



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 March (FY 2020)**

DATE: April 2, 2020 Copy: Governor's Office
Management Services

The Official General Revenue Forecast was revised on March 23, 2020. State tax collections recorded in March mostly reflect taxable transactions in February, prior to the impact of COVID-19 on economic activity and tax collections.

MARCH REVENUE SUMMARY

March Net Available General Revenues total \$356.6 million, \$50.5 million or 12.4 percent below last year and \$29.3 million or 8.9 percent above forecast.

Individual and Corporate Income Tax collections were above forecast in March. Payroll Withholding Tax collections were better than expected for the month. Corporate Income tax collections exceeded forecast after allowance for adverse comparison for large one-time payments last year. Sales tax collections were \$7.0 million below forecast due to weakness in business-related sectors and no gain in the motor vehicle portion of sales tax. Individual Income Tax refunds were lower than forecast but generally in-line with increased refunds from year ago levels as a result of the low-income taxpayer's tax cut in tax year 2019 and claimed as larger refunds in the current tax filing season. Refunds were 14.7 percent above year ago levels in March.

Among smaller revenue sources, Tobacco was above forecast by \$4.7 million and above year ago collections. Results in Gaming revenue exceeded forecast by \$0.1 million.

March Gross General Revenues: March collections total \$570.2 million, a decrease of \$29.2 million or -4.9 percent below last year and \$26.4 million or 4.8 percent above forecast.

March Individual Income Tax collections total \$289.6 million. Collections increased by \$23.7 million or 8.9 percent compared to last year. With respect to the forecast, collections were \$14.3 million or 5.2 percent above forecast. Individual withholding increased 11.6 percent compared to last year.

March Individual Income Tax Refunds total \$156.5 million, \$20.0 million above last year and \$4.5 million below forecast. Amounts below forecast in refunds add to net available results.

March Sales and Use Tax Collections: March collections total \$208.0 million, an increase of \$6.4 million or 3.2 percent above last year. Collections were below monthly forecast levels by \$7.0 million or -3.2 percent.

March Corporate Income Tax collections total \$26.2 million, a decrease of \$55.9 million from year ago, and \$13.3 million above forecast. Corporate collections in the prior year included large one-time payments.

March Corporate Income Tax Refunds total \$5.6 million. This amount is \$1.3 million above year ago levels. Refunds were also \$1.0 million above forecast.

March Tobacco Tax collections, a smaller component of general revenue in annual terms, total \$21.1 million. Collections increased by \$5.3 million from year earlier levels and were above forecast by \$4.7 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 March 2020, \$44.7 million was collected and deposited to the fund. After deductions, the net amount is \$43.4 million. The monthly collection is equivalent to a 4.4 percent increase from prior year collections.

March 2020 General Revenue Report
Economic Analysis and Tax Research, DFA

Forecast Date: 03/23/20

Millions of \$

	Actual Mar FY19	Forecast Mar FY20	Actual Mar FY20	<u>Change from Forecast</u>		<u>Change from Last Year</u>	
				Dollar	Percent	Dollar	Percent
				Difference	Difference	Difference	Difference
Individual Income	265.9	275.3	289.6	14.3	5.2	23.7	8.9
Corporate Income	82.1	12.9	26.2	13.3	102.6	-55.9	-68.1
Sales & Use	201.6	215.0	208.0	-7.0	-3.2	6.4	3.2
Alcohol	4.4	4.4	4.4	-0.1	-1.5	-0.1	-1.6
Tobacco	15.8	16.4	21.1	4.7	28.9	5.3	33.5
Insurance	17.2	10.9	12.0	1.1	10.3	-5.1	-30.0
Racing	0.3	0.2	0.2	0.0	-3.0	-0.1	-25.0
Gaming	6.0	4.0	4.1	0.1	2.6	-1.9	-31.0
Miscellaneous ¹	6.0	4.6	4.5	-0.1	-1.8	-1.5	-25.4
Total Gross	599.3	543.8	570.2	26.4	4.8	-29.2	-4.9
LESS: (SCSF/COF) ²	18.6	16.9	17.7	0.8	4.5	-0.9	-4.9
Individual Income Tax Refunds	136.5	161.1	156.5	-4.5	-2.8	20.0	14.7
Corporate Income Tax Refunds	4.3	4.6	5.6	1.0	21.4	1.3	30.3
Claims	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Economic Development Incentive	1.6	2.0	1.9	-0.1	-4.5	0.3	18.2
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	0.0	0.1	0.0	-0.1	-100.0	0.0	0.0
City & County Tourist	0.0	-0.1	0.0	0.1	-100.0	0.0	0.0
Educational Excellence	27.6	28.1	28.1	0.0	0.0	0.5	2.0
Educational Adequacy	2.4	2.5	2.5	0.0	-0.3	0.0	2.0
Total Deductions	192.2	216.4	213.5	-2.9	-1.3	21.3	11.1
Net Available	407.1	327.4	356.6	29.3	8.9	-50.5	-12.4

Revenue Forecast Summary for March

March Gross: \$ 26.4 Million OR 4.8% Above Forecast
March Net Available: \$ 29.3 Million OR 8.9% Above Forecast

- 1) Miscellaneous includes severance, corporate franchise, real estate transfer, dyed diesel, and other miscellaneous taxes.
2) State Central Services Fund and Constitutional Officers Fund.

March 2020 Year-to-Date General Revenue Report
Economic Analysis and Tax Research, DFA

Forecast Date: 03/23/20

Millions of \$

	Actual Mar FY19	Forecast Mar FY20	Actual Mar FY20	Change from Forecast		Change from Last Year	
				Dollar Difference	Percent Difference	Dollar Difference	Percent Difference
Individual Income	2,357.8	2,500.3	2,514.6	14.3	0.6	156.7	6.6
Corporate Income	358.0	291.8	305.1	13.3	4.5	-53.0	-14.8
Sales & Use	1,844.3	1,923.1	1,916.1	-7.0	-0.4	71.8	3.9
Alcohol	42.1	44.5	44.4	-0.1	-0.2	2.3	5.5
Tobacco	158.9	160.2	164.9	4.7	3.0	6.0	3.8
Insurance	63.2	59.3	60.4	1.1	1.9	-2.8	-4.4
Racing	1.4	1.4	1.4	0.0	-0.5	0.0	-2.6
Gaming	49.8	28.8	28.9	0.1	0.4	-20.9	-42.0
Miscellaneous ¹	70.3	66.3	66.2	-0.1	-0.1	-4.1	-5.8
Total Gross	4,945.9	5,075.7	5,102.1	26.4	0.5	156.1	3.2
LESS: (SCSF/COF) ²	153.3	157.4	158.2	0.8	0.5	4.8	3.2
Individual Income Tax Refunds	305.6	345.5	341.0	-4.5	-1.3	35.3	11.6
Corporate Income Tax Refunds	51.4	38.6	39.6	1.0	2.6	-11.8	-22.9
Claims	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Economic Development Incentive	9.2	11.0	10.9	-0.1	-0.8	1.7	19.0
Amendment 82 Bonds	1.1	1.1	1.1	0.0	-4.5	0.0	-2.9
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	3.4	3.3	3.2	-0.1	-1.5	-0.2	-4.7
City & County Tourist	0.7	0.6	0.7	0.1	11.0	0.0	0.0
Educational Excellence	248.4	253.3	253.3	0.0	0.0	4.9	2.0
Educational Adequacy	22.0	22.4	22.4	0.0	0.0	0.4	2.0
Total Deductions	806.2	844.4	841.5	-2.9	-0.3	35.3	4.4
Net Available	4,139.7	4,231.3	4,260.6	29.3	0.7	120.9	2.9

Revenue Forecast Summary for March

Year-to-Date Gross: \$ 26.4 Million OR 0.5% Above Forecast
Year-to-Date Net Available: \$ 29.3 Million OR 0.7% Above Forecast

- 1) Miscellaneous includes severance, corporate franchise, real estate transfer, dyed diesel, and other miscellaneous taxes.
2) State Central Services Fund and Constitutional Officers Fund.