



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 May (FY 2023)**

DATE: June 2, 2023 Copy: Governor's Office

The Official General Revenue forecast was revised on May 17, 2023, to reflect an expected year-end surplus of \$1.03 billion for FY 2023. The following comparisons to forecast of monthly and year-to-date actual results reflect the latest annual forecast revision and monthly tracking.

YEAR-TO-DATE REVENUE SUMMARY

Year-to-date Net Available General Revenues totaled \$6,415.5 million, \$282.9 million or -4.2 percent below year ago levels. After 11 months into the fiscal year, net available revenue is above the revised forecast by \$18.5 million or 0.3 percent.

Year-to-date Gross General Revenues totaled \$7,898.9 million, representing an increase of \$28.9 million or 0.4 percent above last year. Gross general revenues are above forecast by \$25.5 million or 0.3 percent.

Year-to-date Individual Income Taxes totaled \$3,602.5 million, \$230.2 million or -6.0 percent below FY 2022 collections and \$11.8 million or 0.3 percent above forecast.

Year-to-date individual income tax refunds totaled \$688.2 million, up \$262.0 million or 61.5 percent compared to last year and \$10.4 million or 1.5 percent above forecast.

Year-to-date Sales and Use Tax totaled \$3,105.8 million, an increase of \$237.0 million or 8.3 percent above FY2022 and \$13.8 million or 0.4 percent above forecast.

Year-to-date Corporate Income Taxes totaled \$720.2 million, an increase of \$16.5 million over year-to-date FY2022 which is below the revised forecast by \$1.5 million or -0.2 percent.

Year-to-date corporate income tax refunds totaled \$57.2 million, an increase of \$7.8 million compared to the same year-to-date period last year.

MAY REVENUE SUMMARY

May Net Available General Revenues totaled \$392.9 million, \$119.8 million or -23.4 percent below last year and \$18.5 million or 4.9 percent above forecast.

Monthly revenue results were above forecast in Individual Income Tax and Sales Tax, while Corporate Income Tax was marginally below forecast in a minor collection month for that category. Individual Income Tax collections were above forecast in all components, including Payroll Withholding. Sales Tax collections increased with broad-based gains compared to year ago and forecast.

Among smaller revenue sources, Tobacco was above forecast by \$0.6 million and below year ago collections. Results in Gaming revenue were above forecast by \$0.3 million.

May Gross General Revenues totaled \$585.8 million, a decrease of \$59.6 million or -9.2 percent below last year and \$25.5 million or 4.5 percent above forecast.

May Individual Income Tax totaled \$250.4 million. Collections decreased by \$53.2 million, or -17.5 percent compared to last year. With respect to the forecast, collections were \$11.8 million or 4.9 percent above forecast. Payroll Withholding Tax revenue decreased -9.6 percent compared to last year due to payday timing differences compared to year ago. The decrease was less than forecast for this short-term timing factor.

May Individual Income Tax Refunds totaled \$111.1 million, \$59.4 million above last year and \$10.4 million above forecast. Refund claims above forecast subtract from net revenue results.

May Sales and Use Tax totaled \$291.7 million, an increase of \$29.9 million or 11.4 percent above last year. Collections were above monthly forecast levels by \$13.8 million or 5.0 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 15.2 percent from year ago May.

May Corporate Income Tax totaled \$8.1 million, a decrease of \$36.8 million from year ago, and \$1.5 million below forecast. Collection decrease in May from year ago reflects shifts in selected month-to-month payments benefiting the prior month of April 2023.

May Corporate Income Tax Refunds totaled \$1.8 million. This amount is \$0.5 million above year ago levels. Refunds were also \$0.7 million below forecast.

May Tobacco Tax collections, a smaller component of general revenue in annual terms, totaled \$17.8 million. Collections were below year earlier levels and above forecast by \$0.6 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 May 2023, \$70.7 million was collected and deposited to the fund. After deductions, the net amount is \$68.6 million. The monthly collection is equivalent to a 4.4 percent increase from prior year collections.

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

May 2023 Year-to-Date General Revenue Report

Economic Analysis and Tax Research, DFA

Forecast Date: 05/17/23

Millions of \$

			<u>Change from Forecast</u>		<u>Change from Last Year</u>		
	Actual	Forecast	Actual	Dollar	Percent	Dollar	Percent
	May FY22	May FY23	May FY23	Difference	Difference	Difference	Difference
Individual Income	3,832.7	3,590.7	3,602.5	11.8	0.3	-230.2	-6.0
Corporate Income	703.7	721.7	720.2	-1.5	-0.2	16.5	2.3
Sales & Use	2,868.8	3,092.0	3,105.8	13.8	0.4	237.0	8.3
Alcohol	66.3	67.6	67.6	0.0	0.0	1.3	1.9
Tobacco	196.8	187.3	187.9	0.6	0.3	-8.9	-4.5
Insurance	78.2	83.3	83.0	-0.3	-0.3	4.9	6.2
Racing	1.7	1.5	1.5	0.0	-2.0	-0.2	-11.8
Gaming	41.3	48.5	48.8	0.3	0.6	7.5	18.1
Severance	12.2	12.2	12.0	-0.2	-1.2	-0.2	-1.4
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	57.6	58.0	58.9	0.9	1.6	1.3	2.3
Total Gross	7,870.0	7,873.4	7,898.9	25.5	0.3	28.9	0.4
LESS: (SCSF/COF) ¹	244.0	244.0	244.7	0.7	0.3	0.7	0.3
Individual Income Refunds	426.2	677.8	688.2	10.4	1.5	262.0	61.5
Corporate Income Refunds	49.3	57.9	57.2	-0.7	-1.2	7.8	15.9
Claims	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Econ Development Incentive	13.4	17.7	12.4	-5.3	-30.0	-1.0	-7.2
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	13.6	13.6	13.6	0.0	0.0	0.0	0.0
College Savings Bonds	20.4	18.3	18.3	0.0	-0.1	-2.2	-10.6
City & County Tourist	0.9	0.9	0.9	0.0	-1.3	0.0	0.0
Educational Excellence	362.2	396.2	396.2	0.0	0.0	34.0	9.4
Educational Adequacy	32.0	35.0	35.0	0.0	0.1	3.0	9.4
Highway Casino Transfer	8.6	14.1	16.0	1.9	13.3	7.4	85.4
Total Deductions	1,171.6	1,476.4	1,483.4	7.0	0.5	311.8	26.6
Net Available	6,698.4	6,397.0	6,415.5	18.5	0.3	-282.9	-4.2

Revenue Forecast Summary for the Month

May Year-to-Date Gross:	\$ 25.5 Million OR 0.3% Above Forecast
May Year-to-Date Net Available:	\$ 18.5 Million OR 0.3% Above Forecast

¹ State Central Services Fund and Constitutional Officers Fund.

May 2023 General Revenue Report
Economic Analysis and Tax Research, DFA

Forecast Date: 05/17/23

Millions of \$

	Actual May FY22	Forecast May FY23	Actual May FY23	<u>Change from Forecast</u>		<u>Change from Last Year</u>	
				Dollar Difference	Percent Difference	Dollar Difference	Percent Difference
Individual Income	303.6	238.6	250.4	11.8	4.9	-53.2	-17.5
Corporate Income	45.0	9.7	8.1	-1.5	-15.8	-36.8	-81.9
Sales & Use	261.9	277.9	291.7	13.8	5.0	29.9	11.4
Alcohol	6.9	7.1	7.1	0.0	0.0	0.2	3.0
Tobacco	17.9	17.2	17.8	0.6	3.5	-0.1	-0.3
Insurance	1.3	1.2	0.9	-0.3	-22.6	-0.3	-27.2
Racing	0.3	0.2	0.2	0.0	-16.4	-0.2	-55.1
Gaming	4.9	5.1	5.4	0.3	5.6	0.5	10.7
Severance	1.0	0.8	0.6	-0.2	-19.9	-0.4	-37.6
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	-100.0	0.0	0.0
Miscellaneous	2.7	2.6	3.5	0.9	35.2	0.8	31.0
Total Gross	645.4	560.3	585.8	25.5	4.5	-59.6	-9.2
LESS: (SCSF/COF) ¹	20.0	17.4	18.2	0.7	4.1	-1.8	-9.2
Individual Income Refunds	51.7	100.8	111.1	10.4	10.3	59.4	114.9
Corporate Income Refunds	1.3	2.5	1.8	-0.7	-28.9	0.5	36.3
Claims	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Econ Development Incentive	0.2	5.7	0.4	-5.3	-92.7	0.2	93.9
Amendment 82 Bonds	0.0	0.0	0.0	0.0	-100.0	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	17.7	15.8	15.7	0.0	-0.1	-2.0	-11.0
City & County Tourist	0.0	0.0	0.0	0.0	-100.0	0.0	0.0
Educational Excellence	32.9	36.0	36.0	0.0	0.1	3.1	9.4
Educational Adequacy	2.9	3.2	3.2	0.0	0.9	0.3	9.4
Highway Casino Transfer	4.7	3.4	5.2	1.9	55.8	0.5	10.7
Total Deductions	132.7	185.9	192.9	7.0	3.8	60.2	45.4
Net Available	512.7	374.5	392.9	18.5	4.9	-119.8	-23.4

Revenue Forecast Summary for the Month

May Gross: \$ 25.5 Million OR 4.5% Above Forecast
May Net Available: \$ 18.5 Million OR 4.9% Above Forecast

¹ State Central Services Fund and Constitutional Officers Fund.