



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

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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 August (FY 2022)**

DATE: September 2, 2021 Copy: Governor's Office

YEAR-TO-DATE REVENUE SUMMARY

Year-to-date Net Available General Revenues: Year-to-date net available general revenues total \$1,033.8 million, \$117.6 million or -10.2 percent below year ago levels. After two months into the fiscal year, net available revenue is above forecast by \$86.3 million or 9.1 percent. Comparisons with prior year are distorted by the Income Tax due date shift to July of last year as a one-time change for pandemic relief efforts.

Year-to-date Gross General Revenues: Year-to-date gross collections total \$1,188.9 million, representing a decrease of \$142.8 million or -10.7 percent below last year. Gross general revenues are above forecast by \$103.6 million or 9.5 percent.

Year-to-date Individual Income Taxes: Year-to-date individual income tax collections total \$506.8 million, \$178.6 million or -26.1 percent below FY 2021 collections and \$56.3 million or 12.5 percent above forecast. Tax due date shift accounts for the disparity against year ago levels while Individual Return payments and Payroll Withholding collections account for the gains above forecast.

Year-to-date individual income tax refunds total \$31.0 million, down \$37.0 million or -54.4 percent compared to last year and \$4.0 million or 14.9 percent above forecast. Tax due date shifts accounted for differences in refund levels in the year ago comparison.

Year-to-date Sales and Use Tax Collections: On a year-to-date basis, sales and use taxes total \$516.6 million, an increase of \$43.9 million or 9.3 percent from FY 2021 and \$31.7 million or 6.5 percent above forecast.

Year-to-date Corporate Income Taxes: Year-to-date corporate revenues total \$51.1 million, a decrease of \$5.4 million from year-to-date FY 2021. Corporate income is above forecast by \$5.1 million or 11.1 percent.

Year-to-date corporate income tax refunds total \$8.6 million, an increase of \$5.0 million compared to the same year-to-date period last year.

AUGUST REVENUE SUMMARY

August Net Available General Revenues total \$518.9 million, \$33.5 million or 6.9 percent above last year and \$47.1 million or 10.0 percent above forecast.

Net Available revenue results were above forecast in all major categories in August. Sales Tax collection growth was broad based across reporting sectors. Individual Income Tax gains were driven largely by Payroll Withholding Tax collections and Return payments. Corporate Income Tax collections also exceeded forecast in a light collection month for that category.

Individual Income Tax refund claims were less than forecast in August after elevated levels in recent months from tax due date shift and reprocessing of returns with exempted unemployment benefits.

Among smaller revenue sources, Tobacco was above forecast by \$2.9 million and above year ago collections. Results in Gaming revenue were above forecast by \$0.4 million.

August Gross General Revenues: August collections total \$588.6 million, an increase of \$23.6 million or 4.2 percent above last year and \$52.0 million or 9.7 percent above forecast. Gross revenue from collections was broad-based in August.

August Individual Income Tax collections total \$265.1 million. Collections increased by \$19.6 million or 8.0 percent compared to last year. With respect to the forecast, collections were \$28.4 million or 12.0 percent above forecast. Individual Withholding Tax revenue increased 7.1 percent compared to last year.

August Individual Income Tax Refunds total \$10.2 million, \$16.2 million below last year and \$0.9 million below forecast. Refund claims have normalized after changes in the tax filing deadline to May from April and re-processing of returns with now-exempt unemployment benefits reported as income.

August Sales and Use Tax Collections: August collections total \$256.5 million, an increase of \$20.2 million or 8.6 percent above last year. Collections were above monthly forecast levels by \$14.3 million or 5.9 percent. Most major reporting sectors of Sales Tax displayed high growth over the prior year, reflecting continuing economic expansion in many sectors and rebound from later recovery in service sectors and restaurants. Motor vehicle sales tax collections were up 2.5 percent from year ago August.

August Corporate Income Tax collections total \$11.2 million, an increase of \$7.5 million from year ago, and \$3.2 million above forecast.

August Corporate Income Tax Refunds total \$3.0 million. This amount is \$1.7 million above year ago levels. Refunds were also \$1.0 million above forecast.

August Tobacco Tax collections, a smaller component of general revenue in annual terms, total \$19.8 million. Collections increased by \$0.3 million from year earlier levels and were above forecast by \$2.9 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 August 2021, \$53.4 million was collected and deposited to the fund. After deductions, the net amount is \$51.9 million. The monthly collection is equivalent to a 9.9 percent increase from prior year collections.

C: /FISCNOT/August FY 2022
Attachment (2)

August 2021 Year-to-Date General Revenue Report
Economic Analysis and Tax Research, DFA

Forecast Date: 05/19/21

Millions of \$

	Actual August FY21	Forecast August FY22	Actual August FY22	<u>Change from Forecast</u>		<u>Change from Last Year</u>	
				Dollar Difference	Percent Difference	Dollar Difference	Percent Difference
Individual Income	685.4	450.5	506.8	56.3	12.5	-178.6	-26.1
Corporate Income	56.5	46.0	51.1	5.1	11.1	-5.4	-9.6
Sales & Use	472.7	484.9	516.6	31.7	6.5	43.9	9.3
Alcohol	11.9	11.0	13.7	2.7	24.5	1.8	15.5
Tobacco	39.6	34.9	38.7	3.8	10.8	-1.0	-2.4
Insurance	20.0	21.1	20.9	-0.2	-0.8	0.9	4.6
Racing	0.1	0.2	0.1	-0.1	-38.5	0.0	-7.1
Gaming	5.1	6.7	7.1	0.4	6.4	2.0	39.5
Severance	1.7	1.8	3.1	1.3	69.9	1.4	81.9
Franchise	3.7	2.9	5.8	2.9	99.6	2.1	55.7
Real Estate Transfer	2.6	2.6	2.6	0.0	0.3	0.0	0.0
Miscellaneous	32.3	22.7	22.4	-0.3	-1.4	-9.9	-30.7
Total Gross	1,331.7	1,085.3	1,188.9	103.6	9.5	-142.8	-10.7
LESS: (SCSF/COF) ¹	41.3	33.6	36.9	3.3	9.7	-4.4	-10.7
Individual Income Refunds	68.0	27.0	31.0	4.0	14.9	-37.0	-54.4
Corporate Income Refunds	3.6	6.6	8.6	2.0	31.0	5.0	140.0
Claims	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Econ Development Incentive	1.3	3.9	4.0	0.1	3.4	2.7	202.3
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	2.6	2.6	2.6	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	58.1	58.6	65.9	7.3	12.4	7.8	13.4
Educational Adequacy	5.1	5.2	5.8	0.6	12.0	0.7	13.4
Highway Casino Transfer	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Deductions	180.3	137.8	155.1	17.3	12.5	-25.2	-14.0
Net Available	1,151.4	947.5	1,033.8	86.3	9.1	-117.6	-10.2
LESS: Surplus	0.0	0.0	0.0				
Net AVAILABLE Distribution	1,151.4	947.5	1,033.8	86.3	9.1	-117.6	-10.2

Revenue Forecast Summary for the Month

August Year-to-Date Gross: \$ 103.6 Million OR 9.5% Above Forecast
 August Year-to-Date Net Available: \$ 86.3 Million OR 9.1% Above Forecast

¹ State Central Services Fund and Constitutional Officers Fund.

August 2021 General Revenue Report
Economic Analysis and Tax Research, DFA

Forecast Date: 05/19/21

Millions of \$

	Actual August FY21	Forecast August FY22	Actual August FY22	<u>Change from Forecast</u>		<u>Change from Last Year</u>	
				Dollar Difference	Percent Difference	Dollar Difference	Percent Difference
Individual Income	245.5	236.7	265.1	28.4	12.0	19.6	8.0
Corporate Income	3.7	8.0	11.2	3.2	40.0	7.5	199.7
Sales & Use	236.2	242.2	256.5	14.3	5.9	20.2	8.6
Alcohol	5.4	5.0	6.6	1.6	31.2	1.2	22.0
Tobacco	19.5	16.9	19.8	2.9	17.0	0.3	1.6
Insurance	19.5	20.5	20.5	0.0	0.1	1.1	5.4
Racing	0.1	0.1	0.1	0.0	-41.4	0.0	-3.9
Gaming	2.5	3.0	3.4	0.4	13.4	0.9	35.9
Severance	0.6	0.7	1.4	0.7	105.7	0.9	145.5
Franchise	0.8	0.3	0.6	0.3	109.4	-0.2	-22.1
Real Estate Transfer	1.0	0.7	0.5	-0.2	-26.2	-0.4	-45.9
Miscellaneous	30.2	2.5	2.9	0.4	16.0	-27.3	-90.4
Total Gross	564.9	536.6	588.6	52.0	9.7	23.6	4.2
LESS: (SCSF/COF) ¹	17.5	16.6	18.2	1.6	9.9	0.7	4.2
Individual Income Refunds	26.4	11.1	10.2	-0.9	-8.3	-16.2	-61.4
Corporate Income Refunds	1.3	2.0	3.0	1.0	49.6	1.7	132.2
Claims	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Econ Development Incentive	1.3	1.9	1.0	-0.9	-44.9	-0.3	-21.6
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	29.0	29.3	32.9	3.6	12.4	3.9	13.4
Educational Adequacy	2.6	2.6	2.9	0.3	12.0	0.3	13.4
Highway Casino Transfer	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Deductions	79.5	64.8	69.6	4.8	7.4	-9.9	-12.4
Net Available	485.5	471.8	518.9	47.1	10.0	33.5	6.9

Revenue Forecast Summary for the Month

August Gross: \$ 52.0 Million OR 9.7% Above Forecast
August Net Available: \$ 47.1 Million OR 10.0% Above Forecast

¹ State Central Services Fund and Constitutional Officers Fund.