



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

**OFFICE OF THE DIRECTOR
Economic Analysis & Tax Research**
1509 West Seventh Street, Room 404
Post Office Box 3278
Little Rock, Arkansas 72203-3278
Phone: (501) 682-1688
Fax: (501) 682-1086
<http://www.state.ar.us/dfa>

MEMORANDUM

TO: Richard Weiss, Director
Tim Leathers, Deputy Director

FROM: John Shelnett, Economic Analysis & Tax Research

SUBJECT: **General Revenue Report for March (FY 2009)**

DATE: April 2, 2009 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 \$3,214.8 million. This amount is \$24.6 million or 0.8 percent above last year and \$63.3 million or 2.0 percent above the general revenue forecast. The amount above forecast is due to gains in both Corporate Income Tax and Individual Income Tax.

Year-to-date Gross General Revenues: Year-to-date gross collections total \$4,028.7 million, representing an increase of \$80.9 million or 2.1 percent above last year. Gross general revenues are \$78.3 million or 2.0 percent above the general revenue forecast.

Year-to-date Individual Income Taxes: Year-to-date individual income tax collections total \$1,885.7 million, \$32.0 million or 1.7 percent above FY 2008 collections and \$46.1 million or 2.5 percent above forecast. Collections growth for individual withholding is also up 1.7 percent over year ago levels.

Year-to-date individual income tax refunds total \$324.2 million, up \$32.4 million or 11.1 percent compared to last year and \$5.9 million or 1.9 percent above forecast.

Year-to-date Gross Receipts Collections: Gross receipts consist primarily of sales and use taxes. On a year-to-date basis, gross receipts total \$1,609.3 million, an increase of \$14.0 million or 0.9 percent above FY 2008 and \$10.7 million or -0.7 percent below forecast.

Year-to-date Corporate Income Taxes: Year-to-date corporate income tax revenues total \$269.6 million, an increase of \$17.3 million or 6.9 percent above year-to-date FY 2008. Corporate Income Tax collections are 19.2 percent above forecast for the year-to-date period.

Year-to-date corporate income tax refunds total \$49.4 million, up \$22.4 million or 82.9 percent from the comparable year-to-date period last year and \$11.3 million or 29.7 percent above forecast.

MARCH REVENUE SUMMARY

March Net Available General Revenues total \$299.5 million, \$43.5 million or -12.7 percent below last year and \$20.1 million or 6.3 percent below forecast.

March Gross General Revenues: March collections total \$454.7 million, a decrease of \$14.5 million or -3.1 percent from last year and \$4.3 million or -0.9 percent below forecast.

March Individual Income Tax collections total \$198.1 million. Collections decreased by \$5.7 million, or -2.8 percent, compared to last year. With respect to the forecast, collections are \$3.0 million or -1.5 percent below forecast. Individual withholding decreased -4.8 percent compared to last year.

March Individual Income Tax Refunds total \$99.9 million. Refunds are up \$21.5 million or 27.5 percent above March 2008. This amount is 16.4 percent above forecast for the month. Refunds were down in the prior month and fell 10.0 percent below forecast. Refunds in March now reflect rebound to a level above forecast for the month and slight growth above forecast on a year-to-date basis, which normalizes monthly variance.

March Gross Receipts Collections: March collections total \$172.1 million, a decrease of \$6.0 million or -3.4 percent from last year. Collections were below monthly forecast levels by \$6.5 million or -3.7 percent.

March Corporate Income Tax collections total \$49.1 million, fractional growth from year earlier levels, but 18.8 percent above forecast. Corporate tax collections represent a volatile component of general revenues.

March Corporate Income Tax Refunds total \$6.1 million. This amount is \$4.8 million or 342.5 percent above year ago refunds.

March Tobacco Tax collections, a small component of general revenue, total \$8.0 million or 28.7 percent below year earlier levels. This change is associated with a downturn in purchases of cigarette tax stamps by wholesalers following significant advance purchases during prior months in anticipation of tax rate increases.

SPECIAL REVENUES OF NOTE

Year-to-date Soft Drink Tax (Medicaid Program Trust Fund): Year-to-date collections of the dedicated soft drink tax total \$36.0 million, an increase of \$1.2 million or 3.3 percent above 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 March 2009, \$34.5 million was collected and deposited to the fund. After deductions, the net amount is \$33.6 million. The monthly collection is equivalent to a -5.5 percent decrease from prior year collections.

YEAR TO DATE REPORT, MARCH 2009
(PREPARED BY ECONOMIC ANALYSIS AND TAX RESEARCH, DF&A)

THROUGH MARCH 2009
9 Months YTD
Forecast Date: 11/13/2008

MILLIONS OF DOLLARS

	ACTUAL	FORECAST	INCREASE		ACTUAL	ACTUAL	INCREASE		ACTUAL AS % OF FORECAST
	FY 2008	FY 2009	AMOUNT	PERCENT	FY 2008	FY 2009	AMOUNT	PERCENT	
INDIVIDUAL INCOME	1,853.7	1,839.6	-14.1	-0.8	1,853.7	1,885.7	32.0	1.7	102.5
ESTATE ¹	-0.5	-0.5	0.0	-1.3	-0.5	-1.2	-0.7	130.7	233.6
CORPORATE INCOME	252.3	226.1	-26.2	-10.4	252.3	269.6	17.3	6.9	119.2
GROSS RECEIPTS ²	1,595.3	1,620.0	24.7	1.6	1,595.3	1,609.3	14.0	0.9	99.3
ALCOHOLIC BEVERAGE ³	20.2	20.8	0.5	2.6	20.2	22.1	1.8	9.0	106.3
TOBACCO	105.0	105.2	0.2	0.2	105.0	109.4	4.4	4.2	104.0
INSURANCE	68.2	68.9	0.7	1.1	68.2	63.5	-4.7	-6.8	92.2
RACING	3.7	3.7	0.0	0.4	3.7	3.7	0.1	1.5	101.2
GAMES OF SKILL	4.0	5.2	1.2	30.3	4.0	4.5	0.5	12.6	86.4
MISCELLANEOUS ⁴	45.9	61.4	15.5	33.7	45.9	62.1	16.2	35.2	101.1
TOTAL GROSS	3,947.8	3,950.4	2.6	0.1	3,947.8	4,028.7	80.9	2.1	102.0
PLUS:									
PROP. TAX RELIEF TR. FUND	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
REVENUE ALLOTMENT RESERVE	4.7	3.4	-1.4	-28.7	4.7	3.4	-1.4	-28.7	100.0
LESS: SCSF/COF ⁵	118.4	118.5	0.1	0.0	118.4	120.9	2.5	2.1	102.0
IND INCOME TAX REFUNDS	291.8	318.3	26.5	9.1	291.8	324.2	32.4	11.1	101.9
CORP INCOME TAX REFUNDS	27.0	38.1	11.1	41.0	27.0	49.4	22.4	82.9	129.7
CLAIMS	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
ECON DEVEL INCENTIVE FUND	8.9	16.0	7.1	79.1	8.9	11.2	2.2	25.2	69.9
WATER/SEWER BONDS	1.8	4.5	2.7	150.0	1.8	4.5	2.7	150.0	100.0
COLLEGE SAVINGS BONDS	6.7	6.1	-0.6	-9.1	6.7	6.1	-0.6	-9.5	99.6
CITY/CO. TOURIST	5.4	5.3	-0.1	-2.5	5.4	5.4	-0.1	-1.5	101.0
SCHOOL DESEGREGATION	57.0	58.8	1.8	3.2	57.0	58.8	1.8	3.2	100.0
EDUCATIONAL EXCELLENCE	223.8	216.1	-7.7	-3.4	223.8	216.2	-7.6	-3.4	100.0
EDUCATIONAL ADEQUACY	19.8	19.0	-0.8	-4.0	19.8	19.1	-0.7	-3.4	100.6
ELDERLY TRANSPORTATION	1.6	1.6	0.0	1.5	1.6	1.6	0.0	1.5	100.0
NET AVAILABLE	3,190.2	3,151.5	-38.7	-1.2	3,190.2	3,214.8	24.6	0.8	102.0

REVENUE FORECAST SUMMARY FOR MARCH

YEAR-TO-DATE GROSS	\$ 78.3 MILLION OR 2.0% ABOVE FORECAST.
YEAR-TO-DATE REFUNDS	\$ 17.2 MILLION OR 4.8% ABOVE FORECAST.
YEAR-TO-DATE NET AVAILABLE	\$ 63.3 MILLION OR 2.0% ABOVE FORECAST

	<u>YTD FY 08</u>	<u>YTD FY 09</u>	<u>% CHANGE</u>
SOFT DRINK EXCISE TAX (MEDICAID PROGRAM TRUST FUND)	34.8	36.0	3.3
EDUCATIONAL ADEQUACY FUND (NET DEPOSIT)	319.1	320.2	0.3

- 1) Effective January 1, 2005, the federal estate tax credit was abolished, effectively ending state tax collections in FY06.
- 2) Gross Receipts includes the sales, use, 10% mixed drink, 3% beverage excise, vehicle rental, short-term rental, residential moving, and wholesale vending taxes.
- 3) Alcoholic Beverage does not include 10% Mixed Drink and 3% Beverage Excise.
- 4) Miscellaneous includes severance, corporate franchise, real estate transfer, dyed diesel, and various other miscellaneous taxes.
- 5) State Central Services Fund and Constitutional Officers Fund.

MARCH GENERAL REVENUE REPORT
(ECONOMIC ANALYSIS AND TAX RESEARCH, DFA)
(682-1688 for further information)

March 31, 2009
Days Remaining: 0
Forecast date: 11/13/2008

MILLIONS OF \$

	<u>CURRENT MONTH</u>				<u>CURRENT MONTH TO DATE</u>				ACTUAL AS % OF FORECAST
	ACTUAL FY 2008	FORECAST FY 2009	CHANGE AMOUNT	CHANGE PERCENT	ACTUAL FY 2008	ACTUAL FY 2009	CHANGE AMOUNT	CHANGE PERCENT	
INDIVIDUAL INCOME	203.9	201.1	-2.8	-1.4	203.9	198.1	-5.7	-2.8	98.5
ESTATE ¹	-0.1	0.0	0.1	0.0	-0.1	0.0	0.1	0.0	0.0
CORPORATE INCOME	49.0	41.3	-7.7	-15.8	49.0	49.1	0.0	0.1	118.8
GROSS RECEIPTS ²	178.1	178.6	0.5	0.3	178.1	172.1	-6.0	-3.4	96.3
ALCOHOLIC BEVERAGE ³	2.2	2.0	-0.2	-9.4	2.2	2.2	0.0	1.8	112.4
TOBACCO	11.3	10.9	-0.4	-3.3	11.3	8.0	-3.2	-28.7	73.7
INSURANCE	19.4	19.8	0.4	1.8	19.4	19.6	0.1	0.5	98.7
RACING	0.5	0.5	0.0	-6.4	0.5	0.4	-0.1	-22.5	82.8
GAMES OF SKILL	0.6	0.8	0.2	41.7	0.6	0.5	0.0	-3.5	68.1
MISCELLANEOUS ⁴	4.2	4.0	-0.2	-5.3	4.2	4.6	0.4	8.9	115.0
TOTAL GROSS	469.1	459.0	-10.1	-2.2	469.1	454.7	-14.5	-3.1	99.1
PLUS:									
PROP. TAX RELIEF TR. FUND	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
REV. ALLOTMENT RESERVE	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
LESS: 3% (SCSF/COF) ⁵	14.1	13.8	-0.3	-2.0	14.1	13.6	-0.4	-3.1	98.8
IND INC TAX REFUNDS	78.4	85.8	7.4	9.5	78.4	99.9	21.5	27.5	116.4
CORP INC TAX REFUNDS	1.4	2.1	0.7	51.4	1.4	6.1	4.8	342.5	292.3
CLAIMS	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
ECON DEVEL INCENTIVE FUND	0.3	2.4	2.1	656.8	0.3	0.3	-0.1	-19.1	10.7
WATER/SEWER BONDS	0.2	0.5	0.3	150.0	0.2	0.5	0.3	150.0	100.0
COLLEGE SAVINGS BONDS	0.0	0.0	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	0.0	0.0
SCHOOL DESEGREGATION	4.5	8.5	4.0	88.9	4.5	8.5	4.0	88.9	100.0
EDUCATIONAL EXCELLENCE	24.9	24.0	-0.9	-3.5	24.9	24.0	-0.8	-3.4	100.1
EDUCATIONAL ADEQUACY	2.2	2.1	-0.1	-4.5	2.2	2.1	-0.1	-3.4	101.1
ELDERLY TRANSPORTATION	0.2	0.2	0.0	26.3	0.2	0.1	-0.1	-57.8	33.4
NET AVAILABLE	343.1	319.6	-23.5	-6.8	343.1	299.5	-43.5	-12.7	93.7

	<u>March 08</u>	<u>March 09</u>	<u>% CH</u>
EDUCATIONAL ADEQUACY FUND (NET DEPOSIT, MONTH-TO-DATE)	35.5	33.6	-5.5

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