



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 February (FY 2008)**

DATE: March 4, 2008 Copy: Governor's Office
Management Services

FEBRUARY and YEAR-TO-DATE REVENUE SUMMARY

Year-to-date Net Available General Revenues: Year-to-date net available general revenues total \$2,847.1 million. This amount is \$24.6 million or 0.9 percent above last year and \$123.1 million or 4.5 percent above the general revenue forecast. The year-to-date amount above forecast is due primarily to large gains in individual and corporate income tax collections that were greater than anticipated. Year ago comparisons for net available revenues continue to be influenced by non-recurring transfers of \$34.0 million from General Allotment Reserve in July 2006 and \$22.0 million from Property Tax Relief Trust Fund in December 2006.

Year-to-date Gross General Revenues: Year-to-date gross collections total \$3,478.6 million, representing an increase of \$123.6 million or 3.7 percent above last year. Gross general revenues are \$136.1 million or 4.1 percent above the general revenue forecast.

Year-to-date Individual Income Taxes: Year-to-date individual income tax collections total \$1,649.8 million, \$143.4 million or 9.5 percent above FY 2007 collections and \$104.0 million or 6.7 percent above forecast. Collections growth for individual monthly withholding is up 9.3 percent over year ago levels.

Year-to-date individual income tax refunds total \$213.4 million, up \$32.0 million or 17.6 percent compared to last year and \$16.9 million or 8.6 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 \$1,417.2 million, a decrease of \$50.5 million or 3.4 percent below FY 2007 and \$1.9 million or 0.1 percent below forecast. Tax reductions implemented in July make comparisons to economic movement by way of this consumption-based set of taxes problematic.

Year-to-date Corporate Income Taxes: Year-to-date corporate revenues total \$203.2 million, an increase of \$14.3 million or 7.6 percent above year-to-date FY 2007.

Year-to-date corporate income tax refunds total \$25.6 million, down \$8.9 million or 25.8 percent from the comparable year-to-date period last year and \$9.8 million or 27.6 percent below forecast.

FEBRUARY REVENUE SUMMARY

February Net Available General Revenues total \$190.9 million, \$6.7 million or 3.4 percent below last year and \$1.5 million or 0.8 percent above forecast.

February Gross General Revenues: February collections total \$375.3 million, an increase of \$25.5 million or 7.3 percent above last year and \$20.5 million or 5.8 percent above forecast.

February Individual Income Tax collections total \$188.3 million. Collections increased by \$26.3 million, or 16.3 percent, compared to last year. With respect to the forecast, collections are \$17.8 million or 10.5 percent above forecast. Growth in individual withholding, the largest component, was up 17.5 percent compared to last year. Gains in withholding accounted for much of the increase in collections. Growth above forecast is partly attributable to one-time, non-recurring business transactions during the month.

February Individual Income Tax Refunds total \$138.6 million. Refunds are up \$28.5 million or 25.9 percent above February 2007. This amount is 15.8 percent above forecast for the month. In February 2007, 290,049 refunds were processed compared to 341,526 this year, an increase of 17.8 percent.

February Gross Receipts Collections: February collections total \$165.2 million, a decrease of \$3.2 million or 1.9 percent below last year. Collections are above monthly forecast levels by \$2.4 million or 1.5 percent. The decline relative to year ago levels largely results from sales tax reductions enacted in the last legislative session and implemented at the start of the fiscal year.

February Corporate Income Tax collections total \$3.6 million, a decrease of \$0.1 million, or 3.2 percent below year earlier levels. With respect to the forecast, collections are \$0.4 million or 12.0 percent above forecast.

February Corporate Income Tax Refunds total \$1.9 million. This amount is \$0.9 or 94.4 percent above year ago refunds.

February Tobacco Tax collections, a smaller component of general revenue, total \$10.8 million or 6.6 percent above year earlier levels. Monthly changes in tobacco tax collections can be attributed to uneven patterns of stamp sales by wholesale purchasers.

SPECIAL REVENUES OF NOTE

Year-to-date Medicaid Program Trust Fund: Year-to-date collections of the dedicated soft drink tax total \$31.5 million, an increase of \$0.5 million or 1.8 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 February 2008, \$34.5 million was collected and deposited to the fund. After deductions, the net amount is \$33.5 million. Year-to-date net collections total \$283.6 million, compared to \$290.1 million last year.

YEAR TO DATE REPORT, FEBRUARY 2008
(PREPARED BY ECONOMIC ANALYSIS AND TAX RESEARCH, DF&A)

THROUGH FEBRUARY 2008
8 Months YTD
Forecast Date: 5/02/07

MILLIONS OF DOLLARS

	ACTUAL FORECAST		INCREASE		ACTUAL FY 2007	ACTUAL FY 2008	INCREASE		ACTUAL AS % OF FORECAST
	FY 2007	FY 2008	AMOUNT	PERCENT			AMOUNT	PERCENT	
INDIVIDUAL INCOME	1,506.4	1,545.8	39.4	2.6	1,506.4	1,649.8	143.4	9.5	106.7
ESTATE ¹	-0.1	0.0	0.1	-100.0	-0.1	-0.4	-0.3	493.6	0.0
CORPORATE INCOME	188.9	170.6	-18.3	-9.7	188.9	203.2	14.3	7.6	119.1
GROSS RECEIPTS ²	1,467.7	1,419.1	-48.6	-3.3	1,467.7	1,417.2	-50.5	-3.4	99.9
ALCOHOLIC BEVERAGE ³	16.3	18.2	1.9	11.7	16.3	18.0	1.8	10.8	99.1
TOBACCO	93.1	92.3	-0.8	-0.9	93.1	93.7	0.6	0.6	101.5
INSURANCE	46.6	47.2	0.6	1.2	46.6	48.7	2.1	4.5	103.2
RACING	3.2	3.2	0.0	-1.2	3.2	3.2	-0.1	-2.6	98.5
GAMES OF SKILL	1.1	2.8	1.7	152.7	1.1	3.4	2.3	209.1	122.3
MISCELLANEOUS ⁴	31.8	43.3	11.5	36.3	31.8	41.7	9.9	31.3	96.3
TOTAL GROSS	3,355.1	3,342.5	-12.6	-0.4	3,355.1	3,478.6	123.6	3.7	104.1
PLUS:									
PROP. TAX RELIEF TR. FUND	22.0	0.0	-22.0	-100.0	22.0	0.0	-22.0	-100.0	0.0
REVENUE ALLOTMENT RESERVE	34.0	4.7	-29.3	-86.2	34.0	4.7	-29.3	-86.1	100.9
LESS: SCSF/COF ⁵	100.7	100.3	-0.4	-0.4	100.7	104.4	3.7	3.7	104.1
IND INCOME TAX REFUNDS	181.4	196.5	15.1	8.3	181.4	213.4	32.0	17.6	108.6
CORP INCOME TAX REFUNDS	34.6	35.4	0.8	2.4	34.6	25.6	-8.9	-25.8	72.4
CLAIMS	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
ECON DEVEL INCENTIVE FUND	8.8	12.8	4.0	45.3	8.8	8.6	-0.2	-2.2	67.3
WATER/SEWER BONDS	0.8	1.6	0.8	100.0	0.8	1.6	0.8	100.0	100.0
COLLEGE SAVINGS BONDS	0.9	1.0	0.1	11.1	0.9	6.7	5.8	645.2	670.9
CITY/CO. TOURIST	5.4	5.5	0.1	1.2	5.4	5.4	0.0	0.0	98.8
SCHOOL DESEGREGATION	48.0	52.5	4.5	9.4	48.0	52.5	4.5	9.4	100.0
EDUCATIONAL EXCELLENCE	189.8	198.6	8.8	4.6	189.8	199.0	9.1	4.8	100.2
EDUCATIONAL ADEQUACY	16.8	17.6	0.8	4.9	16.8	17.6	0.8	4.8	99.9
ELDERLY TRANSPORTATION	1.4	1.4	0.0	0.2	1.4	1.4	0.0	1.6	101.3
NET AVAILABLE ⁶	2,822.5	2,724.0	-98.5	-3.5	2,822.5	2,847.1	24.6	0.9	104.5

REVENUE FORECAST SUMMARY FOR FEBRUARY

YEAR-TO-DATE GROSS	\$ 136.1 MILLION OR 4.1% ABOVE FORECAST.
YEAR-TO-DATE REFUNDS	\$ 7.2 MILLION OR 3.1% ABOVE FORECAST.
YEAR-TO-DATE NET AVAILABLE	\$ 123.1 MILLION OR 4.5% ABOVE FORECAST

MEDICAID PROGRAM TRUST FUND (SOFT DRINK EXCISE TAX)	<u>YTD FY 07</u>	<u>YTD FY 08</u>	<u>% CHANGE</u>
	31.0	31.5	1.8
EDUCATIONAL ADEQUACY FUND (NET DEPOSIT)	<u>YTD FY 07</u>	<u>YTD FY 08</u>	<u>% CHANGE</u>
	290.1	283.6	-2.2

- 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.
- 6) YTD net available revenue includes one time transfers from Revenue Allotment Reserve of \$34.0 million in FY07 and \$4.7 million in FY08. YTD net available revenue also includes a one time transfer from Property Tax Relief Trust Fund of \$22.0 million in FY07. Excluding these one time transfers, FY08 YTD net available revenue is \$75.9 million higher than the year ago level.

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

February 29, 2008
Days Remaining: 0
Forecast date: 5/02/07

MILLIONS OF \$

CURRENT MONTH TO DATE

	ACTUAL		CHANGE		ACTUAL		CHANGE		ACTUAL AS % OF FORECAST
	FY 2007	FORECAST FY 2008	AMOUNT	PERCENT	FY 2007	ACTUAL FY 2008	AMOUNT	PERCENT	
INDIVIDUAL INCOME	162.0	170.5	8.5	5.2	162.0	188.3	26.3	16.3	110.5
ESTATE ¹	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-198.3	0.0
CORPORATE INCOME	3.7	3.2	-0.5	-13.6	3.7	3.6	-0.1	-3.2	112.0
GROSS RECEIPTS ²	168.4	162.8	-5.6	-3.3	168.4	165.2	-3.2	-1.9	101.5
ALCOHOLIC BEVERAGE ³	1.6	2.0	0.4	21.5	1.6	2.2	0.5	30.9	107.8
TOBACCO	10.1	10.0	-0.1	-1.1	10.1	10.8	0.7	6.6	107.8
INSURANCE	0.6	0.7	0.1	9.2	0.6	0.8	0.1	22.0	111.7
RACING	0.5	0.6	0.0	7.2	0.5	0.5	0.0	-3.6	90.0
GAMES OF SKILL	0.4	0.4	0.0	-10.5	0.4	0.5	0.1	19.0	133.0
MISCELLANEOUS ⁴	2.4	4.7	2.3	95.8	2.4	3.5	1.1	46.4	74.8
TOTAL GROSS	349.8	354.8	5.0	1.4	349.8	375.3	25.5	7.3	105.8
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	10.5	10.7	0.2	2.0	10.5	11.3	0.8	7.3	105.2
IND INC TAX REFUNDS	110.1	119.7	9.6	8.8	110.1	138.6	28.5	25.9	115.8
CORP INC TAX REFUNDS	1.0	1.1	0.1	9.9	1.0	1.9	0.9	94.4	176.9
CLAIMS	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
ECON DEVEL INCENTIVE FUND	0.6	1.6	1.0	152.0	0.6	0.2	-0.5	-72.4	11.0
WATER/SEWER BONDS	0.1	0.2	0.1	100.0	0.1	0.2	0.1	100.0	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	4.0	5.0	1.0	25.0	4.0	5.0	1.0	25.0	100.0
EDUCATIONAL EXCELLENCE	23.7	24.8	1.1	4.5	23.7	24.9	1.1	4.8	100.3
EDUCATIONAL ADEQUACY	2.1	2.2	0.1	4.9	2.1	2.2	0.1	4.8	99.9
ELDERLY TRANSPORTATION	0.2	0.1	-0.1	-34.2	0.2	0.2	0.0	4.4	158.7
NET AVAILABLE	197.6	189.4	-8.2	-4.1	197.6	190.9	-6.7	-3.4	100.8

EDUCATIONAL ADEQUACY FUND (NET DEPOSIT, MONTH-TO-DATE)	<u>Feb 07</u> 33.3	<u>Feb 08</u> 33.5	<u>% CH</u> 0.7
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- 3) Alcoholic Beverage does not include 10% Mixed Drink and 3% Beverage Excise.
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