



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

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MEMORANDUM

TO: Jim Hudson, Secretary
Robert Brech, Deputy Director

FROM: Economic Analysis & Tax Research

SUBJECT: **General Revenue Report for August 2024 (FY 2025)**

DATE: September 4, 2024 Copy: Governor's Office

The Official General Revenue Forecast was revised on August 22, 2024, and includes the impact to individual and corporate income taxes resulting from Act 4 of the Second Extraordinary Session in 2024. The revised forecast projects a year-end surplus of \$280.2 million. The following comparisons to forecast of monthly and year-to-date results reflect the latest forecast revision.

YEAR-TO-DATE REVENUE SUMMARY

Net Available General Revenues totaled \$1,043.7 million, \$27.2 million or 2.5 percent below year ago levels. After two months into the fiscal year, net available revenue is above forecast by \$9.9 million or 1.0 percent.

Gross General Revenues totaled \$1,220.4 million, representing a decrease of \$36.1 million or 2.9 percent below last year. Gross general revenues are above forecast by \$11.8 million or 1.0 percent.

Individual Income Tax collections totaled \$485.3 million, \$47.5 million or 8.9 percent below FY 2024 collections and \$4.4 million or 0.9 percent above forecast.

Individual Income Tax Refunds totaled \$38.2 million, down \$6.4 million or 14.3 percent compared to last year and \$0.5 million or 1.4 percent less than forecast.

Sales and Use Tax collections totaled \$597.1 million, an increase of \$22.6 million or 3.9 percent above FY 2024 and \$12.1 million or 2.1 percent above forecast.

Corporate Income Tax collections totaled \$27.0 million, a decrease of \$13.6 million from year-to-date FY 2024. Corporate income is lower than forecast by \$4.6 million or 14.6 percent.

Corporate Income Tax Refunds totaled \$8.8 million, a decrease of \$5.0 million compared to the same year-to-date period last year.

AUGUST REVENUE SUMMARY

Net Available General Revenues totaled \$516.0 million, \$1.6 million or 0.3 percent below last year and \$9.9 million or 2.0 percent above forecast.

Net Available revenue results were above forecast in Individual Income Tax, Corporate Income Tax and Sales Tax in the month, a relatively low collection month for these categories. Individual Income Tax was above forecast due to withholding payments. Sales Tax collections were above forecast and year ago levels. Income Tax refund claims were above forecast in Corporate and less than forecast in Individual.

Among smaller revenue sources, Tobacco was below forecast by \$0.9 million and less than year ago collections. Insurance revenues were above forecast by \$1.3 million.

Gross General Revenues totaled \$604.6 million, \$8.6 million or 1.4 percent below last year but \$11.8 million or 2.0 percent above forecast. Gross revenue from collections was below year ago primarily due to lower Individual and Corporate Income Tax collections.

Individual Income Tax collections totaled \$237.9 million. Collections decreased by \$18.7 million, or 7.3 percent compared to last year. Compared to the forecast, collections were \$4.4 million, or 1.9 percent, above forecast. Individual Withholding Tax revenue increased by \$2.6 million, or 1.2 percent compared to last year.

Individual Income Tax Refunds totaled \$18.7 million, \$2.8 million below last year and \$0.5 million less than forecast.

Sales and Use Tax collections totaled \$307.0 million, \$14.8 million greater than last year. Collections were above monthly forecast levels by \$12.1 million or 4.1 percent. Collections in the Retail Sector were up 5.0% compared to last year.

Corporate Income Tax collections totaled \$4.0 million, a decrease of \$5.3 million from year ago, and \$4.6 million below forecast.

Corporate Income Tax Refunds totaled \$5.1 million, an amount that is \$5.8 million lower than year ago levels. Refunds were also \$2.2 million above forecast.

Tobacco Tax collections, a smaller component of general revenue in annual terms, totaled \$15.5 million. Collections decreased by \$1.6 million from year earlier levels and were less than forecast by \$0.9 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 2024, \$62.7 million was collected and deposited to the fund. After deductions, the net amount is \$60.9 million. The monthly collection is equivalent to a 3.6 percent increase from prior year collections.

Q: /Daily Report PDF Files/FY2025/02 August
Attachment (2)

August 2024 Year-to-Date General Revenue Report

Economic Analysis and Tax Research, DFA

Forecast Date: 08/22/24

Millions of \$

				<u>Change from Forecast</u>		<u>Change from Last Year</u>	
	Actual	Forecast	Actual	Dollar	Percent	Dollar	Percent
	Aug FY24	Aug FY25	Aug FY25	Difference	Difference	Difference	Difference
Individual Income	532.8	480.9	485.3	4.4	0.9	-47.5	-8.9
Corporate Income	40.6	31.6	27.0	-4.6	-14.6	-13.6	-33.5
Sales & Use	574.4	585.0	597.1	12.1	2.1	22.6	3.9
Alcohol	13.6	13.7	13.7	0.0	0.2	0.2	1.2
Tobacco	33.9	33.5	32.6	-0.9	-2.8	-1.3	-3.9
Insurance	22.0	23.5	24.8	1.3	5.4	2.8	12.6
Racing	0.2	0.2	0.1	-0.1	-37.5	0.0	-18.3
Gaming	10.1	10.4	10.5	0.1	0.5	0.3	3.0
Severance	2.4	2.6	2.5	-0.1	-3.4	0.1	3.0
Franchise	1.8	1.7	1.3	-0.4	-26.4	-0.5	-29.4
Real Estate Transfer	2.6	2.6	2.6	0.0	0.3	0.0	0.0
Miscellaneous	22.2	22.9	23.0	0.1	0.5	0.9	3.9
Total Gross	1,256.6	1,208.6	1,220.4	11.8	1.0	-36.1	-2.9
LESS: (SCSF/COF) ¹	39.0	36.0	36.3	0.3	0.9	-2.6	-6.8
Individual Income Refunds	44.5	38.7	38.2	-0.5	-1.4	-6.4	-14.3
Corporate Income Refunds	13.7	6.6	8.8	2.2	33.1	-5.0	-36.1
Claims	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Econ Development Incentive	0.6	3.5	4.0	0.5	14.6	3.4	575.3
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
Wood Energy Products 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	78.1	80.0	79.6	-0.4	-0.6	1.5	1.9
Educational Adequacy	6.9	7.1	7.0	-0.1	-0.9	0.1	1.9
Highway Casino Transfer	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Deductions	185.6	174.8	176.7	1.9	1.1	-8.9	-4.8
Net Available	1,070.9	1,033.8	1,043.7	9.9	1.0	-27.2	-2.5
LESS: Surplus	0.0	0.0	0.0				
Net AVAILABLE Distribution	1,070.9	1,033.8	1,043.7	9.9	1.0	-27.2	-2.5

Revenue Forecast Summary for the Month

August Year-to-Date Gross:	\$ 11.8 Million OR 1.0% Above Forecast
August Year-to-Date Net Available:	\$ 9.9 Million OR 1.0% Above Forecast

¹ State Central Services Fund and Constitutional Officers Fund.

August 2024 General Revenue Report Economic Analysis and Tax Research, DFA

Forecast Date: 08/22/24

Millions of \$

	Actual Aug FY24	Forecast Aug FY25	Actual Aug FY25	<u>Change from Forecast</u>		<u>Change from Last Year</u>	
				Dollar Difference	Percent Difference	Dollar Difference	Percent Difference
Individual Income	256.6	233.5	237.9	4.4	1.9	-18.7	-7.3
Corporate Income	9.4	8.6	4.0	-4.6	-53.5	-5.3	-57.0
Sales & Use	292.1	294.9	307.0	12.1	4.1	14.8	5.1
Alcohol	6.1	6.2	6.2	0.0	0.4	0.1	2.1
Tobacco	17.0	16.4	15.5	-0.9	-5.7	-1.6	-9.3
Insurance	21.8	23.1	24.4	1.3	5.5	2.6	12.1
Racing	0.1	0.1	0.1	-0.1	-58.9	0.0	-27.7
Gaming	4.2	4.1	4.1	0.1	1.3	-0.1	-2.7
Severance	0.9	1.4	1.3	-0.1	-6.4	0.4	47.7
Franchise	1.2	1.0	0.6	-0.4	-44.5	-0.6	-51.4
Real Estate Transfer	0.8	0.6	0.6	0.0	1.4	-0.2	-28.7
Miscellaneous	3.1	3.0	3.1	0.1	3.7	0.0	1.0
Total Gross	613.3	592.8	604.6	11.8	2.0	-8.6	-1.4
LESS: (SCSF/COF) ¹	19.0	17.8	18.1	0.3	1.7	-0.9	-4.6
Individual Income Refunds	21.5	19.3	18.7	-0.5	-2.7	-2.8	-13.0
Corporate Income Refunds	11.0	2.9	5.1	2.2	74.4	-5.8	-53.2
Claims	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Econ Development Incentive	0.6	1.5	2.0	0.5	34.4	1.4	236.3
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
Wood Energy Products 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	0.1	0.0	-0.1	-100.0	0.0	0.0
Educational Excellence	38.8	40.2	39.8	-0.4	-1.1	1.0	2.6
Educational Adequacy	3.5	3.6	3.5	-0.1	-1.9	0.1	1.9
Highway Casino Transfer	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Deductions	95.6	86.7	88.6	1.9	2.2	-7.0	-7.3
Net Available	517.6	506.1	516.0	9.9	2.0	-1.6	-0.3

Revenue Forecast Summary for the Month

August Gross: \$ 11.8 Million OR 2.0% Above Forecast
August Net Available: \$ 9.9 Million OR 2.0% Above Forecast

¹ State Central Services Fund and Constitutional Officers Fund.