



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

Economic Analysis and Tax Research

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MEMORANDUM

TO: Larry Walther, Secretary
 Paul Louthian, Deputy Director

FROM: John Shelnutt, Economic Analysis & Tax Research JS

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

DATE: October 2, 2020 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 \$1,743.3 million, \$227.4 million or 15.0 percent above year ago levels. After one quarter into the fiscal year, net available revenue is above forecast by \$158.8 million or 10.0 percent. The results include net collection increases tied to the income tax due date shift to July from April in the prior fiscal year.

Year-to-date Gross General Revenues: Year-to-date gross collections total \$1,993.2 million, representing an increase of \$299.7 million or 17.7 percent above last year. Gross general revenues are above forecast by \$207.5 million or 11.6 percent.

Year-to-date Individual Income Taxes: Year-to-date individual income tax collections total \$1,005.4 million, \$206.3 million or 25.8 percent above FY 2020 collections and \$89.5 million or 9.8 percent above forecast.

Year-to-date individual income tax refunds total \$81.7 million, up \$57.0 million or 231.5 percent compared to last year and \$43.3 million or 112.7 percent above forecast. Amounts above forecast in refund categories reduce net available revenue results.

Year-to-date Sales and Use Tax Collections: On a year-to-date basis, sales and use taxes total \$703.9 million, an increase of \$65.9 million or 10.3 percent from FY 2020 and \$72.0 million or 11.4 percent above forecast.

Year-to-date Corporate Income Taxes: Year-to-date corporate revenues total \$134.1 million, an increase of \$16.8 million from year-to-date FY 2020. Corporate income is above forecast by \$23.2 million or 21.0 percent.

Year-to-date corporate income tax refunds total \$5.8 million, an increase of \$2.9 million compared to the same year-to-date period last year.

SEPTEMBER REVENUE SUMMARY

September Net Available General Revenues total \$591.9 million, \$12.2 million or -2.0 percent below last year and \$65.1 million or 12.3 percent above forecast.

All major collection categories of general revenues were above forecast in September. Individual Income Tax was above forecast by \$48 million, with both Payroll Withholding Tax and Estimated Tax Payments for Tax Year 2020 liability running ahead of projections. Sales Tax collections were above forecast by \$18.7 million, with continued gains in retail and vehicle sales. Corporate Income tax collections were also above forecast by \$1.8 million. Income Tax Refunds were more than expected but not enough to detract significantly from gross revenue collections.

Among smaller revenue sources, Tobacco was above forecast by \$3.4 million and above year ago collections. Results in Gaming revenue exceeded forecast by \$0.2 million.

September Gross General Revenues: September collections total \$661.5 million, a decrease of \$3.1 million or -0.5 percent below last year and \$73.7 million or 12.5 percent above forecast.

September Individual Income Tax collections total \$320.0 million. Collections decreased by \$17.8 million or -5.3 percent compared to last year. With respect to the forecast, collections were \$48.0 million or 17.6 percent above forecast. Individual withholding decreased -15.0 percent compared to last year, reflecting payday timing differences with year ago collections.

September Individual Income Tax Refunds total \$13.6 million, \$8.1 million or 144.7 percent above last year and \$7.0 million above forecast. Refund amounts above forecast reduce net available fund results.

September Sales and Use Tax Collections: September collections total \$231.2 million, an increase of \$21.7 million or 10.4 percent above last year. Collections were above monthly forecast levels by \$18.7 million or 8.8 percent.

September Corporate Income Tax collections total \$77.6 million, a decrease of \$10.5 million from year ago, and \$1.8 million or 2.4 percent above forecast in a collection month notable for corporate estimated payments.

September Corporate Income Tax Refunds total \$2.2 million. This amount is \$0.9 million above year ago levels. Refunds were also \$0.5 million above forecast.

September Tobacco Tax collections, a smaller component of general revenue in annual terms, total \$18.8 million. Collections increased by \$2.2 million from year earlier levels and were above forecast by \$3.4 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 September 2020, \$47.8 million was collected and deposited to the fund. After deductions, the net amount is \$46.4 million. The monthly collection is equivalent to a 9.2 percent increase from prior year collections.

C: /FISCNOT/September FY 2021
Attachment (2)

September 2020 Year-to-Date General Revenue Report

Economic Analysis and Tax Research, DFA

Forecast Date: 04/02/20

Millions of \$

	Actual Sept FY20	Forecast Sept FY21	Actual Sept FY21	<u>Change from Forecast</u>		<u>Change from Last Year</u>	
				Dollar	Percent	Dollar	Percent
				Difference	Difference	Difference	Difference
Individual Income	799.1	915.9	1,005.4	89.5	9.8	206.3	25.8
Corporate Income	117.3	110.9	134.1	23.2	21.0	16.8	14.3
Sales & Use	638.0	631.9	703.9	72.0	11.4	65.9	10.3
Alcohol	15.7	16.3	17.4	1.1	7.0	1.7	11.0
Tobacco	56.5	51.0	58.4	7.4	14.5	1.9	3.3
Insurance	21.5	21.4	21.8	0.4	1.9	0.3	1.5
Racing	0.4	0.3	0.2	-0.1	-31.2	-0.1	-41.4
Gaming	11.0	7.5	7.6	0.1	1.5	-3.4	-30.8
Severance	2.9	2.1	2.2	0.1	4.9	-0.7	-23.6
Franchise	1.6	1.5	4.7	3.2	210.7	3.1	194.1
Real Estate Transfer	2.6	2.6	2.6	0.0	0.3	0.0	0.0
Miscellaneous	26.9	24.3	34.8	10.5	43.1	7.9	29.3
Total Gross	1,693.5	1,785.7	1,993.2	207.5	11.6	299.7	17.7
LESS: (SCSF/COF) ¹	52.5	55.3	61.8	6.5	11.7	9.3	17.7
Individual Income Refunds	24.6	38.4	81.7	43.3	112.7	57.0	231.5
Corporate Income Refunds	2.9	3.6	5.8	2.2	61.9	2.9	102.5
Claims	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Econ Development Incentive	1.5	5.9	1.7	-4.2	-72.0	0.1	7.2
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	3.9	3.9	3.9	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	84.4	86.2	87.1	0.9	1.1	2.7	3.2
Educational Adequacy	7.5	7.6	7.7	0.1	1.3	0.2	3.2
Total Deductions	177.6	201.2	249.9	48.7	24.2	72.3	40.7
Net Available	1,515.9	1,584.5	1,743.3	158.8	10.0	227.4	15.0

Revenue Forecast Summary for the Month

September Year-to-Date Gross:	\$ 207.5 Million OR 11.6% Above Forecast
September Year-to-Date Net Available:	\$ 158.8 Million OR 10.0% Above Forecast

¹ State Central Services Fund and Constitutional Officers Fund.

September 2020 General Revenue Report
Economic Analysis and Tax Research, DFA

Forecast Date: 04/02/20

Millions of \$

	Actual Sept FY20	Forecast Sept FY21	Actual Sept FY21	<u>Change from Forecast</u>		<u>Change from Last Year</u>	
				Dollar Difference	Percent Difference	Dollar Difference	Percent Difference
Individual Income	337.7	272.0	320.0	48.0	17.6	-17.8	-5.3
Corporate Income	88.1	75.8	77.6	1.8	2.4	-10.5	-11.9
Sales & Use	209.5	212.5	231.2	18.7	8.8	21.7	10.4
Alcohol	5.0	5.2	5.6	0.4	7.4	0.5	10.9
Tobacco	16.6	15.4	18.8	3.4	21.9	2.2	13.4
Insurance	1.1	1.1	1.8	0.7	61.7	0.7	60.8
Racing	0.1	0.1	0.1	0.0	-25.9	-0.1	-41.9
Gaming	2.6	2.3	2.5	0.2	8.9	-0.1	-3.1
Severance	0.9	0.6	0.5	-0.1	-13.1	-0.3	-40.2
Franchise	0.5	0.5	0.9	0.4	88.7	0.5	97.2
Real Estate Transfer	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Miscellaneous	2.5	2.3	2.5	0.2	6.8	0.0	-1.3
Total Gross	664.5	587.8	661.5	73.7	12.5	-3.1	-0.5
LESS: (SCSF/COF) ¹	20.6	18.2	20.5	2.3	12.7	-0.1	-0.5
Individual Income Refunds	5.6	6.6	13.6	7.0	106.7	8.1	144.7
Corporate Income Refunds	1.4	1.7	2.2	0.5	30.9	0.9	64.8
Claims	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Econ Development Incentive	1.0	2.0	0.3	-1.7	-84.2	-0.7	-68.0
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	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Educational Excellence	28.1	28.7	29.0	0.3	1.2	0.9	3.2
Educational Adequacy	2.5	2.5	2.6	0.1	2.7	0.1	3.2
Total Deductions	60.5	61.0	69.6	8.6	14.1	9.2	15.1
Net Available	604.1	526.8	591.9	65.1	12.3	-12.2	-2.0

Revenue Forecast Summary for the Month

September Gross: \$ 73.7 Million OR 12.5% Above Forecast
September Net Available: \$ 65.1 Million OR 12.3% Above Forecast

¹ State Central Services Fund and Constitutional Officers Fund.