STATE OF ARKANSAS
Department of Finance and Administration

Economic Analysis and Tax Research
1509 West Seventh Street, Suite 404
Post Office Box 3278
Little Rock, Arkansas 72203-3278
Phone: (501) 682-5495
Fax: (501) 682-1086
www.arkansas.gov/dfa

MEMORANDUM

TO: Larry Walther, Secretary
Paul Louthian, Deputy Director

FROM: John Shelnutt, Economic Analysis & Tax Research JS

SUBJECT: **General Revenue Report for March (FY 2021)**

DATE: April 2, 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 $4,669.9 million, $409.3 million or 9.6 percent above year ago levels. After nine months into the fiscal year, net available revenue is above forecast by $549.9 million or 13.3 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 $5,482.7 million, representing an increase of $380.7 million or 7.5 percent above last year. Gross general revenues are above forecast by $557.7 million or 11.3 percent.

Year-to-date Individual Income Taxes: Year-to-date individual income tax collections total $2,697.8 million, $183.2 million or 7.3 percent above FY 2020 collections and $289.4 million or 12.0 percent above forecast.

Year-to-date individual income tax refunds total $278.0 million, down $63.0 million or -18.5 percent compared to last year and $10.0 million or -3.5 percent below forecast. Amounts below forecast in refund categories add to net available revenue results. Refund processing and issuance were delayed compared to prior year and forecast due to delays at IRS caused by federal tax changes in late December.

Year-to-date Sales and Use Tax Collections: On a year-to-date basis, sales and use taxes total $2,064.0 million, an increase of $147.8 million or 7.7 percent from FY 2020 and $164.1 million or 8.6 percent above forecast.

Year-to-date Corporate Income Taxes: Year-to-date corporate revenues total $344.4 million, an increase of $39.4 million from year-to-date FY 2020. Corporate income is above forecast by $72.3 million or 26.6 percent.

Year-to-date corporate income tax refunds total $59.1 million, an increase of $19.5 million compared to the same year-to-date period last year.

MARCH REVENUE SUMMARY

March Net Available General Revenues total $372.9 million, $16.3 million or 4.6 percent above last year and $20.8 million or 5.9 percent above forecast.

Net Available revenue results were a mix of better than expected collections in gross revenues and partial catchup in tax returns received and processed with refund claims after delays in the start of accepting efile tax returns by the IRS in February. Further delay in refund claims stems from law changes during the filing season in the treatment of unemployment insurance benefits at both the federal and state levels. Individual Refunds were $30.6 million above forecast in March after falling behind by $76.2 million below forecast in February. Additional catchup in return filings and refund processing is expected in April. Among gross collection categories, all major revenue sources were above forecast in March. Individual Income Tax collections were above by $34.0 million while Sales Tax and Corporate Income contributed smaller amounts above forecast at $7.3 million and $6.1 million, respectively.

Among smaller revenue sources, Tobacco was above forecast by $3.8 million and below year ago collections. Results in Gaming revenue were below forecast by $1.4 million.

March Gross General Revenues: March collections total $569.7 million, a decrease of $0.4 million or -0.1 percent below last year and $48.5 million or 9.3 percent above forecast.

March Individual Income Tax collections total $286.5 million. Collections decreased by $3.0 million or -1.1 percent compared to last year. With respect to the forecast, collections were $34.0 million or 13.5 percent above forecast. Individual withholding revenue decreased -5.1 percent compared to last year, reflecting tax reductions with withholding formula changes and continued COVID19 impact on the labor market.

March Individual Income Tax Refunds total $142.1 million, $14.4 million below last year and $30.6 million above forecast. Refund amounts above forecast reduce net available fund results. Refund filings and processing only partly caught up compared to prior year and forecast after delays at IRS caused by federal tax changes in late December.

March Sales and Use Tax Collections: March collections total $212.7 million, an increase of $4.7 million or 2.3 percent above last year. Collections were above monthly forecast levels by $7.3 million or 3.6 percent. Motor vehicle sales tax collections rebounded from adverse weather conditions in the prior month.

March Corporate Income Tax collections total $24.3 million, a decrease of $1.9 million from year ago, and $6.1 million above forecast.

March Corporate Income Tax Refunds total $4.2 million. This amount is $1.4 million below year ago levels. Refunds were also $2.8 million below forecast.

March Tobacco Tax collections, a smaller component of general revenue in annual terms, total $18.7 million. Collections decreased by $2.4 million from year earlier levels and were above forecast by $3.8 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 March 2021, $46.4 million was collected and deposited to the fund. After deductions, the net amount is $45.0 million. The monthly collection is equivalent to a 3.8 percent increase from prior year collections.

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

March 2021 Year-to-Date General Revenue Report

Economic Analysis and Tax Research, DFA

Forecast Date: 04/02/20

Millions of $

	Actual Mar FY20	Forecast Mar FY21	Actual Mar FY21	Change from Forecast: Dollar Difference	Change from Forecast: Percent Difference	Change from Last Year: Dollar Difference	Change from Last Year: Percent Difference
Individual Income	2,514.6	2,408.4	2,697.8	289.4	12.0	183.2	7.3
Corporate Income	305.1	272.1	344.4	72.3	26.6	39.4	12.9
Sales & Use	1,916.1	1,899.9	2,064.0	164.1	8.6	147.8	7.7
Alcohol	44.4	46.6	48.3	1.7	3.7	3.9	8.8
Tobacco	164.9	147.2	166.1	18.9	12.8	1.2	0.7
Insurance	60.4	64.5	65.5	1.0	1.5	5.0	8.4
Racing	1.4	1.4	1.0	-0.4	-27.4	-0.4	-27.0
Gaming	28.9	24.5	23.4	-1.1	-4.4	-5.5	-19.0
Severance	7.0	4.9	5.3	0.4	9.1	-1.7	-24.1
Franchise	8.0	8.0	8.0	0.0	0.0	0.0	0.0
Real Estate Transfer	2.6	2.6	2.6	0.0	0.3	0.0	0.0
Miscellaneous	48.6	44.9	56.2	11.3	25.2	7.7	15.8
Total Gross	**5,102.1**	**4,925.0**	**5,482.7**	**557.7**	**11.3**	**380.7**	**7.5**
LESS: (SCSF/COF) [1]	158.2	152.7	170.0	17.3	11.3	11.8	7.5
Individual Income Refunds	341.0	288.0	278.0	-10.0	-3.5	-63.0	-18.5
Corporate Income Refunds	39.6	49.5	59.1	9.6	19.4	19.5	49.2
Claims	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Econ Development Incentive	10.9	17.6	5.4	-12.2	-69.2	-5.5	-50.3
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	11.2	11.2	11.2	0.0	0.0	0.0	0.0
College Savings Bonds	3.2	3.0	3.0	0.0	-0.1	-0.3	-7.8
City & County Tourist	0.7	0.7	0.7	0.0	-4.9	0.0	0.0
Educational Excellence	253.3	258.4	261.4	3.0	1.2	8.1	3.2
Educational Adequacy	22.4	22.9	23.1	0.2	0.9	0.7	3.2
Total Deductions	841.5	805.0	812.9	7.9	1.0	-28.6	-3.4
Net Available	**4,260.6**	**4,120.0**	**4,669.9**	**549.9**	**13.3**	**409.3**	**9.6**

Revenue Forecast Summary for the Month

March Year-to-Date Gross: $ 557.7 Million OR 11.3% Above Forecast

March Year-to-Date Net Available: $ 549.9 Million OR 13.3% Above Forecast

[1] State Central Services Fund and Constitutional Officers Fund.

March 2021 General Revenue Report

Economic Analysis and Tax Research, DFA

Forecast Date: 04/02/20

Millions of $

	Actual Mar FY20	Forecast Mar FY21	Actual Mar FY21	Change from Forecast: Dollar Difference	Change from Forecast: Percent Difference	Change from Last Year: Dollar Difference	Change from Last Year: Percent Difference
Individual Income	289.6	252.5	286.5	34.0	13.5	-3.0	-1.1
Corporate Income	26.2	18.2	24.3	6.1	33.8	-1.9	-7.1
Sales & Use	208.0	205.4	212.7	7.3	3.6	4.7	2.3
Alcohol	4.4	4.7	4.6	-0.1	-2.4	0.2	5.3
Tobacco	21.1	14.9	18.7	3.8	25.4	-2.4	-11.5
Insurance	12.0	17.2	17.2	0.0	0.2	5.2	43.3
Racing	0.2	0.3	0.3	0.0	14.6	0.1	52.0
Gaming	4.1	3.8	2.4	-1.4	-37.6	-1.8	-42.5
Severance	0.6	0.5	0.5	0.0	-0.5	-0.1	-16.3
Franchise	1.7	1.7	0.0	-1.7	-100.0	-1.7	-100.0
Real Estate Transfer	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Miscellaneous	2.2	2.0	2.4	0.4	17.8	0.1	6.3
Total Gross	**570.2**	**521.2**	**569.7**	**48.5**	**9.3**	**-0.4**	**-0.1**
LESS: (SCSF/COF) [1]	17.7	16.2	17.7	1.5	9.0	0.0	-0.1
Individual Income Refunds	156.5	111.5	142.1	30.6	27.5	-14.4	-9.2
Corporate Income Refunds	5.6	7.0	4.2	-2.8	-39.6	-1.4	-24.4
Claims	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Econ Development Incentive	1.9	2.0	0.0	-2.0	-100.0	-1.9	-100.0
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	28.1	28.7	29.0	0.3	1.2	0.9	3.2
Educational Adequacy	2.5	2.5	2.6	0.1	2.7	0.1	3.2
Total Deductions	213.5	169.1	196.8	27.7	16.4	-16.7	-7.8
Net Available	**356.6**	**352.1**	**372.9**	**20.8**	**5.9**	**16.3**	**4.6**

Revenue Forecast Summary for the Month

March Gross: $ 48.5 Million OR 9.3% Above Forecast

March Net Available: $ 20.8 Million OR 5.9% Above Forecast

[1] State Central Services Fund and Constitutional Officers Fund.