.7	-2.8
Claims	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Econ Development Incentive	7.2	11.7	5.3	-6.4	-55.0	-2.0	-27.1
Amendment 82 Bonds	1.1	1.0	1.0	0.0	1.5	0.0	-3.5
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	3.2	3.0	3.0	0.0	-0.1	-0.3	-7.7
City & County Tourist	0.4	0.5	0.4	-0.1	-11.2	0.0	0.0
Educational Excellence	168.9	172.3	174.3	2.0	1.1	5.4	3.2
Educational Adequacy	14.9	15.3	15.4	0.1	0.7	0.5	3.2
Total Deductions	410.5	444.3	473.7	29.4	6.6	63.1	15.4
Net Available	2,966.2	2,904.4	3,223.8	319.4	11.0	257.6	8.7

Revenue Forecast Summary for the Month

December Year-to-Date Gross: \$ 348.7 Million OR 10.4% Above Forecast
December Year-to-Date Net Available: \$ 319.4 Million OR 11.0% Above Forecast

¹ State Central Services Fund and Constitutional Officers Fund.

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

Forecast Date: 04/02/20

Millions of \$

	Actual Dec FY20	Forecast Dec FY21	Actual Dec FY21	<u>Change from Forecast</u>		<u>Change from Last Year</u>	
				Dollar Difference	Percent Difference	Dollar Difference	Percent Difference
Individual Income	276.9	229.8	249.7	19.9	8.7	-27.1	-9.8
Corporate Income	74.1	72.2	90.5	18.3	25.4	16.4	22.1
Sales & Use	225.0	224.5	229.7	5.2	2.3	4.8	2.1
Alcohol	4.9	5.1	5.3	0.2	4.9	0.4	9.1
Tobacco	18.6	17.3	19.9	2.6	14.8	1.3	6.7
Insurance	0.8	0.8	2.6	1.8	223.6	1.8	241.8
Racing	0.1	0.1	0.1	0.0	-24.4	0.0	14.3
Gaming	2.8	2.8	2.5	-0.3	-12.2	-0.3	-11.9
Severance	0.8	0.5	0.5	0.0	1.7	-0.3	-35.1
Franchise	0.5	0.5	1.4	0.9	189.9	0.9	189.2
Real Estate Transfer	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Miscellaneous	9.2	8.8	3.0	-5.8	-66.4	-6.3	-67.9
Total Gross	613.6	562.4	605.3	42.9	7.6	-8.3	-1.4
LESS: (SCSF/COF) ¹	19.0	17.4	18.8	1.4	7.8	-0.3	-1.4
Individual Income Refunds	5.5	6.5	18.4	11.9	183.5	12.9	232.1
Corporate Income Refunds	7.0	8.8	2.4	-6.4	-73.1	-4.7	-66.3
Claims	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Econ Development Incentive	1.5	1.9	1.5	-0.4	-19.1	0.0	0.6
Amendment 82 Bonds	1.1	1.0	1.0	0.0	1.5	0.0	-3.5
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	28.1	28.7	29.0	0.3	1.2	0.9	3.2
Educational Adequacy	2.5	2.6	2.6	0.0	-1.2	0.1	3.2
Total Deductions	66.0	68.1	74.9	6.8	10.0	8.9	13.5
Net Available	547.6	494.3	530.3	36.0	7.3	-17.2	-3.1

Revenue Forecast Summary for the Month

December Gross: \$ 42.9 Million OR 7.6% Above Forecast
December Net Available: \$ 36.0 Million OR 7.3% Above Forecast

¹ State Central Services Fund and Constitutional Officers Fund.