



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

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MEMORANDUM

TO: Jim Hudson, Secretary
Robert Brech, Deputy Director

FROM: Economic Analysis & Tax Research

SUBJECT: **General Revenue Report for February (FY 2024)**

DATE: March 4, 2024 Copy: Governor's Office

The Official General Revenue Forecast was revised on February 1, 2024, and includes the impact to individual and corporate income taxes resulting from Act 6 of the First Extraordinary Session in 2023. The revised forecast projects a year-end surplus of \$240.5 million. The following comparisons to forecast of monthly and year-to-date results reflect the latest forecast revision.

YEAR-TO-DATE REVENUE SUMMARY

Net Available General Revenues totaled \$4,419.4 million, \$323.1 million or 6.8 percent below year ago levels. After eight months into the fiscal year, net available revenue is above forecast by \$10.6 million or 0.2 percent.

Gross General Revenues totaled \$5,411.7 million, representing a decrease of \$113.0 million or 2.0 percent below last year. Gross general revenues are above forecast by \$25.3 million or 0.5 percent.

Individual Income Tax collections totaled \$2,356.1 million, \$116.8 million or 4.7 percent below FY 2023 collections and \$10.2 million or 0.4 percent above forecast.

Individual Income Tax Refunds totaled \$361.7 million, up \$133.5 million or 58.5 percent compared to last year and \$13.9 million or 4.0 percent above forecast.

Sales and Use Tax collections totaled \$2,303.6 million, an increase of \$60.7 million or 2.7 percent above FY 2023 and \$6.7 million or 0.3 percent above forecast.

Corporate Income Tax collections totaled \$406.8 million, a decrease of \$57.9 million from year-to-date FY 2023. Corporate income is above forecast by \$6.1 million or 1.5 percent.

Corporate Income Tax Refunds totaled \$98.0 million, an increase of \$54.6 million compared to the same year-to-date period last year.

FEBRUARY REVENUE SUMMARY

Net Available General Revenues totaled \$322.8 million, \$79.2 million or 19.7 percent below last year and \$10.6 million or 3.4 percent above forecast.

Net Available revenue results were above forecast in Individual Income Tax, Corporate Income Tax and Sales Tax in February, a relatively low collection month for these categories. Individual Income Tax was above forecast due to non-withholding payments. Sales Tax collections were above forecast but equal to year ago levels. Income Tax refund claims were above forecast in Individual and Corporate.

Among smaller revenue sources, Tobacco was above forecast by \$0.9 million and above year ago collections. Results in Insurance revenues were above forecast at \$4.7 million.

Gross General Revenues totaled \$551.0 million, a decrease of \$21.4 million or 3.7 percent below last year but \$25.3 million or 4.8 percent above forecast. Gross revenue from collections was below year ago primarily due to lower Individual and Corporate Income Tax collections.

Individual Income Tax collections totaled \$245.8 million. Collections decreased by \$16.9 million, or 6.4 percent compared to last year. Compared to the forecast, collections were \$10.2 million, or 4.3 percent, above forecast. Individual Withholding Tax revenue decreased by \$19.7 million, or 8.2 percent compared to last year, lowered in part from Withholding Tax rate reductions.

Individual Income Tax Refunds totaled \$129.2 million, \$25.2 million above last year and \$13.9 million above forecast.

Sales and Use Tax collections totaled \$258.1 million which equaled the amount from last year. Collections were above monthly forecast levels by \$6.7 million or 2.7 percent. Major reporting sectors of Sales Tax displayed mixed results over the prior year. Motor vehicle sales tax collections were up 17.0 percent from year ago. Sales tax collections in the Utilities sector were down 17.9 percent, likely in part to the warmer-than-average weather last December.

Corporate Income Tax collections totaled \$14.6 million, a decrease of \$6.5 million from year ago, and \$6.1 million above forecast.

Corporate Income Tax Refunds totaled \$33.4 million, an amount that is \$26.7 million above year ago levels. Most of the total was for a refund spanning multiple tax years. Refunds were also \$2.5 million above forecast.

Tobacco Tax collections, a smaller component of general revenue in annual terms, totaled \$14.4 million. Collections increased by \$0.4 million from year earlier levels and were above forecast by \$0.9 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 February 2024, \$55.3 million was collected and deposited to the fund. After deductions, the net amount is \$53.7 million. The monthly collection is equivalent to a 1.4 percent increase from prior year collections.

Q: /Daily Report PDF Files/FY2024/08 February
Attachment (2)

February 2024 Year-to-Date General Revenue Report
Economic Analysis and Tax Research, DFA

Forecast Date: 02/01/2024

Millions of \$

	Actual Feb FY23	Forecast Feb FY24	Actual Feb FY24	<u>Change from Forecast</u>		<u>Change from Last Year</u>	
				Dollar Difference	Percent Difference	Dollar Difference	Percent Difference
Individual Income	2,472.9	2,345.9	2,356.1	10.2	0.4	-116.8	-4.7
Corporate Income	464.8	400.7	406.8	6.1	1.5	-57.9	-12.5
Sales & Use	2,242.9	2,296.9	2,303.6	6.7	0.3	60.7	2.7
Alcohol	48.7	50.0	49.3	-0.7	-1.3	0.6	1.3
Tobacco	134.9	129.2	130.1	0.9	0.7	-4.8	-3.6
Insurance	55.9	59.1	61.6	2.5	4.2	5.7	10.1
Racing	0.9	0.8	0.9	0.1	6.9	-0.1	-10.0
Gaming	32.4	36.0	35.4	-0.6	-1.6	3.1	9.4
Severance	9.7	8.5	8.4	-0.1	-1.3	-1.3	-13.4
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	50.9	48.7	48.9	0.2	0.4	-2.0	-4.0
Total Gross	5,524.6	5,386.4	5,411.7	25.3	0.5	-113.0	-2.0
LESS: (SCSF/COF) ¹	171.3	167.0	167.8	0.8	0.5	-3.5	-2.0
Individual Income Refunds	228.2	347.8	361.7	13.9	4.0	133.5	58.5
Corporate Income Refunds	43.5	95.5	98.0	2.5	2.7	54.6	125.6
Claims	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Econ Development Incentive	11.3	9.8	8.1	-1.7	-17.5	-3.3	-28.7
Amendment 82 Bonds	0.9	0.9	0.9	0.0	-4.2	-0.1	-6.7
Recycling Tax Credit	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Wood Energy Products Credit	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Water / Sewer Bonds	10.0	10.0	10.0	0.0	0.0	0.0	0.0
College Savings Bonds	2.5	2.3	2.3	0.0	-2.0	-0.3	-11.1
City & County Tourist	0.7	0.7	0.7	0.0	-4.9	0.0	0.0
Educational Excellence	288.2	312.2	312.2	0.0	0.0	24.1	8.4
Educational Adequacy	25.5	27.6	27.6	0.0	0.0	2.1	8.4
Highway Casino Transfer	0.1	3.8	3.1	-0.7	-19.1	3.0	3,790.6
Total Deductions	782.1	977.6	992.3	14.7	1.5	210.2	26.9
Net Available	4,742.5	4,408.8	4,419.4	10.6	0.2	-323.1	-6.8

Revenue Forecast Summary for the Month

February Year-to-Date Gross: \$ 25.3 Million OR 0.5% Above Forecast
February Year-to-Date Net Available: \$ 10.6 Million OR 0.2% Above Forecast

¹ State Central Services Fund and Constitutional Officers Fund.

February 2024 General Revenue Report
Economic Analysis and Tax Research, DFA

Forecast Date: 02/01/2024

Millions of \$

	Actual Feb FY23	Forecast Feb FY24	Actual Feb FY24	<u>Change from Forecast</u>		<u>Change from Last Year</u>	
				Dollar Difference	Percent Difference	Dollar Difference	Percent Difference
Individual Income	262.7	235.7	245.8	10.2	4.3	-16.9	-6.4
Corporate Income	21.1	8.5	14.6	6.1	72.7	-6.5	-30.9
Sales & Use	258.1	251.3	258.1	6.7	2.7	0.0	0.0
Alcohol	5.5	5.9	5.2	-0.7	-11.2	-0.2	-4.2
Tobacco	14.0	13.6	14.4	0.9	6.4	0.4	3.0
Insurance	2.3	2.2	4.7	2.5	112.3	2.3	100.1
Racing	0.1	0.1	0.2	0.1	40.6	0.1	47.5
Gaming	5.0	5.2	4.6	-0.6	-11.0	-0.3	-6.6
Severance	1.2	0.9	0.8	-0.1	-12.2	-0.4	-33.1
Franchise	0.3	0.3	0.3	0.0	0.0	0.0	-13.2
Real Estate Transfer	0.0	0.0	0.0	0.0	-100.0	0.0	0.0
Miscellaneous	2.1	2.1	2.3	0.2	9.3	0.2	9.5
Total Gross	572.4	525.7	551.0	25.3	4.8	-21.4	-3.7
LESS: (SCSF/COF) ¹	17.7	16.3	17.1	0.8	4.7	-0.7	-3.7
Individual Income Refunds	104.0	115.3	129.2	13.9	12.0	25.2	24.2
Corporate Income Refunds	6.7	30.8	33.4	2.5	8.3	26.7	401.1
Claims	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Econ Development Incentive	1.5	3.5	1.8	-1.7	-48.7	0.3	18.9
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
Wood Energy Products 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	-100.0	0.0	0.0
City & County Tourist	0.0	0.0	0.0	0.0	-100.0	0.0	0.0
Educational Excellence	36.0	39.0	39.0	0.0	0.1	3.0	8.4
Educational Adequacy	3.2	3.4	3.5	0.0	0.1	0.3	8.4
Highway Casino Transfer	0.1	3.8	3.1	-0.7	-19.1	3.0	3,790.6
Total Deductions	170.4	213.5	228.2	14.7	6.9	57.8	33.9
Net Available	402.1	312.2	322.8	10.6	3.4	-79.2	-19.7

Revenue Forecast Summary for the Month

February Gross: \$ 25.3 Million OR 4.8% Above Forecast
February Net Available: \$ 10.6 Million OR 3.4% Above Forecast

¹ State Central Services Fund and Constitutional Officers Fund.