



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 June and FY 2020 Summary**

DATE: July 2, 2020

Copy: Governor's Office
Management Services

FISCAL YEAR 2020 REVENUE SUMMARY

The Official General Revenue Forecast was revised up by \$240 million to a level of \$5.624 billion in Net Available revenue on June 30, 2020.

Results from collections and distributions for FY 2020 reached \$5.753 billion or \$369.4 million above the forecast of March 23, 2020, and \$3.2 million in excess of full funding level for the Revenue Stabilization Act and a surplus as defined by that budget control and allocation process.

The following results are compared to the Official forecast issued on March 23, 2020.

Fiscal Year 2020 Net Available General Revenues and Factors for Growth: Fiscal year 2020 net available general revenue collections total \$5,753.4 million. This amount is \$168.1 million or -2.8 percent below prior year results and \$369.4 million or 6.9 percent above forecast.

The fiscal year ended above forecast as a result of 1) better than expected Sales Tax collections from retail activity and vehicle sales, 2) Individual income tax payments from filings received ahead of the shifted July 15th due date, 3) reduced individual refund claims related to the shifted tax filing date, and 4) continued gains in Corporate Income tax compared to forecast. Negative impact from COVID-19 was evident in low annual growth from Sales Tax and Payroll Withholding Tax with negative results in the final months of FY 2020 during social distancing and reduced business operations.

Fiscal Year 2020 Gross General Revenues: Fiscal year 2020 gross collections total

\$6,967.7 million, representing a decrease of \$176.2 million or -2.5 percent below last year. Gross general revenues were \$272.5 million or 4.1 percent above forecast.

Fiscal Year 2020 Individual Income Taxes: Fiscal year 2020 individual income tax collections total \$3,418.6 million, \$101.4 million or -2.9 percent below FY 2019 collections and \$175.9 million or 5.4 percent above forecast.

Fiscal Year 2020 individual income tax refunds total \$503.6 million, \$3.9 million or -0.8 percent below last year and \$82.7 million or -14.1 percent below forecast. Amounts below forecast in refund categories add to net general revenue results.

Fiscal Year 2020 Sales and Use Collections: Fiscal year 2020 Sales and Use tax collections total \$2,543.7 million, an increase of \$78.7 million or 3.2 percent over FY 2019 and \$29.1 million or 1.2 percent above forecast.

Fiscal Year 2020 Corporate Income Taxes: Fiscal year corporate collections total \$482.1 million, a decrease of \$88.1 million or -15.4 percent below FY 2019. Collections came in \$48.1 million or 11.1 percent above forecast.

Fiscal Year 2020 Corporate income tax refunds total \$49.3 million, \$13.5 million or -21.5 percent below last year and \$6.0 million below the general revenue forecast.

JUNE REVENUE SUMMARY

June Net Available General Revenues total \$589.7 million, \$62.4 million or -9.6 percent below last year. Net general revenues were \$81.8 million or 16.1 percent above forecast for the month.

Revenues in June were above forecast and year ago levels in all major categories of collections. Revenues exceeded forecast and year ago in Sales Tax with Motor Vehicle Sales Tax up 25 percent. Individual and Corporate Income collections also exceeded forecast.

Among smaller revenue sources, Tobacco was above forecast by \$3.2 million. Results in Gaming were below forecast by -\$2.1 million.

June Gross General Revenues: June collections total \$696.0 million, a decrease of \$47.1 million or -6.3 percent below last year and \$77.3 million or 12.5 percent above the monthly forecast.

June Individual Income Tax collections total \$302.2 million. Collections decreased by \$26.0 million, or -7.9 percent, compared to last year. Monthly collections were above forecast by \$32.8 million or 12.2 percent. Withholding tax from payrolls decreased by -11.4 percent from year ago levels due to a combination of payroll timing effects, withholding formula changes, and increased unemployment.

June Individual Income Tax Refunds total \$29.7 million. This amount is \$14.1 million or 90.2 percent above year ago refunds and \$8.7 million above the monthly forecast. Refund claim patterns have been altered by the income tax filing due date shift to July 15, 2020.

June Sales and Use Collections: June collections total \$227.4 million, an increase of \$18.4 million or 8.8 percent above last year. Collections were above forecast by \$23.5 million or 11.5 percent. The motor vehicle portion of Sales Tax was up 25 percent from year ago levels.

June Corporate Income Tax collections total \$63.3 million, a decrease of \$9.9 million or -13.5 percent from year earlier levels, and \$9.4 million or 17.4 percent above forecast.

June Corporate Income Tax Refunds total \$1.0 million. This amount is \$0.7 million below refund levels a year ago.

June Tobacco Tax collections, a small component of general revenue, total \$19.7 million or 17.2 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 2020, \$49.7 million was collected and deposited to the fund. After deductions, the net amount is \$48.3 million. The monthly collection is equivalent to a 12.5 percent increase from prior year collections. Fiscal year net collections total \$528.1 million, compared to \$516.3 million last year. This represents a 2.3 percent fiscal year increase from prior year collections.

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

Forecast Date: 03/23/20

Millions of \$

	Actual June FY19	Forecast June FY20	Actual June FY20	<u>Change from Forecast</u>		<u>Change from Last Year</u>	
				Dollar Difference	Percent Difference	Dollar Difference	Percent Difference
Individual Income	3,520.0	3,242.7	3,418.6	175.9	5.4	-101.4	-2.9
Corporate Income	570.2	434.0	482.1	48.1	11.1	-88.1	-15.4
Sales & Use	2,465.0	2,514.6	2,543.7	29.1	1.2	78.7	3.2
Alcohol	60.5	62.3	60.8	-1.5	-2.3	0.3	0.5
Tobacco	212.0	205.0	220.4	15.4	7.5	8.3	3.9
Insurance	161.6	120.7	125.0	4.3	3.6	-36.5	-22.6
Racing	2.0	2.1	1.7	-0.4	-20.8	-0.4	-18.2
Gaming	69.7	37.1	32.4	-4.7	-12.7	-37.3	-53.5
Miscellaneous ¹	82.9	76.7	83.1	6.4	8.3	0.2	0.2
Total Gross	7,143.9	6,695.2	6,967.7	272.5	4.1	-176.2	-2.5
LESS: (SCSF/COF) ²	220.2	207.6	215.7	8.1	3.9	-4.5	-2.0
Individual Income Tax Refunds	507.5	586.3	503.6	-82.7	-14.1	-3.9	-0.8
Corporate Income Tax Refunds	62.7	55.3	49.3	-6.0	-10.9	-13.5	-21.5
Claims	0.0	10.0	0.0	-10.0	-100.0	0.0	0.0
Economic Development Incentive	11.4	23.4	17.9	-5.5	-23.4	6.6	57.8
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	24.0	23.2	-0.8	-3.3	0.0	0.2
City & County Tourist	0.9	0.9	0.9	0.0	-1.3	0.0	0.0
Educational Excellence	331.2	337.7	337.7	0.0	0.0	6.5	2.0
Educational Adequacy	29.3	29.9	29.9	0.0	-0.1	0.6	2.0
Total Deductions	1,222.5	1,311.2	1,214.3	-96.9	-7.4	-8.1	-0.7
Net Available	5,921.4	5,384.0	5,753.4	369.4	6.9	-168.1	-2.8
LESS: Surplus	295.4	0.0	3.2				
Net AVAILABLE Distribution	5,626.0	5,384.0	5,750.2	366.2	6.8	124.2	2.2

Revenue Forecast Summary for June

Year-to-Date Gross: \$ 272.5 Million OR 4.1% Above Forecast
Year-to-Date Net Available: \$ 369.4 Million OR 6.9% 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.

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

Forecast Date: 03/23/20

Millions of \$

	Actual June FY19	Forecast June FY20	Actual June FY20	<u>Change from Forecast</u>		<u>Change from Last Year</u>	
				Dollar Difference	Percent Difference	Dollar Difference	Percent Difference
Individual Income	328.2	269.4	302.2	32.8	12.2	-26.0	-7.9
Corporate Income	73.2	53.9	63.3	9.4	17.4	-9.9	-13.5
Sales & Use	209.0	203.9	227.4	23.5	11.5	18.4	8.8
Alcohol	7.0	6.8	6.1	-0.7	-9.9	-0.9	-12.2
Tobacco	16.8	16.5	19.7	3.2	19.5	2.9	17.2
Insurance	96.2	59.7	63.5	3.8	6.4	-32.7	-34.0
Racing	0.1	0.1	0.1	0.0	-38.1	-0.1	-47.6
Gaming	6.2	3.3	1.2	-2.1	-62.6	-5.0	-80.2
Miscellaneous ¹	6.2	5.1	12.4	7.3	142.4	6.1	98.3
Total Gross	743.0	618.7	696.0	77.3	12.5	-47.1	-6.3
LESS: (SCSF/COF) ²	21.7	19.2	21.3	2.1	10.8	-0.5	-2.2
Individual Income Tax Refunds	15.6	21.0	29.7	8.7	41.3	14.1	90.2
Corporate Income Tax Refunds	1.7	4.5	1.0	-3.5	-78.3	-0.7	-41.2
Claims	0.0	10.0	0.0	-10.0	-100.0	0.0	0.0
Economic Development Incentive	0.5	4.1	2.2	-1.9	-45.4	1.8	371.7
Amendment 82 Bonds	4.2	4.2	4.2	0.0	1.0	0.0	0.8
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	27.6	28.1	28.1	0.0	0.2	0.5	2.0
Educational Adequacy	2.4	2.5	2.5	0.0	-0.5	0.0	2.0
Total Deductions	90.9	110.8	106.2	-4.6	-4.1	15.3	16.8
Net Available	652.1	507.9	589.7	81.8	16.1	-62.4	-9.6

Revenue Forecast Summary for June

June Gross: \$ 77.3 Million OR 12.5% Above Forecast
June Net Available: \$ 81.8 Million OR 16.1% 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.