



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

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MEMORANDUM

TO: Larry Walther, Director
Paul Louthian, Deputy Director

FROM: John Shelnut, Economic Analysis & Tax Research JS

SUBJECT: **General Revenue Report for June and FY 2017 Summary**

DATE: July 5, 2017

Copy: Governor's Office
Management Services

FISCAL YEAR 2017 REVENUE SUMMARY

The Official General Revenue Forecast was changed on June 30, 2017. The following summary refers to that revision but makes references to the original forecast and budget allocations. The forecast for Net Available General revenues provided funding levels for 100 percent of "A", Rainy Day Fund, and 92.19 percent of "B" allocations.

Fiscal Year 2017 Net Available General Revenues and Surplus: Fiscal year 2017 net available general revenue collections total \$5,348.8 million. This amount is \$19.0 million or -0.4 percent below prior year results and 0.5 percent above forecast. The resulting year-end surplus is \$15.7 million or 0.3 percent above the Revenue Stabilization Act for fiscal year 2017.

The fiscal year ended above forecast as a result of improving growth in major categories of collections in the final quarter and much lower than expected refunds in the final two months of the fiscal year. Individual Tax Refunds increased 21.8 percent from the prior year but ultimately fell below forecast in the second half of the tax filing season and benefited Net Available Revenue. Sales Tax collections met or exceeded forecast in the final two months of the year and Payroll Withholding remains strong over most of the year.

Fiscal Year 2017 Gross General Revenues: Fiscal year 2017 gross collections total \$6,551.8 million, representing an increase of \$100.4 million or 1.6 percent above last year. Gross general revenues were \$18.2 million or 0.3 percent above forecast.

Fiscal Year 2017 Individual Income Taxes: Fiscal year 2017 individual income tax collections total \$3,214.7 million, \$66.5 million or 2.1 percent above FY 2016 collections and \$3.1 million or 0.1 percent above forecast.

Fiscal Year 2017 individual income tax refunds total \$447.0 million, \$80.1 million or 21.8 percent above last year and \$6.2 million or -1.4 percent below forecast. Amounts below forecast in refund categories add to net general revenue results.

Fiscal Year 2017 Sales and Use Collections: Fiscal year 2017 Sales and Use tax collections total \$2,337.9 million, an increase of \$48.0 million or 2.1 percent over FY 2016 and \$2.6 million or 0.1 percent above forecast.

Fiscal Year 2017 Corporate Income Taxes: Fiscal year corporate collections total \$433.8 million, a decrease of \$52.9 million or -10.9 percent below FY 2016. Collections came in \$4.6 million or 1.1 percent above forecast.

Fiscal Year 2017 Corporate income tax refunds total \$67.4 million, \$1.5 million or -2.1 percent below last year and \$0.1 million above the general revenue forecast.

JUNE REVENUE SUMMARY

June Net Available General Revenues total \$571.7 million, \$30.0 million or 5.5 percent above last year. Net general revenues were \$25.7 million or 4.7 percent above forecast for the month.

Net available funds in June benefited from gains in all major categories of collections and lower than expected income tax refunds. Individual Tax Refunds were down 32.5 percent from last year in June.

Payroll Withholding Tax collections remained strong with 5.2 percent year over year growth.

Among smaller revenue sources, Tobacco was above forecast (+\$3.5 million) and Gaming was also above forecast (+\$1.4 million).

June Gross General Revenues: June collections total \$666.1 million, an increase of \$41.9 million or 6.7 percent above last year and \$18.2 million or 2.8 percent above the monthly forecast.

June Individual Income Tax collections total \$276.8 million. Collections increased by \$6.6 million, or 2.4 percent, compared to last year. Collections exceeded forecast for the month by 1.2 percent. Withholding tax from payrolls increased by 5.2 percent above year ago levels and accounted for all of the gain in Individual Income Tax categories.

June Individual Income Tax Refunds total \$22.3 million. This amount is \$10.7 million or -32.5 percent below year ago refunds and -\$6.2 million below the monthly forecast.

June Sales and Use Collections: June collections total \$202.8 million, an increase of \$7.9 million or 4.1 percent above last year. Collections exceeded forecast by \$2.6 million or 1.3 percent.

June Corporate Income Tax collections total \$68.8 million, an decrease of \$16.2 million or -19.0 percent from year earlier levels, and \$4.6 million or 7.2 percent above forecast.

June Corporate Income Tax Refunds total \$1.1 million. This amount is \$0.3 million above year ago refunds.

June Tobacco Tax collections, a small component of general revenue, total \$21.8 million or 10.0 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

Fiscal Year 2017 Soft Drink Tax (for Medicaid Program Trust Fund): Fiscal year 2017 collections of the dedicated soft drink tax total \$47.0 million, an increase of \$1.1 million or 2.3 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 June 2017, \$43.2 million was collected and deposited to the fund. After deductions, the net amount is \$41.9 million. The monthly collection is

equivalent to a 3.3 percent increase from prior year collections. Fiscal year net collections total \$488.7 million, compared to \$477.0 million last year. This represents a 2.5 percent fiscal year increase from prior year collections.

C: /FISCNOT/June FY 2017
Attachment (2)

JUNE 2017 YEAR-TO-DATE GENERAL REVENUE REPORT
ECONOMIC ANALYSIS AND TAX RESEARCH, DFA

FORECAST DATE: 6/30/2017

MILLIONS OF \$

	CHANGE FROM FORECAST				CHANGE FROM LAST YEAR		
	ACTUAL FY16	FORECAST FY17	ACTUAL FY17	DOLLAR DIFFERENCE	PERCENT DIFFERENCE	DOLLAR DIFFERENCE	PERCENT DIFFERENCE
INDIVIDUAL INCOME	3,148.3	3,211.6	3,214.7	3.1	0.1	66.5	2.1
CORPORATE INCOME	486.7	429.2	433.8	4.6	1.1	-52.9	-10.9
SALES AND USE	2,290.0	2,335.3	2,337.9	2.6	0.1	48.0	2.1
ALCOHOLIC BEVERAGE	56.7	57.2	57.5	0.3	0.4	0.7	1.3
TOBACCO	223.5	218.1	221.6	3.5	1.6	-1.9	-0.9
INSURANCE	101.8	139.9	141.9	2.0	1.4	40.0	39.3
RACING	2.5	2.4	2.4	0.0	0.2	-0.1	-3.4
GAMES OF SKILL	55.9	58.9	60.3	1.4	2.3	4.4	7.9
MISCELLANEOUS ¹	86.1	81.0	81.7	0.7	0.9	-4.3	-5.0
TOTAL GROSS	6,451.5	6,533.6	6,551.8	18.2	0.3	100.4	1.6
LESS: SCSF/COF ²	206.3	207.9	208.6	0.7	0.3	2.3	1.1
INDIV INCOME TAX REFUNDS	366.8	453.2	447.0	-6.2	-1.4	80.1	21.8
CORP INCOME TAX REFUNDS	68.9	67.3	67.4	0.1	0.1	-1.5	-2.1
CLAIMS	0.0	0.0	0.0	0.0	0.0	0.0	0.0
ECON DEVEL INCENTIVE FUND	9.4	15.0	13.0	-2.0	-13.5	3.6	37.7
AMENDMENT 82 BONDS	0.0	5.3	5.3	0.0	-0.2	5.3	0.0
RECYCLING EQUIP CREDIT	0.0	16.0	16.0	0.0	0.0	16.0	0.0
WATER/SEWER BONDS	14.8	14.8	14.8	0.0	0.0	0.0	0.0
COLLEGE SAVINGS BONDS	23.2	23.2	23.2	0.0	0.0	0.0	0.0
CITY & COUNTY TOURIST	1.0	0.9	0.9	0.0	-1.3	-0.2	-15.2
SCHOOL DESEGREGATION	65.8	65.8	65.8	0.0	0.0	0.0	0.0
EDUCATIONAL EXCELLENCE	300.8	313.4	313.4	0.0	0.0	12.6	4.2
EDUCATIONAL ADEQUACY	26.6	27.7	27.7	0.0	0.0	1.1	4.2
TOTAL DEDUCTIONS	1,083.7	1,210.5	1,203.1	-7.4	-0.6	119.4	11.0
NET AVAILABLE	5,367.8	5,323.1	5,348.8	25.7	0.5	-19.0	-0.4
LESS: SURPLUS	177.4	0.0	15.7				
NET AVAILABLE DISTRIBUTION	5,190.4	5,323.1	5,333.1	10.0	0.2	142.7	2.7

REVENUE FORECAST SUMMARY FOR JUNE

YEAR-TO-DATE GROSS	\$ 18.2 MILLION OR 0.3% ABOVE FORECAST
YEAR-TO-DATE NET AVAILABLE	\$ 25.7 MILLION OR 0.5% 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 2017 GENERAL REVENUE REPORT
ECONOMIC ANALYSIS AND TAX RESEARCH, DFA

FORECAST DATE: 6/30/2017

MILLIONS OF \$

	ACTUAL JUNE FY16	FORECAST JUNE FY17	ACTUAL JUNE FY17	CHANGE FROM FORECAST		CHANGE FROM LAST YEAR	
				DOLLAR DIFFERENCE	PERCENT DIFFERENCE	DOLLAR DIFFERENCE	PERCENT DIFFERENCE
INDIVIDUAL INCOME	270.2	273.7	276.8	3.1	1.2	6.6	2.4
CORPORATE INCOME	85.0	64.1	68.8	4.6	7.2	-16.2	-19.0
SALES AND USE	194.9	200.2	202.8	2.6	1.3	7.9	4.1
ALCOHOLIC BEVERAGE	7.0	6.8	7.1	0.3	3.8	0.1	0.9
TOBACCO	19.8	18.3	21.8	3.5	19.2	2.0	10.0
INSURANCE	37.9	77.0	78.9	2.0	2.5	41.1	108.4
RACING	0.1	0.1	0.1	0.0	3.3	0.0	15.1
GAMES OF SKILL	4.8	4.0	5.4	1.4	33.7	0.6	12.9
MISCELLANEOUS ¹	4.6	3.7	4.5	0.7	19.9	-0.1	-2.8
TOTAL GROSS	624.2	647.9	666.1	18.2	2.8	41.9	6.7
LESS: SCSF/COF ²	19.8	19.6	20.2	0.7	3.5	0.4	2.2
INDIV INCOME TAX REFUNDS	33.0	28.5	22.3	-6.2	-21.8	-10.7	-32.5
CORP INCOME TAX REFUNDS	0.8	1.0	1.1	0.1	8.0	0.3	36.0
CLAIMS	0.0	0.0	0.0	0.0	0.0	0.0	0.0
ECON DEVEL INCENTIVE FUND	0.4	3.0	1.0	-2.0	-67.1	0.6	152.2
AMENDMENT 82 BONDS	0.0	4.2	4.2	0.0	-0.2	4.2	0.0
RECYCLING EQUIP CREDIT	0.0	16.0	16.0	0.0	0.0	16.0	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
SCHOOL DESEGREGATION	0.0	0.0	0.0	0.0	-100.0	0.0	0.0
EDUCATIONAL EXCELLENCE	25.1	26.1	26.1	0.0	0.1	1.1	4.2
EDUCATIONAL ADEQUACY	2.2	2.3	2.3	0.0	0.4	0.1	4.2
TOTAL DEDUCTIONS	82.5	101.9	94.4	-7.4	-7.3	11.9	14.4
NET AVAILABLE	541.7	546.0	571.7	25.7	4.7	30.0	5.5

REVENUE FORECAST SUMMARY FOR JUNE

JUNE GROSS	\$ 18.2 MILLION OR 2.8% ABOVE FORECAST
JUNE NET AVAILABLE	\$ 25.7 MILLION OR 4.7% 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.