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**Department of Finance
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MEMORANDUM

TO: Richard Weiss, Director
Tim Leathers, Deputy Director

FROM: John Shelnett, Economic Analysis & Tax Research

SUBJECT: **General Revenue Report for June and FY 2010 Summary**

DATE: July 2, 2010

Copy: Governor's Office
Management Services

FISCAL YEAR 2010 REVENUE SUMMARY

Fiscal Year 2010 Net Available General Revenues: Fiscal year 2010 net available general revenues total \$4,323.1 million. This amount is \$111.5 million or -2.5 percent below last year. Net available revenue is \$61.4 million or 1.4 percent above forecast.

The most significant percentage variances above forecast were from collections in Corporate Income and Individual Income among larger categories.

Individual and Corporate Income accounted for most of the gains relative to forecast at \$35.1 million and \$22.8 million respectively. Gross Receipts (sales and use tax) contributed \$8.6 million (0.4 percent) above forecast while falling -5.5 percent in year ago comparative terms. The decline in sales tax collections includes the effect of tax rate reduction on sales from food consumed at home, estimated at \$30.1 million.

Refunds to Individuals and Corporate filers exceed the forecast by \$1.0 million and \$1.6 million, respectively. These offsets to gross collections amounted to 0.2 percent greater claims than forecast for Individuals and 2.7 percent greater for Corporate.

Other deductions from gross collections included a \$20 million transfer to State Central Services Fund (SCSF) as authorized by law in the event of shortfalls. This was partially

offset by \$10 million which was reserved for claims that was not required during the year.

The decline in Net Available funds in FY 2010 and FY 2009 marks an unusual period of back-to-back annual declines in revenue. Prior recessions were limited to single year impacts and with few resulting in zero or negative annual change. In recent years, the only other annual decline in revenues occurred in FY 2002.

Fiscal Year 2010 Gross General Revenues: Fiscal year 2010 gross collections total \$5,430.4 million, representing a decrease of \$130.7 million or -2.4 percent below last year. Gross general revenues are \$73.3 million or 1.4 percent above forecast.

Fiscal Year 2010 Individual Income Taxes: Fiscal year 2010 individual income tax collections total \$2,579.2 million, \$126.3 million or -4.7 percent below FY 2009 collections and \$35.1 million or 1.4 percent above forecast. Collections for individual monthly withholding, the largest component of individual income tax, were \$2,074.9 million, representing a -0.8 percent decrease over last year and 1.0 percent above forecasted levels. Collections for estimated payments were \$303.0 million or 3.1 percent above forecast. Estimated payments were down sharply in FY 2010, reflecting significant impact of declines in tax liability for tax year 2009. The last forecast revision had anticipated a continuing downward trend in individual income payments and estimates which did not occur.

Fiscal Year 2010 individual income tax refunds total \$488.1 million, \$21.6 million or 4.6 percent above last year and \$1.0 million or 0.2 percent above forecast.

Fiscal Year 2010 Gross Receipts Collections: Gross receipts consist primarily of sales and use taxes. Fiscal year 2010 gross receipts total \$1,981.2 million, a decrease of \$116.1 million or -5.5 percent below FY 2009 and \$8.6 million or 0.4 percent above forecast. Decline in collections relative to FY 2009 reflects economic weakness in the collection base and a sales tax rate change on food consumed at home. Further non-economic, negative impact was derived from large sales and use tax refunds. These refunds represented multiple years of overpayment.

Fiscal Year 2010 Corporate Income Taxes: Fiscal year corporate revenues total \$423.6 million, an increase of \$41.0 million or 10.7 percent above FY 2009. Collections came in \$22.8 million or 5.7 percent above forecast. Corporate estimated payments declined 6.8 percent from year ago levels. Corporate returns increased 130.7 percent, due in part to one-time payments.

Fiscal Year 2010 Corporate income tax refunds total \$61.7 million, \$2.1 million or 3.5 percent above last year and \$1.6 million above the general revenue forecast.

JUNE REVENUE SUMMARY

June Net Available General Revenues total \$418.3 million, \$16.7 million or -3.8 percent below last year and \$23.0 million or 5.8 percent above forecast. Net available funds were boosted by a significant turn in corporate income from prior months in estimated payments. Individual estimated payments were also better than expected in the revised forecast, but still down compared to year ago levels. Individual estimated tax payments were down -7.3 percent compared to year ago collections but exceeded the revised forecast from May by 22.9 percent. This rate of improvement had been anticipated in the forecast for FY 2011 with uncertainty for the exact turning point on the final months of FY 2010. Estimated payments by individuals and corporations represented the principle risk cited in the forecast revision in early May using data available through April. In addition, gains in gross receipts (primarily sales and use tax) benefited from a favorable comparison to year earlier collections and refunds.

June Gross General Revenues: June collections total \$505.6 million, an increase of \$5.8 million or 1.2 percent above last year and \$36.4 million or 7.8 percent above forecast.

June Individual Income Tax collections total \$224.5 million. Collections decreased by \$6.7 million, or -2.9 percent, compared to last year. With respect to the forecast, collections are \$13.8 million or 6.6 percent above forecast.

June Individual Income Tax Refunds total \$13.5 million. This amount is \$1.9 million or 16.3 percent above year ago refunds.

June Gross Receipts Collections: June collections total \$164.4 million, an increase of \$6.2 million or 3.9 percent from last year. Collections were above monthly forecast levels by \$3.3 million or 2.0 percent.

June Corporate Income Tax collections total \$57.4 million, an increase of \$8.5 million or 17.4 percent from year earlier levels, and \$15.2 million or 36.1 percent above forecast.

June Corporate Income Tax Refunds total \$7.6 million. This amount is \$4.1 million or 121.3 percent above year ago refunds.

June Tobacco Tax collections, a small component of general revenue, total \$21.6 million or 3.6 percent above year earlier levels.

SPECIAL REVENUES OF NOTE

Fiscal Year 2010 Medicaid Program Trust Fund: Fiscal year 2010 collections of the dedicated soft drink tax total \$45.5 million, a decrease of \$1.7 million or -3.6 percent from 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 June 2010, \$36.7 million was collected and deposited to the fund. After deductions, the net amount is \$35.6 million. The monthly collection is equivalent to a -3.9 percent decrease from prior year collections. Fiscal year net collections total \$411.3 million, compared to \$433.1 million last year. This represents a -5.0 percent fiscal year decrease from prior year collections.

C: /FISCNOT/June FY 2010
Attachment (2)

YEAR TO DATE REPORT, JUNE 2010
(PREPARED BY ECONOMIC ANALYSIS AND TAX RESEARCH, DFA)

THROUGH JUNE 2010
12 Months YTD
Forecast Date: 05/04/2010

MILLIONS OF DOLLARS

	<u>CURRENT YEAR</u>				<u>CURRENT YEAR TO DATE</u>				ACTUAL AS % OF FORECAST
	ACTUAL FY 2009	FORECAST FY 2010	INCREASE AMOUNT	INCREASE PERCENT	ACTUAL FY 2009	ACTUAL FY 2010	INCREASE AMOUNT	INCREASE PERCENT	
INDIVIDUAL INCOME	2,705.5	2,544.1	-161.4	-6.0	2,705.5	2,579.2	-126.3	-4.7	101.4
ESTATE ¹	-1.1	0.1	1.2	0.0	-1.1	0.1	1.2	0.0	89.2
CORPORATE INCOME	382.6	400.8	18.2	4.7	382.6	423.6	41.0	10.7	105.7
GROSS RECEIPTS ²	2,097.3	1,972.6	-124.7	-5.9	2,097.3	1,981.2	-116.1	-5.5	100.4
ALCOHOLIC BEVERAGE ³	30.6	31.1	0.4	1.5	30.6	31.2	0.6	1.8	100.4
TOBACCO	164.6	240.4	75.8	46.1	164.6	245.1	80.5	48.9	101.9
INSURANCE	97.8	94.9	-2.9	-3.0	97.8	94.3	-3.5	-3.5	99.4
RACING	5.1	4.4	-0.7	-14.5	5.1	4.6	-0.6	-11.1	104.0
GAMES OF SKILL	6.2	8.0	1.8	29.1	6.2	8.5	2.3	37.8	106.7
MISCELLANEOUS ⁴	72.5	60.7	-11.8	-16.2	72.5	62.6	-9.9	-13.6	103.1
TOTAL GROSS	5,561.2	5,357.1	-204.1	-3.7	5,561.2	5,430.4	-130.7	-2.4	101.4
PLUS:									
REVENUE ALLOTMENT RESERVE	3.4	61.0	57.6	1,704.7	3.4	61.0	57.7	1,706.2	100.1
LESS: SCSF/COF ⁵	166.7	160.7	-5.9	-3.6	166.7	162.8	-3.9	-2.3	101.3
SCSF STABILIZATION TRANSFER	0.0	0.0	0.0	0.0	0.0	20.0	20.0	0.0	0.0
IND INCOME TAX REFUNDS	466.5	487.1	20.6	4.4	466.5	488.1	21.6	4.6	100.2
CORP INCOME TAX REFUNDS	59.7	60.1	0.4	0.8	59.7	61.7	2.1	3.5	102.7
CLAIMS	0.0	10.0	10.0	0.0	0.0	0.0	0.0	0.0	0.0
ECON DEVEL INCENTIVE FUND	15.0	13.4	-1.6	-10.5	15.0	12.1	-2.9	-19.2	90.3
WATER/SEWER BONDS	6.0	12.9	6.9	115.0	6.0	12.9	6.9	115.0	100.0
COLLEGE SAVINGS BONDS	23.9	24.0	0.1	0.3	23.9	23.7	-0.3	-1.1	98.6
CITY/CO. TOURIST	7.1	7.3	0.2	2.3	7.1	7.3	0.1	1.9	99.5
SCHOOL DESEGREGATION	69.3	69.8	0.5	0.8	69.3	68.9	-0.4	-0.6	98.7
EDUCATIONAL EXCELLENCE	288.2	284.1	-4.1	-1.4	288.2	284.1	-4.2	-1.4	100.0
EDUCATIONAL ADEQUACY	25.5	25.1	-0.4	-1.5	25.5	25.1	-0.4	-1.4	100.1
ELDERLY TRANSPORTATION	2.0	1.8	-0.2	-10.5	2.0	1.8	-0.2	-11.9	98.5
NET AVAILABLE	4,434.7	4,261.8	-172.9	-3.9	4,434.7	4,323.1	-111.5	-2.5	101.4

REVENUE FORECAST SUMMARY FOR JUNE

YEAR-TO-DATE GROSS	\$ 73.3 MILLION OR 1.4% ABOVE FORECAST.
YEAR-TO-DATE REFUNDS	\$ 2.6 MILLION OR 0.5% ABOVE FORECAST.
YEAR-TO-DATE NET AVAILABLE	\$ 61.4 MILLION OR 1.4% ABOVE FORECAST

SOFT DRINK EXCISE TAX (MEDICAID PROGRAM TRUST FUND)	<u>YTD FY 09</u> 47.2	<u>YTD FY 10</u> 45.5	<u>% CHANGE</u> -3.6
EDUCATIONAL ADEQUACY FUND (NET DEPOSIT)	<u>YTD FY 09</u> 433.1	<u>YTD FY 10</u> 411.3	<u>% CHANGE</u> -5.0

- 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.

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

June 30, 2010
Days Remaining: 0
Forecast date: 05/04/2010

MILLIONS OF \$

	<u>CURRENT MONTH</u>				<u>CURRENT MONTH TO DATE</u>				ACTUAL AS % OF FORECAST
	ACTUAL FY 2009	FORECAST FY 2010	CHANGE AMOUNT	CHANGE PERCENT	ACTUAL FY 2009	ACTUAL FY 2010	CHANGE AMOUNT	CHANGE PERCENT	
INDIVIDUAL INCOME	231.2	210.7	-20.5	-8.9	231.2	224.5	-6.7	-2.9	106.6
ESTATE ¹	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
CORPORATE INCOME	48.9	42.2	-6.7	-13.7	48.9	57.4	8.5	17.4	136.1
GROSS RECEIPTS ²	158.1	161.1	3.0	1.9	158.1	164.4	6.2	3.9	102.0
ALCOHOLIC BEVERAGE ³	3.6	4.3	0.7	20.5	3.6	4.9	1.3	37.1	113.7
TOBACCO	20.8	18.0	-2.8	-13.5	20.8	21.6	0.8	3.6	119.8
INSURANCE	32.5	28.6	-3.9	-12.1	32.5	27.9	-4.7	-14.3	97.5
RACING	0.4	0.4	0.0	-5.1	0.4	0.3	-0.2	-39.3	63.9
GAMES OF SKILL	0.6	0.6	0.0	-5.7	0.6	0.8	0.2	33.4	141.4
MISCELLANEOUS ⁴	3.5	3.3	-0.2	-7.0	3.5	3.9	0.3	8.9	117.1
TOTAL GROSS	499.8	469.2	-30.6	-6.1	499.8	505.6	5.8	1.2	107.8
PLUS:									
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	14.8	14.0	-0.7	-5.1	14.8	14.8	0.1	0.4	105.7
SCSF STABILIZATION TRANSFER	0.0	0.0	0.0	0.0	0.0	20.0	20.0	0.0	0.0
IND INC TAX REFUNDS	11.6	11.2	-0.4	-3.7	11.6	13.5	1.9	16.3	120.7
CORP INC TAX REFUNDS	3.4	4.0	0.6	17.1	3.4	7.6	4.1	121.3	189.0
CLAIMS	0.0	10.0	10.0	0.0	0.0	0.0	0.0	0.0	0.0
ECON DEVEL INCENTIVE FUND	2.8	3.0	0.2	9.0	2.8	0.6	-2.1	-76.6	21.5
WATER/SEWER BONDS	0.5	1.0	0.5	100.0	0.5	1.0	0.5	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	5.4	4.7	-0.7	-12.5	5.4	3.8	-1.6	-29.9	80.1
EDUCATIONAL EXCELLENCE	24.0	23.7	-0.3	-1.3	24.0	23.7	-0.3	-1.4	99.9
EDUCATIONAL ADEQUACY	2.1	2.1	0.0	-1.1	2.1	2.1	0.0	-1.4	99.7
ELDERLY TRANSPORTATION	0.2	0.2	0.0	24.7	0.2	0.2	0.0	2.8	82.4
NET AVAILABLE	435.0	395.3	-39.7	-9.1	435.0	418.3	-16.7	-3.8	105.8

REVENUE FORECAST SUMMARY FOR JUNE

JUNE GROSS	\$ 36.4 MILLION OR 7.8% ABOVE FORECAST.
JUNE NET AVAILABLE	\$ 23.0 MILLION OR 5.8% ABOVE FORECAST

	<u>June 09</u>	<u>June 10</u>	<u>% CH</u>
EDUCATIONAL ADEQUACY FUND (NET DEPOSIT, MONTH-TO-DATE)	37.1	35.6	-3.9

- 1) Effective January 1, 2005, the federal estate tax credit is 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.