



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

**OFFICE OF THE DIRECTOR
Economic Analysis & Tax Research**
1509 West Seventh Street, Room 404
Post Office Box 3278
Little Rock, Arkansas 72203-3278
Phone: (501) 682-1688
Fax: (501) 682-1086
<http://www.dfa.arkansas.gov>

M E M O R A N D U M

TO: Larry Walther, Director
Tim Leathers, Deputy Director

FROM: John Shelnett, Economic Analysis & Tax Research

SUBJECT: **General Revenue Report for February (FY 2015)**

DATE: March 3, 2015

Copy: Governor's Office
Management Services

YEAR-TO-DATE REVENUE SUMMARY

Year-to-date Net Available General Revenues: Year-to-date net available general revenues total \$3,338.5 million, \$127.2 million or 4.0 percent above year ago levels. After eight months into the fiscal year, net available revenue is above forecast by \$94.6 million or 2.9 percent.

Year-to-date Gross General Revenues: Year-to-date gross collections total \$4,034.9 million, representing an increase of \$125.1 million or 3.2 percent above last year. Gross general revenues are above forecast by \$69.2 million or 1.7 percent.

Year-to-date Individual Income Taxes: Year-to-date individual income tax collections total \$1,970.6 million, \$63.0 million or 3.3 percent above last year's collections and \$22.6 million or 1.2 percent above forecast. Collections for individual withholding are up 3.4 percent from year ago levels.

Year-to-date individual income tax refunds total \$234.6 million, up \$0.6 million or 0.3 percent compared to last year and \$10.0 million or -4.1 percent below forecast. Refund amounts below forecast contribute to the bottom line, net available fund results.

Year-to-date Sales and Use Tax Collections: On a year-to-date basis, sales and use taxes total \$1,480.0 million, an increase of \$33.6 million or 2.3 percent from last year

and \$18.0 million or 1.2 percent above forecast.

Year-to-date Corporate Income Taxes: Year-to-date corporate revenues total \$262.2 million, an increase of \$22.2 million or 9.2 percent from year-to-date in the prior year. Corporate income is above forecast by \$25.8 million or 10.9 percent.

Year-to-date corporate income tax refunds total \$32.3 million, a decrease of \$15.6 million compared to the same year-to-date period last year.

FEBRUARY REVENUE SUMMARY

February Net Available General Revenues total \$218.3 million, \$6.2 million or 2.9 percent above last year and \$14.3 million or 7.0 percent above forecast.

Results in February were above forecast as a result of better than expected collections in Sales and Use tax and lower than expected income tax refunds.

Sales and Use tax revenue grew 5.7 percent compared to year ago results and 5.0 percent above forecast.

The lower tax refunds result for the month is a continuation of the timing effects from the earlier start of IRS electronic filings of tax returns than in the prior two years. This earlier start effects both year ago and forecast comparisons over the course of the income tax filing season.

Gross revenue collections in Individual Income tax were 7.2 percent below collections a year ago and -7.6 percent below forecast, partially offsetting the substantial gain observed in the previous month. The decline in February and a similar but opposite increase in January indicate timing effects of tax payments, among other factors. Corporate Income tax, a more volatile, mid-sized collection category was also below forecast in a minor collection month for that category.

Among smaller revenue sources, tobacco was below forecast and below year ago levels. Gaming results were 34.3 percent above year ago collections and 19.4 percent above forecast.

February Gross General Revenues: February collections total \$420.7 million, a decrease of \$6.6 million or -1.5 percent below last year and \$9.9 million or 2.3 percent below forecast.

February Individual Income Tax collections total \$210.5 million. Collections decreased by \$16.2 million, or -7.2 percent compared to last year. With respect to the forecast, collections were \$17.4 million or -7.6 percent below forecast. Individual withholding decreased -8.8 percent compared to last year, reflecting timing of deposits in part.

February Individual Income Tax Refunds total \$148.4 million, \$15.1 million or -9.3 percent below last year and \$24.8 million below forecast. Individual Income tax refunds reported this month reflect an earlier start of IRS electronic filings of tax returns than in the prior two years, with continuing divergence from forecast within the filing season pattern. Refund amounts below forecast contribute to the bottom line, net available fund results.

February Sales and Use Tax Collections: February collections total \$176.5 million, an increase of \$9.5 million or 5.7 percent above last year. Collections were above monthly forecast levels by \$8.4 million or 5.0 percent.

February Corporate Income Tax collections total \$4.3 million, a decrease of \$1.2 million from year ago, and \$1.4 million or -24.1 percent below forecast. February is traditionally a low month for collections in the mix of corporate filing dates.

February Corporate Income Tax Refunds total \$5.3 million. This amount is \$3.9 million above year ago levels.

February Tobacco Tax collections, a smaller component of general revenue in annual terms, total \$15.5 million. Collections decreased by \$0.5 million or -2.9 percent from year earlier levels and were below forecast by \$0.5 million. Monthly changes in tobacco tax collections can be attributed to uneven patterns of stamp sales to wholesale purchasers.

SPECIAL REVENUES OF NOTE

Year-to-date Soft Drink Tax (for Medicaid Program Trust Fund): Year-to-date collections of the dedicated soft drink tax total \$28.5 million, a decrease of -3.0 percent from last year.

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 2015, \$36.4 million was collected and deposited to the fund. After deductions, the net amount is \$35.3 million. The monthly collection is equivalent to a 5.4 percent increase from prior year collections.

YEAR TO DATE REPORT, FEBRUARY 2015
(PREPARED BY ECONOMIC ANALYSIS AND TAX RESEARCH, DFA)

THROUGH FEBRUARY 2015
8 Months YTD
Forecast Date: 11/13/2014

MILLIONS OF DOLLARS

	CURRENT YEAR				CURRENT YEAR TO DATE				ACTUAL AS % OF FORECAST
	ACTUAL FY 2014	FORECAST FY 2015	INCREASE		ACTUAL FY 2014	ACTUAL FY 2015	INCREASE		
			AMOUNT	PERCENT			AMOUNT	PERCENT	
INDIVIDUAL INCOME	1,907.6	1,948.0	40.4	2.1	1,907.6	1,970.6	63.0	3.3	101.2
CORPORATE INCOME	240.0	236.4	-3.6	-1.5	240.0	262.2	22.2	9.2	110.9
SALES AND USE	1,446.4	1,462.0	15.6	1.1	1,446.4	1,480.0	33.6	2.3	101.2
ALCOHOLIC BEVERAGE	33.8	34.4	0.6	1.9	33.8	34.8	1.1	3.1	101.2
TOBACCO	146.8	143.7	-3.1	-2.1	146.8	145.4	-1.3	-0.9	101.2
INSURANCE	45.8	46.3	0.5	1.2	45.8	46.3	0.5	1.2	100.0
RACING	1.8	1.8	0.0	-2.5	1.8	1.6	-0.2	-11.1	91.1
GAMES OF SKILL	24.8	27.3	2.5	9.9	24.8	28.6	3.8	15.3	104.9
MISCELLANEOUS ¹	62.8	65.8	3.0	4.8	62.8	65.3	2.5	4.0	99.3
TOTAL GROSS	3,909.8	3,965.7	55.9	1.4	3,909.8	4,034.9	125.1	3.2	101.7
LESS: SCSF/COF ²	129.0	127.0	-2.0	-1.6	129.0	129.1	0.1	0.1	101.7
IND INCOME TAX REFUNDS	234.0	244.6	10.6	4.5	234.0	234.6	0.6	0.3	95.9
CORP INCOME TAX REFUNDS	47.9	43.1	-4.8	-10.1	47.9	32.3	-15.6	-32.6	75.0
CLAIMS	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
ECON DEVEL INCENTIVE FUND	9.1	13.9	4.8	52.2	9.1	7.1	-2.0	-21.9	51.3
WATER/SEWER BONDS	10.0	10.0	0.0	0.0	10.0	10.0	0.0	0.0	100.0
COLLEGE SAVINGS BONDS	5.3	5.2	-0.1	-2.6	5.3	5.2	-0.1	-2.4	100.2
CITY/CO. TOURIST	2.1	2.1	0.0	-0.2	2.1	2.1	0.0	-0.2	100.0
SCHOOL DESEGREGATION	50.2	60.1	9.9	19.7	50.2	60.1	9.9	19.8	100.1
EDUCATIONAL EXCELLENCE	193.7	198.3	4.6	2.4	193.7	198.3	4.6	2.4	100.0
EDUCATIONAL ADEQUACY	17.1	17.5	0.4	2.2	17.1	17.5	0.4	2.4	100.2
NET AVAILABLE	3,211.3	3,243.9	32.6	1.0	3,211.3	3,338.5	127.2	4.0	102.9

REVENUE FORECAST SUMMARY FOR FEBRUARY

YEAR-TO-DATE GROSS	\$ 69.2 MILLION OR 1.7% ABOVE FORECAST
YEAR-TO-DATE NET AVAILABLE	\$ 94.6 MILLION OR 2.9% ABOVE FORECAST

SOFT DRINK EXCISE TAX	<u>YTD FY 14</u>	<u>YTD FY 15</u>	<u>% CHANGE</u>
(MEDICAID PROGRAM TRUST FUND)	29.4	28.5	-3.0
EDUCATIONAL ADEQUACY FUND	<u>YTD FY 14</u>	<u>YTD FY 15</u>	<u>% CHANGE</u>
(NET COLLECTIONS)	292.3	298.7	2.2

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

FEBRUARY GENERAL REVENUE REPORT
(ECONOMIC ANALYSIS AND TAX RESEARCH, DFA)
(682-1688 for further information)

February 27, 2015
Days Remaining: 0
Forecast date: 11/13/2014

MILLIONS OF \$

	CURRENT MONTH				CURRENT MONTH TO DATE				ACTUAL AS % OF FORECAST
	ACTUAL FY 2014	FORECAST FY 2015	CHANGE AMOUNT	PERCENT	ACTUAL FY 2014	ACTUAL FY 2015	CHANGE AMOUNT	PERCENT	
INDIVIDUAL INCOME	226.7	227.9	1.2	0.5	226.7	210.5	-16.2	-7.2	92.4
CORPORATE INCOME	5.5	5.7	0.2	3.0	5.5	4.3	-1.2	-21.8	75.9
SALES AND USE	167.0	168.1	1.1	0.6	167.0	176.5	9.5	5.7	105.0
ALCOHOLIC BEVERAGE	3.5	3.6	0.1	2.7	3.5	3.9	0.4	10.3	107.4
TOBACCO	16.0	16.0	0.0	0.3	16.0	15.5	-0.5	-2.9	96.8
INSURANCE	0.5	0.6	0.1	17.1	0.5	0.7	0.2	41.5	120.9
RACING	0.3	0.3	0.0	3.8	0.3	0.3	0.0	-0.2	96.2
GAMES OF SKILL	3.1	3.5	0.4	12.5	3.1	4.2	1.1	34.3	119.4
MISCELLANEOUS ¹	4.6	4.9	0.3	5.8	4.6	4.8	0.1	2.6	97.0
TOTAL GROSS	427.3	430.6	3.3	0.8	427.3	420.7	-6.6	-1.5	97.7
LESS: (SCSF/COF) ²	14.1	13.8	-0.3	-2.1	14.1	13.5	-0.6	-4.5	97.6
IND INC TAX REFUNDS	163.5	173.2	9.7	5.9	163.5	148.4	-15.1	-9.2	85.7
CORP INC TAX REFUNDS	1.3	3.1	1.8	129.9	1.3	5.3	3.9	291.6	170.4
CLAIMS	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
ECON DEVEL INCENTIVE FUND	0.2	2.3	2.1	921.6	0.2	1.0	0.8	362.2	45.2
WATER/SEWER BONDS	1.2	1.2	0.0	0.0	1.2	1.2	0.0	0.0	100.0
COLLEGE SAVINGS BONDS	0.0	0.0	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	0.0	0.0
SCHOOL DESEGREGATION	8.4	6.0	-2.4	-28.6	8.4	6.0	-2.4	-28.8	99.7
EDUCATIONAL EXCELLENCE	24.2	24.8	0.6	2.4	24.2	24.8	0.6	2.4	99.9
EDUCATIONAL ADEQUACY	2.1	2.2	0.1	2.8	2.1	2.2	0.1	2.4	99.6
NET AVAILABLE	212.2	204.0	-8.2	-3.8	212.2	218.3	6.2	2.9	107.0

REVENUE FORECAST SUMMARY FOR FEBRUARY

FEBRUARY GROSS	\$ 9.9 MILLION OR 2.3% BELOW FORECAST
FEBRUARY NET AVAILABLE	\$ 14.3 MILLION OR 7.0% ABOVE FORECAST

EDUCATIONAL ADEQUACY FUND (NET DEPOSIT, MONTH-TO-DATE)	<u>Feb FY14</u> 33.5	<u>Feb FY15</u> 35.3	<u>% CH</u> 5.4
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- 1) Miscellaneous includes severance, corporate franchise, real estate transfer, dyed diesel, and various other miscellaneous taxes.
2) State Central Services Fund and Constitutional Officers Fund.