



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

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MEMORANDUM

TO: Larry Walther, Secretary
 Paul Louthian, Deputy Director

FROM: John Shelnett, Economic Analysis & Tax Research JS

SUBJECT: **General Revenue Report for July (FY 2021)**

DATE: August 4, 2020 Copy: Governor's Office
 Management Services

JULY REVENUE SUMMARY

July Net Available General Revenues total \$665.9 million, \$203.1 million or 43.9 percent above last year. After one month into FY 2021, Net Available Revenue is \$52.7 million above the monthly forecast.

All major collection categories were above forecast in July, led by Sales Tax at \$32.5 million above, Corporate Income at \$23.7 million above, and Individual Income at \$17.6 million above. Growth remained high in the Sales Tax sectors of retail and vehicle sales. Individual Income Tax benefited from collections in Payroll Withholding tax and Estimated Payments for Tax Year 2020 liability.

July Gross General Revenues: July collections total \$766.8 million, an increase of \$245.9 million or 47.2 percent from last year and \$79.9 million or 11.6 percent above forecast.

July Individual Income Tax collections total \$439.9 million. Collections increased by \$207.5 million or 89.3 percent compared to last year as a result of the tax filing date shift to July. With respect to the forecast, collections were \$17.6 million or 4.2 percent above forecast. Payroll Withholding Tax declined by -9.0 percent from last year due to income tax cuts and associated withholding formula change but exceeded forecast by \$15.8 million.

July Individual Income Tax Refunds total \$41.6 million, \$32.9 million above last year and \$25.0 million or 150.8 percent above forecast as a result of delayed refund claims

tied to the income tax due date shift to July. Refund amounts above forecast subtract from net available fund results.

July Sales and Use Tax Collections: July collections total \$236.4 million, an increase of \$30.7 million or 14.9 percent above last year. Collections were also above monthly forecast levels by \$32.5 million or 16.0 percent. Collections from motor vehicle sales tax were up 12.8 percent in July from year ago levels.

July Corporate Income Tax collections total \$52.8 million, an increase of \$27.7 million from year ago, and \$23.7 million above forecast in a normally light collection month.

July Corporate Income Tax Refunds total \$2.3 million. This amount is \$1.6 million above year ago levels and \$1.4 million above forecast.

July Tobacco Tax collections, a smaller component of general revenue in annual terms, total \$20.2 million. Collections decreased by \$0.1 million or -0.4 percent from year earlier levels and were above forecast by \$3.0 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 July, \$49.0 million was collected and deposited to the fund. After deductions, the net amount is \$47.5 million. The monthly collection represents a 15.6 percent increase from prior year collections.

July 2020 General Revenue Report

Economic Analysis and Tax Research, DFA

Forecast Date: 04/02/20

Millions of \$

	Actual July FY20	Forecast July FY21	Actual July FY21	<u>Change from Forecast</u>		<u>Change from Last Year</u>	
				Dollar Difference	Percent Difference	Dollar Difference	Percent Difference
Individual Income	232.3	422.3	439.9	17.6	4.2	207.5	89.3
Corporate Income	25.1	29.1	52.8	23.7	81.4	27.7	110.3
Sales & Use	205.8	203.9	236.4	32.5	16.0	30.7	14.9
Alcohol	5.9	6.1	6.5	0.4	6.3	0.6	10.7
Tobacco	20.2	17.2	20.2	3.0	17.3	-0.1	-0.4
Insurance	0.6	0.6	0.6	0.0	-7.1	-0.1	-12.6
Racing	0.1	0.1	0.1	0.0	-28.7	-0.1	-52.0
Gaming	5.9	2.9	2.6	-0.3	-10.1	-3.3	-55.7
Severance	1.4	0.8	1.1	0.3	36.8	-0.3	-19.5
Franchise	0.3	0.3	2.9	2.6	870.1	2.6	771.2
Real Estate Transfer	1.4	1.4	1.7	0.3	18.0	0.2	15.8
Miscellaneous	21.8	2.2	2.1	-0.1	-3.2	-19.7	-90.3
Total Gross	520.9	686.9	766.8	79.9	11.6	245.9	47.2
LESS: (SCSF/COF) ¹	16.1	21.3	23.8	2.5	11.6	7.6	47.2
Individual Income Refunds	8.7	16.6	41.6	25.0	150.8	32.9	377.7
Corporate Income Refunds	0.7	0.9	2.3	1.4	157.1	1.6	221.8
Claims	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Econ Development Incentive	0.4	2.0	0.0	-2.0	-100.0	-0.4	-100.0
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	1.3	1.3	1.3	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	0.2	0.3	0.2	-0.1	-26.0	0.0	0.0
Educational Excellence	28.1	28.8	29.0	0.2	0.8	0.9	3.2
Educational Adequacy	2.5	2.5	2.6	0.1	2.7	0.1	3.2
Total Deductions	58.1	73.7	100.8	27.1	36.8	42.7	73.6
Net Available	462.8	613.2	665.9	52.7	8.6	203.1	43.9

Revenue Forecast Summary for July

July Gross:	\$ 79.9 Million OR 11.6% Above Forecast
July Net Available:	\$ 52.7 Million OR 8.6% Above Forecast

1) State Central Services Fund and Constitutional Officers Fund.