



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

OFFICE OF THE SECRETARY
 1509 West Seventh Street, Suite 401
 Post Office Box 3278
 Little Rock, Arkansas 72203-3278
 Phone: (501) 682-2242
 Fax: (501) 682-1029
www.arkansas.gov/dfa

MEMORANDUM

TO: Larry Walther, Secretary
 Paul Louthian, Deputy Director

FROM: John Shelnett, Economic Analysis & Tax Research ^{JS}

SUBJECT: **General Revenue Report for November (FY 2020)**

DATE: December 3, 2019

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 \$2,418.6 million, \$103.1 million or 4.5 percent above year ago levels. After five months into the fiscal year, net available revenue is above forecast by \$87.5 million or 3.8 percent.

Year-to-date Gross General Revenues: Year-to-date gross collections total \$2,763.1 million, representing an increase of \$104.2 million or 3.9 percent above last year. Gross general revenues are above forecast by \$76.8 million or 2.9 percent.

Year-to-date Individual Income Taxes: Year-to-date individual income tax collections total \$1,317.5 million, \$73.0 million or 5.9 percent above FY 2019 collections and \$31.7 million or 2.5 percent above forecast.

Year-to-date individual income tax refunds total \$71.7 million, lower by \$2.5 million or -3.3 percent compared to last year and \$2.6 million or -3.5 percent below forecast. Amounts below forecast in refund categories add to net available revenue results.

Year-to-date Sales and Use Tax Collections: On a year-to-date basis, sales and use taxes total \$1,065.7 million, an increase of \$31.9 million or 3.1 percent from FY 2019 and \$7.4 million or 0.7 percent above forecast.

Year-to-date Corporate Income Taxes: Year-to-date corporate revenues total \$158.0 million, an increase of \$9.5 million from year-to-date FY 2019. Corporate income is above forecast by \$29.6 million or 23.1 percent.

Year-to-date corporate income tax refunds total \$18.2 million, a decrease of \$3.2 million compared to the same year-to-date period last year.

NOVEMBER REVENUE SUMMARY

November Net Available General Revenues total \$431.8 million, \$24.7 million or 6.1 percent above last year and \$15.3 million or 3.7 percent above forecast.

Individual Income Tax and Sales Tax were above forecast in November. Individual Income Tax collections benefited from growth in payroll withholding and a positive payday timing factor in November. Sales tax collections were 4.5 percent above last year with gains in consumer-related categories and mixed results in business-related categories. The motor vehicle portion of Sales Tax was down in November after two high-growth months in September and October. Income Tax refunds contributed substantially to Net available results with payouts less than expected in Individual refunds and Corporate refunds.

Among smaller revenue sources, Tobacco was below forecast by \$0.3 million and below year ago collections. Results in Gaming revenue exceeded forecast by \$0.7 million.

November Gross General Revenues: November collections total \$515.2 million, an increase of \$23.0 million or 4.7 percent above last year and \$7.6 million or 1.5 percent above forecast.

November Individual Income Tax collections total \$244.4 million. Collections increased by \$19.2 million or 8.5 percent compared to last year. With respect to the forecast, collections were \$4.4 million or 1.8 percent above forecast. Individual withholding increased 8.5 percent compared to last year with some additional gain from payday timing differences compared to the prior year.

November Individual Income Tax Refunds total \$18.2 million, \$3.3 million or -15.5 percent below last year and \$5.6 million below forecast. Refund amounts below forecast add to net available fund results.

November Sales and Use Tax Collections: November collections total \$214.0 million, an increase of \$9.1 million or 4.5 percent above last year. Collections were also above monthly forecast levels by \$3.2 million or 1.5 percent.

November Corporate Income Tax collections total \$4.9 million, a decrease of \$4.5 million from year ago, and \$2.8 million below forecast. One-time payments contributed to results in prior year results.

November Corporate Income Tax Refunds total \$12.0 million. This amount is \$1.5 million below year ago levels. Refunds were also \$2.2 million below forecast.

November Tobacco Tax collections, a smaller component of general revenue in annual terms, total \$17.1 million. Collections decreased by -3.1 percent from year earlier levels and were below forecast by \$0.3 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 November 2019, \$44.1 million was collected and deposited to the fund. After deductions, the net amount is \$42.8 million. The monthly collection is equivalent to a 3.8 percent increase from prior year collections.

November 2019 Year-to-Date General Revenue Report
Economic Analysis and Tax Research, DFA

Forecast Date: 05/15/2019

Millions of \$

	Actual Nov FY19	Forecast Nov FY20	Actual Nov FY20	<u>Change from Forecast</u>		<u>Change from Last Year</u>	
				Dollar Difference	Percent Difference	Dollar Difference	Percent Difference
Individual Income	1,244.5	1,285.8	1,317.5	31.7	2.5	73.0	5.9
Corporate Income	148.6	128.4	158.0	29.6	23.1	9.5	6.4
Sales & Use	1,033.8	1,058.3	1,065.7	7.4	0.7	31.9	3.1
Alcohol	24.0	24.2	25.7	1.5	6.2	1.7	7.1
Tobacco	92.1	88.2	91.8	3.6	4.1	-0.3	-0.3
Insurance	44.0	42.3	44.9	2.6	6.1	0.9	2.0
Racing	0.7	0.7	0.5	-0.2	-21.5	-0.2	-22.4
Gaming	27.3	14.7	16.3	1.6	10.9	-11.0	-40.3
Miscellaneous ¹	44.0	43.7	42.6	-1.1	-2.5	-1.4	-3.2
Total Gross	2,659.0	2,686.3	2,763.1	76.8	2.9	104.2	3.9
LESS: (SCSF/COF) ²	82.4	83.2	85.7	2.5	3.0	3.2	3.9
Individual Income Tax Refunds	74.2	74.3	71.7	-2.6	-3.5	-2.5	-3.3
Corporate Income Tax Refunds	21.4	22.8	18.2	-4.6	-20.0	-3.2	-15.0
Claims	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Economic Development Incentive	5.0	9.7	5.7	-4.0	-41.4	0.7	14.0
Amendment 82 Bonds	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Recycling Tax Credit	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Water / Sewer Bonds	6.4	6.4	6.4	0.0	0.0	0.0	0.0
College Savings Bonds	3.4	3.3	3.2	-0.1	-1.6	-0.2	-4.8
City & County Tourist	0.4	0.4	0.4	0.0	11.0	0.0	0.0
Educational Excellence	138.0	142.5	140.7	-1.8	-1.2	2.7	2.0
Educational Adequacy	12.2	12.6	12.4	-0.2	-1.3	0.2	2.0
Total Deductions	343.5	355.2	344.5	-10.7	-3.0	1.0	0.3
Net Available	2,315.5	2,331.1	2,418.6	87.5	3.8	103.1	4.5

Revenue Forecast Summary for November

Year-to-Date Gross: \$ 76.8 Million OR 2.9% Above Forecast
Year-to-Date Net Available: \$ 87.5 Million OR 3.8% 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.

November 2019 General Revenue Report Economic Analysis and Tax Research, DFA

Forecast Date: 05/15/2019

Millions of \$

	Actual Nov FY19	Forecast Nov FY20	Actual Nov FY20	<u>Change from Forecast</u>		<u>Change from Last Year</u>	
				Dollar Difference	Percent Difference	Dollar Difference	Percent Difference
Individual Income	225.2	240.0	244.4	4.4	1.8	19.2	8.5
Corporate Income	9.4	7.7	4.9	-2.8	-36.6	-4.5	-48.1
Sales & Use	204.9	210.8	214.0	3.2	1.5	9.1	4.5
Alcohol	4.6	4.6	5.1	0.5	10.1	0.5	10.6
Tobacco	17.6	17.4	17.1	-0.3	-1.9	-0.6	-3.1
Insurance	20.8	20.2	21.5	1.3	6.6	0.7	3.3
Racing	0.2	0.2	0.1	-0.1	-47.0	-0.1	-46.2
Gaming	5.2	2.1	2.8	0.7	31.0	-2.4	-46.7
Miscellaneous ¹	4.4	4.6	5.4	0.8	18.0	1.1	24.6
Total Gross	492.2	507.6	515.2	7.6	1.5	23.0	4.7
LESS: (SCSF/COF) ²	15.3	15.7	16.0	0.3	1.7	0.7	4.7
Individual Income Tax Refunds	21.5	23.8	18.2	-5.6	-23.6	-3.3	-15.5
Corporate Income Tax Refunds	13.5	14.2	12.0	-2.2	-15.6	-1.5	-11.3
Claims	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Economic Development Incentive	0.2	1.9	2.2	0.3	14.8	2.0	1,151.5
Amendment 82 Bonds	0.0	0.0	0.0	0.0	0.0	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	3.4	3.3	3.2	-0.1	-1.6	-0.2	-4.8
City & County Tourist	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Educational Excellence	27.6	28.5	28.1	-0.4	-1.2	0.5	2.0
Educational Adequacy	2.4	2.5	2.5	0.0	-0.5	0.0	2.0
Total Deductions	85.1	91.1	83.4	-7.7	-8.4	-1.7	-2.0
Net Available	407.1	416.5	431.8	15.3	3.7	24.7	6.1

Revenue Forecast Summary for November

November Gross: \$ 7.6 Million OR 1.5% Above Forecast
November Net Available: \$ 15.3 Million OR 3.7% 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.