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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 August (FY 2011)**

DATE: September 2, 2010

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 \$743.1 million, \$32.7 million or 4.6 percent above forecast. After two months into the fiscal year, revenue collections continue to outpace both the forecast and year ago levels.

The continued improvement in general revenue resulted mainly from Individual Income Tax and Gross Receipts Tax which account for 87 percent of revenue collections. The Individual Income Tax was up 5.4% over last year which was primarily from employee withholding indicating increased employment and wages. The Gross Receipts tax was up 8.8% over last year and the gain was from both consumer and business spending in the state economy. These factors indicate that we may be trending toward improved revenues and bolster confidence in the forecast.

Last year total net available general revenue included one-time transfers of \$71 Million. After two months of improved collections net available general revenue is only \$10.2 million or -1.3 percent less than the year ago level.

Year-to-date Gross General Revenues: Year-to-date gross collections total \$856.9 Million, representing an increase of \$46.3 million or 5.7 percent above last year. Gross general revenues are \$25.7 million or 3.1 percent above the general revenue forecast.

Year-to-date Individual Income Taxes: Year-to-date individual income tax collections total \$370.1 million, \$19.0 million or 5.4 percent above FY 2010 collections and \$11.2 million or 3.1 percent above forecast. Collections growth for individual withholding is up 5.7 percent over year ago levels.

Year-to-date individual income tax refunds total \$15.5 million, down \$1.5 million or -8.7 percent compared to last year and \$2.8 million or 15.1 percent below forecast. Amounts below forecast in refund categories contributed to higher net available revenue.

Year-to-date Gross Receipts Collections: Gross receipts consist primarily of sales and use taxes. On a year-to-date basis, gross receipts total \$376.2 million, an increase of \$30.5 million or 8.8 percent above FY 2010 and \$9.3 million or 2.5 percent above forecast.

Year-to-date Corporate Income Taxes: Year-to-date corporate revenues total \$28.8 million, an increase of \$4.4 million or 17.9 percent from year-to-date FY 2010. Corporate income is above forecast by \$0.8 million or 2.9 percent.

Year-to-date corporate income tax refunds total \$2.9 million, down \$1.2 million or -29.2 percent from the comparable year-to-date period last year.

AUGUST REVENUE SUMMARY

August Net Available General Revenues total \$372.6 million, \$18.0 million or 5.1 percent above forecast. Revenues were also up from year ago levels across a broad range of revenue types including income tax, sales tax, and miscellaneous other consumption-related collections.

There was elevated growth in both the Individual Income Tax and Gross Receipts Tax which account for 87 percent of general revenues. Individual Income Tax exceeded last year by \$11.6 Million and Gross Receipts Tax exceeded last year by \$15 million.

August Gross General Revenues: August collections total \$431.1 million, an increase of \$26.8 million or 6.6 percent above last year and \$12.0 million or 2.9 percent above forecast.

August Individual Income Tax collections total \$188.9 million. Collections increased by \$11.6 million, or 6.5 percent, compared to last year. With respect to the forecast, collections are \$7.8 million or 4.3 percent above forecast.

August Individual Income Tax Refunds total \$5.9 million, \$3.0 million or -33.3 percent below last year and \$3.7 million or 38.2 percent below forecast. Amounts below forecast in refund categories contributed to higher than forecast net available revenue.

August Gross Receipts Collections: August collections total \$187.9 million, an increase of \$15.0 million or 8.7 percent above last year. Collections were also above monthly forecast levels by \$4.4 million or 2.4 percent.

August Corporate Income Tax collections total \$5.8 million, fractionally above year earlier levels, and \$0.8 million or -12.1 percent below forecast. August is historically a low month for this revenue category.

August Corporate Income Tax Refunds total \$1.6 million. This amount is \$1.1 million or -41.1 percent below year ago levels.

August Tobacco Tax collections, a small component of general revenue, total \$21.2 million or -1.2 percent below year earlier levels, and \$1.7 million or 8.8 percent above forecast. Monthly changes in tobacco tax collections can be attributed to uneven patterns of stamp sales to wholesale purchasers.

SPECIAL REVENUES OF NOTE

Year-to-date Medicaid Program Trust Fund: Year-to-date collections of the dedicated soft drink tax total \$8.5 million, a decrease of \$0.3 million or -3.7 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 August 2010, \$38.3 million was collected and deposited to the fund. After deductions, the net amount is \$37.2 million. The monthly collection is equivalent to a 7.8 percent increase from prior year collections.

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

THROUGH AUGUST 2010
2 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 2010	FORECAST FY 2011	INCREASE AMOUNT PERCENT		ACTUAL FY 2010	ACTUAL FY 2011	INCREASE AMOUNT PERCENT		
INDIVIDUAL INCOME	351.1	358.9	7.8	2.2	351.1	370.1	19.0	5.4	103.1
CORPORATE INCOME	24.4	28.0	3.6	14.6	24.4	28.8	4.4	17.9	102.9
GROSS RECEIPTS ¹	345.7	366.9	21.2	6.1	345.7	376.2	30.5	8.8	102.5
ALCOHOLIC BEVERAGE ²	5.6	6.1	0.5	9.5	5.6	6.2	0.7	11.7	102.0
TOBACCO	43.1	39.0	-4.1	-9.5	43.1	41.6	-1.5	-3.5	106.6
INSURANCE	20.7	21.6	0.9	4.2	20.7	22.3	1.6	7.5	103.2
RACING	0.7	0.6	-0.1	-12.6	0.7	0.7	0.0	-4.4	109.5
GAMES OF SKILL	1.2	1.0	-0.2	-14.6	1.2	1.7	0.6	49.2	174.6
MISCELLANEOUS ³	18.0	9.1	-8.9	-49.6	18.0	9.3	-8.7	-48.3	102.5
TOTAL GROSS	810.6	831.2	20.6	2.5	810.6	856.9	46.3	5.7	103.1
PLUS:									
REVENUE ALLOTMENT RESERVE	61.0	0.0	-61.0	-100.0	61.0	0.0	-61.0	-100.0	0.0
LESS: SCSF/COF ⁴	24.3	25.0	0.7	2.8	24.3	25.7	1.4	5.7	102.8
IND INCOME TAX REFUNDS	17.0	18.3	1.3	7.6	17.0	15.5	-1.5	-8.7	84.9
CORP INCOME TAX REFUNDS	4.1	5.3	1.2	29.3	4.1	2.9	-1.2	-29.2	54.8
CLAIMS	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
ECON DEVEL INCENTIVE FUND	1.8	4.0	2.2	117.4	1.8	1.5	-0.3	-18.8	37.3
WATER/SEWER BONDS	2.2	2.6	0.4	18.2	2.2	2.6	0.4	18.2	100.0
COLLEGE SAVINGS BONDS	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
CITY/CO. TOURIST	1.8	1.4	-0.4	-22.9	1.8	1.3	-0.5	-27.4	94.2
SCHOOL DESEGREGATION	15.2	15.2	0.0	0.0	15.2	15.2	0.0	0.0	100.0
EDUCATIONAL EXCELLENCE	47.3	44.6	-2.7	-5.8	47.3	44.8	-2.6	-5.5	100.4
EDUCATIONAL ADEQUACY	4.2	4.0	-0.2	-4.4	4.2	4.0	-0.2	-5.5	98.9
ELDERLY TRANSPORTATION	0.3	0.4	0.1	28.6	0.3	0.3	0.0	-3.5	75.0
NET AVAILABLE	753.3	710.4	-42.9	-5.7	753.3	743.1	-10.2	-1.3	104.6

REVENUE FORECAST SUMMARY FOR AUGUST

YEAR-TO-DATE GROSS	\$ 25.7 MILLION OR 3.1% ABOVE FORECAST.
YEAR-TO-DATE REFUNDS	\$ 5.2 MILLION OR 21.9% BELOW FORECAST.
YEAR-TO-DATE NET AVAILABLE	\$ 32.7 MILLION OR 4.6% ABOVE FORECAST

SOFT DRINK EXCISE TAX (MEDICAID PROGRAM TRUST FUND)	<u>YTD FY 10</u> 8.8	<u>YTD FY 11</u> 8.5	<u>% CHANGE</u> -3.7
EDUCATIONAL ADEQUACY FUND (NET DEPOSIT)	<u>YTD FY 10</u> 69.4	<u>YTD FY 11</u> 74.7	<u>% CHANGE</u> 7.7

- 1) Gross Receipts includes the sales, use, 10% mixed drink, 3% beverage excise, vehicle rental, short-term rental, residential moving, and wholesale vending taxes.
- 2) Alcoholic Beverage does not include 10% Mixed Drink and 3% Beverage Excise.
- 3) Miscellaneous includes severance, corporate franchise, real estate transfer, dyed diesel, and various other miscellaneous taxes.
- 4) State Central Services Fund and Constitutional Officers Fund.

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

August 31, 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 2010	FORECAST FY 2011	CHANGE AMOUNT	CHANGE PERCENT	ACTUAL FY 2010	ACTUAL FY 2011	CHANGE AMOUNT	CHANGE PERCENT	
INDIVIDUAL INCOME	177.3	181.1	3.8	2.1	177.3	188.9	11.6	6.5	104.3
CORPORATE INCOME	5.8	6.6	0.8	14.4	5.8	5.8	0.0	0.5	87.9
GROSS RECEIPTS ¹	172.9	183.5	10.6	6.1	172.9	187.9	15.0	8.7	102.4
ALCOHOLIC BEVERAGE ²	2.4	2.6	0.2	8.0	2.4	2.4	0.0	-1.9	90.8
TOBACCO	21.5	19.5	-2.0	-9.2	21.5	21.2	-0.3	-1.2	108.8
INSURANCE	20.0	20.9	0.9	4.4	20.0	19.2	-0.8	-3.9	92.0
RACING	0.4	0.4	0.0	-10.5	0.4	0.5	0.0	4.0	116.3
GAMES OF SKILL	0.6	0.5	-0.1	-16.9	0.6	0.9	0.3	53.0	184.2
MISCELLANEOUS ³	3.4	4.0	0.6	18.8	3.4	4.3	0.9	27.1	107.0
TOTAL GROSS	404.3	419.1	14.8	3.7	404.3	431.1	26.8	6.6	102.9
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) ⁴	12.1	12.6	0.5	3.9	12.1	12.9	0.8	6.6	102.6
IND INC TAX REFUNDS	8.9	9.6	0.7	8.1	8.9	5.9	-3.0	-33.3	61.8
CORP INC TAX REFUNDS	2.7	3.5	0.8	30.3	2.7	1.6	-1.1	-41.1	45.2
CLAIMS	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
ECON DEVEL INCENTIVE FUND	1.3	2.0	0.7	53.9	1.3	1.2	-0.1	-4.1	62.3
WATER/SEWER BONDS	1.1	1.3	0.2	18.2	1.1	1.3	0.2	18.2	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	11.0	11.0	0.0	0.0	11.0	11.0	0.0	0.0	100.0
EDUCATIONAL EXCELLENCE	23.7	22.3	-1.4	-5.8	23.7	22.4	-1.3	-5.4	100.4
EDUCATIONAL ADEQUACY	2.1	2.0	-0.1	-4.4	2.1	2.0	-0.1	-5.4	98.9
ELDERLY TRANSPORTATION	0.2	0.2	0.0	29.2	0.2	0.2	0.0	3.7	80.3
NET AVAILABLE	341.3	354.6	13.3	3.9	341.3	372.6	31.3	9.2	105.1

REVENUE FORECAST SUMMARY FOR AUGUST

AUGUST GROSS \$ 12.0 MILLION OR 2.9% ABOVE FORECAST.
AUGUST NET AVAILABLE \$ 18.0 MILLION OR 5.1% ABOVE FORECAST

EDUCATIONAL ADEQUACY FUND (NET DEPOSIT, MONTH-TO-DATE)	Aug 09 34.5	Aug 10 37.2	% CH 7.8
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- 1) Gross Receipts includes the sales, use, 10% mixed drink, 3% beverage excise, vehicle rental, short-term rental, residential moving, and wholesale vending taxes.
- 2) Alcoholic Beverage does not include 10% Mixed Drink and 3% Beverage Excise.
- 3) Miscellaneous includes estate tax, severance, corporate franchise, real estate transfer, dyed diesel, and various other miscellaneous taxes.
- 4) State Central Services Fund and Constitutional Officers Fund.