



STATE OF ARKANSAS
**Department of Finance
and Administration**

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MEMORANDUM

TO: Larry Walther, Secretary
Robert Brech, Deputy Director

FROM: John Shelnett, Economic Analysis & Tax Research JS

SUBJECT: **General Revenue Report for March (FY 2023)**

DATE: April 4, 2023 Copy: Governor's Office

YEAR-TO-DATE REVENUE SUMMARY

Year-to-date Net Available General Revenues totaled \$5,160.1 million, \$99.8 million or 2.0 percent above year ago levels. After nine months into the fiscal year, net available revenue is above the revised forecast by \$306.7 million or 6.3 percent.

Year-to-date Gross General Revenues totaled \$6,192.2 million, representing an increase of \$294.3 million or 5.0 percent above last year. Gross general revenues are above forecast by \$289.7 million or 4.9 percent.

Year-to-date Individual Income Taxes totaled \$2,748.8 million, \$30.5 million or 1.1 percent above FY 2022 collections and \$105.1 million or 4.0 percent above forecast.

Year-to-date individual income tax refunds totaled \$404.5 million, up \$144.3 million or 55.4 percent compared to last year and \$21.0 million or -4.9 percent below forecast.

Year-to-date Sales and Use Tax totaled \$2,526.3 million, an increase of \$190.8 million or 8.2 percent from FY2022 and \$55.2 million or 2.2 percent above forecast.

Year-to-date Corporate Income Taxes totaled \$513.8 million, an increase of \$65.1 million from year-to-date FY2022 which is above forecast by \$113.4 million or 28.3 percent.

Year-to-date corporate income tax refunds totaled \$51.0 million, an increase of \$5.7 million compared to the same year-to-date period last year.

MARCH REVENUE SUMMARY

March Net Available General Revenues totaled \$417.6 million, \$101.6 million or -19.6 percent below last year and \$56.5 million or 15.6 percent above forecast.

Monthly revenue results were above forecast in Individual and Corporate Income Tax categories and below forecast in Sales Tax collections. Individual Income Tax Refunds were far above year ago levels due to tax reductions over Tax Year 2022, but were less than forecast.

Among smaller revenue sources, Tobacco was above forecast by \$3.3 million and above year ago collections. Results in Gaming revenue were above forecast by \$0.8 million.

March Gross General Revenues totaled \$667.5 million, a decrease of \$23.9 million or -3.5 percent below last year and \$26.9 million or 4.2 percent above forecast. Gross revenue from collections was led by gains in Income Tax filings.

March Individual Income Tax totaled \$275.9 million. Collections decreased by \$36.3 million, or -11.6 percent compared to last year. With respect to the forecast, collections were \$6.8 million or 2.5 percent above forecast. Individual Withholding Tax revenue decreased -9.0 percent compared to last year with lower withholding rates tied to recent tax reduction.

March Individual Income Tax Refunds totaled \$176.3 million, \$70.4 million above last year and \$30.1 million below forecast. Refund claims below forecast add to net revenue results.

March Sales and Use Tax totaled \$283.3 million, matching last year. Collections were below monthly forecast levels by \$8.0 million or -2.7 percent. Results by major reporting sector of Sales Tax displayed mixed results from prior year and adverse comparison with stimulus spending in the prior year. Motor vehicle sales tax collections were up 5.6 percent from year ago March.

March Corporate Income Tax totaled \$49.0 million, an increase of \$8.6 million from year ago, and \$23.4 million above forecast. Collection gains in March reflect higher payments in all sub-categories of Corporate Income Tax compared to year ago and forecast.

March Corporate Income Tax Refunds totaled \$7.6 million. This amount is \$0.9 million above year ago levels. Refunds were also \$0.3 million below forecast.

March Tobacco Tax collections, a smaller component of general revenue in annual terms, totaled \$18.4 million. Collections were above year earlier levels and were above forecast by \$3.3 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 2023, \$63.6 million was collected and deposited to the fund. After deductions, the net amount is \$61.8 million. The monthly collection is equivalent to a 4.6 percent increase from prior year collections.

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

March 2023 Year-to-Date General Revenue Report

Economic Analysis and Tax Research, DFA

Forecast Date: 11/10/22

Millions of \$

	Actual Mar FY22	Forecast Mar FY23	Actual Mar FY23	Change from Forecast		Change from Last Year	
				Dollar Difference	Percent Difference	Dollar Difference	Percent Difference
Individual Income	2,718.3	2,643.7	2,748.8	105.1	4.0	30.5	1.1
Corporate Income	448.7	400.4	513.8	113.4	28.3	65.1	14.5
Sales & Use	2,335.5	2,471.1	2,526.3	55.2	2.2	190.8	8.2
Alcohol	53.0	52.6	54.5	1.9	3.6	1.5	2.8
Tobacco	161.2	148.2	153.3	5.1	3.4	-8.0	-4.9
Insurance	76.6	79.2	81.4	2.2	2.8	4.9	6.3
Racing	1.1	1.0	1.2	0.2	19.5	0.1	10.0
Gaming	31.4	35.2	37.5	2.3	6.4	6.1	19.5
Severance	9.8	10.5	10.5	0.0	-0.4	0.6	6.3
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	51.7	50.0	54.4	4.4	8.8	2.7	5.2
Total Gross	5,897.9	5,902.5	6,192.2	289.7	4.9	294.3	5.0
LESS: (SCSF/COF) ¹	182.8	182.9	191.8	8.9	4.9	9.0	4.9
Individual Income Refunds	260.2	425.5	404.5	-21.0	-4.9	144.3	55.4
Corporate Income Refunds	45.4	52.4	51.0	-1.4	-2.6	5.7	12.5
Claims	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Econ Development Incentive	11.1	17.4	11.6	-5.8	-33.3	0.5	4.6
Amendment 82 Bonds	1.0	0.9	0.9	0.0	2.7	0.0	-5.0
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	2.7	2.5	2.5	0.0	1.4	-0.2	-7.8
City & County Tourist	0.7	0.6	0.7	0.1	11.0	0.0	0.0
Educational Excellence	296.3	324.1	324.2	0.1	0.0	27.8	9.4
Educational Adequacy	26.2	28.6	28.7	0.1	0.2	2.5	9.4
Highway Casino Transfer	0.0	3.0	5.0	2.0	67.0	5.0	0.0
Total Deductions	837.6	1,049.1	1,032.1	-17.0	-1.6	194.5	23.2
Net Available	5,060.3	4,853.4	5,160.1	306.7	6.3	99.8	2.0

Revenue Forecast Summary for the Month

March Year-to-Date Gross: \$ 289.7 Million OR 4.9% Above Forecast
 March Year-to-Date Net Available: \$ 306.7 Million OR 6.3% Above Forecast

¹ State Central Services Fund and Constitutional Officers Fund.

March 2023 General Revenue Report **Economic Analysis and Tax Research, DFA**

Forecast Date: 11/10/22

Millions of \$

	Actual Mar FY22	Forecast Mar FY23	Actual Mar FY23	<u>Change from Forecast</u>		<u>Change from Last Year</u>	
				Dollar Difference	Percent Difference	Dollar Difference	Percent Difference
Individual Income	312.2	269.1	275.9	6.8	2.5	-36.3	-11.6
Corporate Income	40.5	25.6	49.0	23.4	91.5	8.6	21.2
Sales & Use	283.3	291.3	283.3	-8.0	-2.7	0.0	0.0
Alcohol	5.4	5.4	5.8	0.4	7.2	0.3	6.4
Tobacco	16.8	15.1	18.4	3.3	21.5	1.5	9.1
Insurance	25.2	25.5	25.5	0.0	0.1	0.4	1.5
Racing	0.4	0.2	0.2	0.0	22.6	-0.2	-39.5
Gaming	3.7	4.3	5.1	0.8	18.4	1.4	37.6
Severance	1.2	0.9	0.8	-0.1	-14.0	-0.4	-34.7
Franchise	0.0	0.8	0.0	-0.8	-100.0	0.0	0.0
Real Estate Transfer	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Miscellaneous	2.7	2.4	3.5	1.1	45.0	0.7	26.7
Total Gross	691.4	640.6	667.5	26.9	4.2	-23.9	-3.5
LESS: (SCSF/COF) ¹	21.4	19.9	20.5	0.6	3.2	-0.9	-4.2
Individual Income Refunds	105.9	206.4	176.3	-30.1	-14.6	70.4	66.5
Corporate Income Refunds	6.7	7.9	7.6	-0.3	-4.3	0.9	13.3
Claims	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Econ Development Incentive	1.3	2.0	0.3	-1.7	-86.4	-1.0	-79.0
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	32.9	36.0	36.0	0.0	0.1	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	3.0	4.9	1.9	64.4	4.9	0.0
Total Deductions	172.3	279.5	250.0	-29.5	-10.6	77.7	45.1
Net Available	519.1	361.1	417.6	56.5	15.6	-101.6	-19.6

Revenue Forecast Summary for the Month

March Gross:	\$ 26.9 Million OR 4.2% Above Forecast
March Net Available:	\$ 56.5 Million OR 15.6% Above Forecast

¹ State Central Services Fund and Constitutional Officers Fund.