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 August (FY 2023)**

DATE: September 2, 2022 Copy: Governor's Office

YEAR-TO-DATE REVENUE SUMMARY

Year-to-date Net Available General Revenues: Year-to-date net available general revenues total $1,084.0 million, $50.2 million or 4.9 percent above year ago levels. After two months into the fiscal year, net available revenue is above forecast by $46.0 million or 4.4 percent.

Year-to-date Gross General Revenues: Year-to-date gross collections total $1,230.6 million, representing an increase of $41.7 million or 3.5 percent above last year. Gross general revenues are above forecast by $39.4 million or 3.3 percent.

Year-to-date Individual Income Taxes: Year-to-date individual income tax collections total $518.5 million, $11.6 million or 2.3 percent above FY 2022 collections and $5.1 million or 1.0 percent above forecast.

Year-to-date individual income tax refunds total $20.3 million, down $10.8 million or -34.7 percent compared to last year and $7.0 million or -25.8 percent below forecast.

Year-to-date Sales and Use Tax Collections: On a year-to-date basis, sales and use taxes total $560.5 million, an increase of $44.0 million or 8.5 percent from FY 2022 and $36.3 million or 6.9 percent above forecast.

Year-to-date Corporate Income Taxes: Year-to-date corporate revenues total $42.1 million, a decrease of $9.0 million from year-to-date FY 2022. Corporate income is below forecast by $0.2 million or -0.5 percent.

Year-to-date corporate income tax refunds total $2.1 million, a decrease of $6.6 million compared to the same year-to-date period last year.

AUGUST REVENUE SUMMARY

August Net Available General Revenues total $542.1 million, $23.1 million or 4.5 percent above last year and $19.5 million or 3.7 percent above forecast.

Net Available revenue results were above forecast in Sales Tax and Individual Income Tax in August. Sales Tax collection growth was broad based across reporting sectors. Individual Income Tax gains were driven largely by non-Withholding Tax categories. Corporate Income Tax collections were below forecast in a normally light collection month for that category. Income Tax refund claims were close to forecast with net offsets between Individual and Corporate refund claims.

Among smaller revenue sources, Tobacco was below forecast by -$0.7 million and below year ago collections. Results in Gaming revenue were above forecast by $0.3 million.

August Gross General Revenues: August collections total $614.7 million, an increase of $26.2 million or 4.4 percent above last year and $21.2 million or 3.6 percent above forecast. Gross revenue from collections was dominated by gains in Sales Tax revenue in August.

August Individual Income Tax collections total $265.4 million. Collections increased by $0.3 million, or 0.1 percent compared to last year. With respect to the forecast, collections were $3.7 million or 1.4 percent above forecast. Individual Withholding Tax revenue decreased -1.8 percent compared to last year, in part from payday timing effects compared to year ago and also Withholding Tax rate reductions from Income Tax rate cuts.

August Individual Income Tax Refunds total $9.3 million, $0.9 million below last year and $1.2 million above forecast. Refund claims above forecast subtract from net revenue results.

August Sales and Use Tax Collections: August collections total $288.1 million, an increase of $31.6 million or 12.3 percent above last year. Collections were above monthly forecast levels by $24.2 million or 9.2 percent. Most major reporting sectors of Sales Tax displayed high growth over the prior year, reflecting continuing economic expansion in many sectors. Motor vehicle sales tax collections were up 8.0 percent from year ago August.

August Corporate Income Tax collections total $7.0 million, a decrease of $4.2 million from year ago, and -$2.2 million below forecast.

August Corporate Income Tax Refunds total $1.1 million. This amount is -$1.9 million below year ago levels. Refunds were also -$1.4 million below forecast.

August Tobacco Tax collections, a smaller component of general revenue in annual terms, total $17.3 million. Collections decreased by $2.4 million from year earlier levels and were below forecast by -$0.7 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 August 2022, $58.8 million was collected and deposited to the fund. After deductions, the net amount is $57.0 million. The monthly collection is equivalent to a 10.0 percent increase from prior year collections.

C: /FISCNOT/August FY 2023
Attachment (2)

August 2022 Year-to-Date General Revenue Report

Economic Analysis and Tax Research, DFA

Forecast Date: 05/18/22

Millions of $

	Actual Aug FY22	Forecast Aug FY23	Actual Aug FY23	Change from Forecast: Dollar Difference	Change from Forecast: Percent Difference	Change from Last Year: Dollar Difference	Change from Last Year: Percent Difference
Individual Income	506.8	513.4	518.5	5.1	1.0	11.6	2.3
Corporate Income	51.1	42.3	42.1	-0.2	-0.5	-9.0	-17.6
Sales & Use	516.6	524.2	560.5	36.3	6.9	44.0	8.5
Alcohol	13.7	13.3	13.2	-0.1	-1.0	-0.5	-3.7
Tobacco	38.7	35.2	35.9	0.7	1.9	-2.8	-7.3
Insurance	20.9	25.4	21.2	-4.2	-16.7	0.2	1.1
Racing	0.1	0.2	0.2	0.0	7.5	0.1	74.9
Gaming	7.1	8.3	8.7	0.4	4.4	1.5	21.5
Severance	3.1	3.5	3.3	-0.2	-5.6	0.2	8.1
Franchise	5.8	0.9	1.7	0.8	86.4	-4.1	-71.0
Real Estate Transfer	2.6	2.6	2.6	0.0	0.3	0.0	0.0
Miscellaneous	22.4	21.9	22.8	0.9	4.2	0.4	1.8
Total Gross	1,188.9	1,191.2	1,230.6	39.4	3.3	41.7	3.5
LESS: (SCSF/COF) [1]	36.9	37.0	38.1	1.1	3.1	1.3	3.5
Individual Income Refunds	31.0	27.3	20.3	-7.0	-25.8	-10.8	-34.7
Corporate Income Refunds	8.6	4.9	2.1	-2.8	-57.9	-6.6	-76.1
Claims	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Econ Development Incentive	4.0	3.9	4.9	1.0	25.1	0.8	21.0
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	2.6	2.6	2.6	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	0.2	0.2	0.2	0.0	11.0	0.0	0.0
Educational Excellence	65.9	71.1	72.0	0.9	1.3	6.2	9.4
Educational Adequacy	5.8	6.2	6.4	0.2	2.7	0.5	9.4
Highway Casino Transfer	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Deductions	155.1	153.2	146.6	-6.6	-4.3	-8.5	-5.5
Net Available	1,033.8	1,038.0	1,084.0	46.0	4.4	50.2	4.9

Revenue Forecast Summary for the Month

August Year-to-Date Gross: $ 39.4 Million OR 3.3% Above Forecast

August Year-to-Date Net Available: $ 46.0 Million OR 4.4% Above Forecast

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

August 2022 General Revenue Report

Economic Analysis and Tax Research, DFA

Forecast Date: 05/18/22

Millions of $

	Actual Aug FY22	Forecast Aug FY23	Actual Aug FY23	Change from Forecast: Dollar Difference	Change from Forecast: Percent Difference	Change from Last Year: Dollar Difference	Change from Last Year: Percent Difference
Individual Income	265.1	261.7	265.4	3.7	1.4	0.3	0.1
Corporate Income	11.2	9.2	7.0	-2.2	-24.3	-4.2	-37.8
Sales & Use	256.5	263.9	288.1	24.2	9.2	31.6	12.3
Alcohol	6.5	6.4	6.2	-0.2	-3.9	-0.4	-5.8
Tobacco	19.8	18.0	17.3	-0.7	-3.6	-2.4	-12.3
Insurance	20.5	25.0	20.2	-4.8	-19.3	-0.3	-1.7
Racing	0.1	0.1	0.2	0.1	55.9	0.1	165.8
Gaming	3.4	3.6	3.9	0.3	7.2	0.5	13.5
Severance	1.4	1.7	1.2	-0.5	-28.5	-0.2	-15.6
Franchise	0.6	0.6	1.7	1.1	179.6	1.0	167.1
Real Estate Transfer	0.5	0.5	0.3	-0.2	-35.2	-0.2	-37.3
Miscellaneous	2.9	2.8	3.4	0.6	20.2	0.4	15.1
Total Gross	588.6	593.5	614.7	21.2	3.6	26.2	4.4
LESS: (SCSF/COF) [1]	18.2	18.4	19.1	0.7	3.6	0.8	4.4
Individual Income Refunds	10.2	8.1	9.3	1.2	14.8	-0.9	-8.7
Corporate Income Refunds	3.0	2.5	1.1	-1.4	-55.6	-1.9	-62.9
Claims	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Econ Development Incentive	1.0	1.9	2.7	0.8	41.3	1.6	156.5
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	1.3	1.3	1.3	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	32.9	35.6	36.0	0.4	1.2	3.1	9.4
Educational Adequacy	2.9	3.1	3.2	0.1	2.7	0.3	9.4
Highway Casino Transfer	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Deductions	69.6	70.9	72.7	1.8	2.5	3.1	4.4
Net Available	518.9	522.6	542.1	19.5	3.7	23.1	4.5

Revenue Forecast Summary for the Month

August Gross: $ 21.2 Million OR 3.6% Above Forecast

August Net Available: $ 19.5 Million OR 3.7% Above Forecast

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