



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 June and FY 2022 Summary**

DATE: July 5, 2022 Copy: Governor's Office

FISCAL YEAR 2022 REVENUE SUMMARY

Results from collections and distributions for FY 2022 reached \$7.477 billion or \$154.7 million above the forecast of May 18, 2022, and \$1.628 billion in excess of full funding level for the Revenue Stabilization Act representing a surplus as defined by that budget control and allocation process.

The following results are compared to the Official forecast issued on May 18, 2022, for conformity with prior reports.

Fiscal Year 2022 Net Available General Revenues and Factors for Growth: Fiscal year 2022 net available general revenue collections total \$7,477.4 million. This amount is \$632.1 million or 9.2 percent above prior year results and \$154.7 million or 2.1 percent above forecast.

The fiscal year ended above forecast in all major categories of collections and above year ago levels. This broad-based gain resulted from high growth in Income Tax categories and Sales and Use Tax. Income tax collection growth from individuals and corporate accounts represented increased income tax liabilities in tax year 2021 and continued growth in Payroll Withholding Tax. Sales tax collections recorded a second high-growth year of 9.4 percent in FY 2022, following a gain of 13.4 percent in FY 2021.

Fiscal Year 2022 Gross General Revenues: Fiscal year 2022 gross collections total \$8,773.1 million, representing an increase of \$652.1 million or 8.0 percent above last year. Gross general revenues were \$156.0 million or 1.8 percent above forecast.

Fiscal Year 2022 Individual Income Taxes: Fiscal year 2022 individual income tax collections total \$4,171.5 million, \$202.3 million or 5.1 percent above FY 2021 collections and \$38.5 million or 0.9 percent above forecast.

Fiscal Year 2022 individual income tax refunds total \$453.6 million, \$48.5 million or -9.7 percent below last year and \$8.1 million or 1.8 percent above forecast. Amounts above forecast in refund categories subtract from net general revenue results.

Fiscal Year 2022 Sales and Use Collections: Fiscal year 2022 Sales and Use tax collections total \$3,154.7 million, an increase of \$270.9 million or 9.4 percent over FY 2021 and \$39.5 million or 1.3 percent above forecast.

Fiscal Year 2022 Corporate Income Taxes: Fiscal year corporate collections total \$837.2 million, an increase of \$185.2 million or 28.4 percent above FY 2021. Collections came in \$54.5 million or 7.0 percent above forecast.

Fiscal Year 2022 Corporate income tax refunds total \$52.4 million, \$12.9 million or -19.7 percent below last year and \$0.8 million below the general revenue forecast.

JUNE REVENUE SUMMARY

June Net Available General Revenues total \$779.0 million, \$38.4 million or 5.2 percent above last year. Net available general revenues were \$150.1 million or 23.9 percent above forecast for the month.

Revenues in June were above forecast and year ago levels in all major categories of collections. Individual and Corporate Income collections exceeded forecast with gains in Estimated Payments from both categories. Sales Tax revenues exceeded forecast and year ago.

Among smaller revenue sources, Tobacco revenues exceeded forecast by \$2.3 million. Results in Gaming were below forecast by \$0.4 million.

June Gross General Revenues: June collections total \$903.2 million, an increase of \$35.5 million or 4.1 percent above last year and \$149.5 million or 19.8 percent above the monthly forecast.

June Individual Income Tax collections total \$338.7 million. Collections increased by \$10.0 million, or 3.0 percent, compared to last year. Monthly collections were above forecast by \$32.9 million or 10.8 percent. Withholding tax from payrolls were up by 1.6 percent from year ago levels, reflecting a mix of effects from income tax reduction and continued growth in payroll earnings.

June Individual Income Tax Refunds total \$27.4 million. This amount is \$14.6 million or -34.8 percent below year ago refunds and \$3.4 million above the monthly forecast.

Refund claims are generally lower resulting from recent tax reductions and lower payroll withholding rates.

June Sales and Use Collections: June collections total \$285.9 million, an increase of \$29.1 million or 11.3 percent above last year. Collections were above forecast by \$40.8 million or 16.7 percent. The motor vehicle portion of Sales Tax collections were down -8.2 percent from year ago levels, largely from adverse comparison with stimulus spending and pent-up demand last June.

June Corporate Income Tax collections total \$133.5 million, an increase of \$18.5 million or 16.1 percent from year earlier levels, and \$53.3 million or 66.4 percent above forecast.

June Corporate Income Tax Refunds total \$3.0 million. This amount is \$2.3 million above refund levels a year ago.

June Tobacco Tax collections, a small component of general revenue, total \$18.7 million or 2.2 percent above year earlier levels. 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 June 2022, \$59.8 million was collected and deposited to the fund. After deductions, the net amount is \$58.0 million. The monthly collection is equivalent to an 8.0 percent increase from prior year collections. Fiscal year net collections total \$662.0 million, compared to \$597.5 million last year. This represents a 10.8 percent fiscal year increase from prior year collections.

C: /FISCNOT/June FY 2022
Attachment (2)

June 2022 Year-to-Date General Revenue Report

Economic Analysis and Tax Research, DFA

Forecast Date: 05/18/22

Millions of \$

	Actual June FY21	Forecast June FY22	Actual June FY22	<u>Change from Forecast</u>		<u>Change from Last Year</u>	
				Dollar Difference	Percent Difference	Dollar Difference	Percent Difference
Individual Income	3,969.2	4,133.0	4,171.5	38.5	0.9	202.3	5.1
Corporate Income	651.9	782.7	837.2	54.5	7.0	185.2	28.4
Sales & Use	2,883.8	3,115.2	3,154.7	39.5	1.3	270.9	9.4
Alcohol	68.8	73.9	75.1	1.2	1.6	6.3	9.1
Tobacco	224.5	212.1	215.5	3.4	1.6	-9.0	-4.0
Insurance	191.8	160.0	175.3	15.3	9.5	-16.5	-8.6
Racing	1.6	1.5	1.8	0.3	19.4	0.2	9.9
Gaming	38.8	46.6	46.0	-0.6	-1.3	7.2	18.5
Severance	7.2	13.2	13.6	0.4	3.3	6.4	88.7
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	72.7	68.3	71.8	3.5	5.2	-0.8	-1.1
Total Gross	8,121.0	8,617.1	8,773.1	156.0	1.8	652.1	8.0
LESS: (SCSF/COF) ¹	250.1	267.1	271.6	4.5	1.7	21.5	8.6
Individual Income Refunds	502.1	445.5	453.6	8.1	1.8	-48.5	-9.7
Corporate Income Refunds	65.3	53.2	52.4	-0.8	-1.5	-12.9	-19.7
Claims	0.0	10.0	0.0	-10.0	-100.0	0.0	0.0
Econ Development Incentive	13.2	17.5	17.5	0.0	-0.2	4.3	32.4
Amendment 82 Bonds	5.3	5.3	5.3	0.0	-0.2	0.0	0.0
Recycling Tax Credit	16.0	16.0	16.0	0.0	0.0	0.0	0.0
Water / Sewer Bonds	14.8	14.8	14.8	0.0	0.0	0.0	0.0
College Savings Bonds	23.2	20.4	20.4	0.0	0.2	-2.8	-11.9
City & County Tourist	0.9	0.9	0.9	0.0	-1.3	0.0	0.0
Educational Excellence	348.5	395.1	395.1	0.0	0.0	46.6	13.4
Educational Adequacy	30.8	34.9	34.9	0.0	0.1	4.1	13.4
Highway Casino Transfer	5.6	13.7	13.2	-0.5	-4.0	7.6	135.0
Total Deductions	1,275.7	1,294.4	1,295.7	1.3	0.1	20.0	1.6
Net Available	6,845.3	7,322.7	7,477.4	154.7	2.1	632.1	9.2
LESS: Surplus	945.7	1,473.5	1,628.2				
Net AVAILABLE Distribution	5,899.6	5,849.2	5,849.2	0.0	0.0	-50.4	-0.9

Revenue Forecast Summary for the Month

June Year-to-Date Gross: \$ 156.0 Million OR 1.8% Above Forecast

June Year-to-Date Net Available: \$ 154.7 Million OR 2.1% Above Forecast

¹ State Central Services Fund and Constitutional Officers Fund.

June 2022 General Revenue Report
Economic Analysis and Tax Research, DFA

Forecast Date: 05/18/22

Millions of \$

	Actual June FY21	Forecast June FY22	Actual June FY22	<u>Change from Forecast</u>		<u>Change from Last Year</u>	
				Dollar Difference	Percent Difference	Dollar Difference	Percent Difference
Individual Income	328.8	305.8	338.7	32.9	10.8	10.0	3.0
Corporate Income	115.0	80.2	133.5	53.3	66.4	18.5	16.1
Sales & Use	256.8	245.1	285.9	40.8	16.7	29.1	11.3
Alcohol	7.6	7.3	8.8	1.5	20.2	1.2	15.1
Tobacco	18.3	16.4	18.7	2.3	13.9	0.4	2.2
Insurance	124.7	81.7	97.1	15.4	18.8	-27.6	-22.2
Racing	0.1	0.1	0.1	0.0	24.8	0.0	35.3
Gaming	4.3	5.1	4.7	-0.4	-8.2	0.4	8.5
Severance	0.8	1.2	1.4	0.2	18.3	0.6	72.2
Franchise	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Real Estate Transfer	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Miscellaneous	11.2	10.8	14.3	3.5	32.2	3.1	27.2
Total Gross	867.7	753.7	903.2	149.5	19.8	35.5	4.1
LESS: (SCSF/COF) ¹	25.3	23.4	27.7	4.3	18.2	2.4	9.6
Individual Income Refunds	42.0	24.0	27.4	3.4	14.2	-14.6	-34.8
Corporate Income Refunds	0.7	3.0	3.0	0.0	1.4	2.3	313.4
Claims	0.0	10.0	0.0	-10.0	-100.0	0.0	0.0
Econ Development Incentive	1.8	2.2	4.1	1.9	86.7	2.3	133.2
Amendment 82 Bonds	4.3	4.3	4.3	0.0	0.4	0.0	1.0
Recycling Tax Credit	16.0	16.0	16.0	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	29.0	32.9	32.9	0.0	0.1	3.9	13.4
Educational Adequacy	2.6	2.9	2.9	0.0	0.4	0.3	13.4
Highway Casino Transfer	4.2	4.9	4.5	-0.4	-7.4	0.4	9.2
Total Deductions	127.0	124.8	124.1	-0.7	-0.5	-2.9	-2.3
Net Available	740.6	628.9	779.0	150.1	23.9	38.4	5.2

Revenue Forecast Summary for the Month

June Gross: \$ 149.5 Million OR 19.8% Above Forecast
June Net Available: \$ 150.1 Million OR 23.9% Above Forecast

¹ State Central Services Fund and Constitutional Officers Fund.