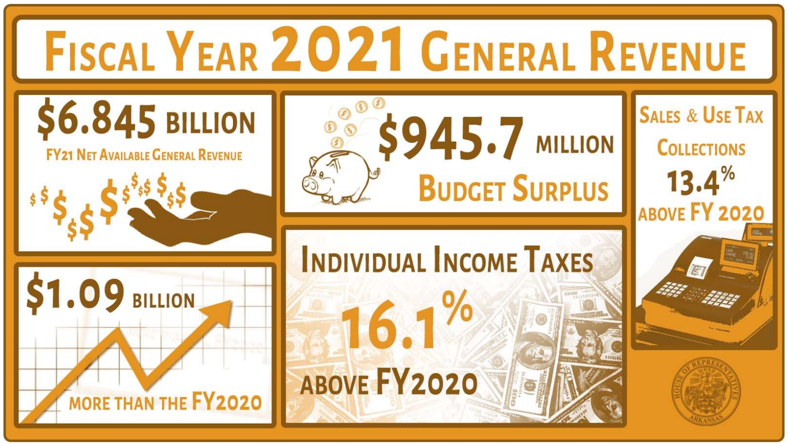
STATE OF ARKANSAS
House of Representatives

Arkansas House Newsletter

July 2, 2021

New Fiscal Year



Arkansas started a new fiscal year this week, and final reports for the previous year give us an optimistic outlook about the future of our economy.

Fiscal Year 2021 ended on June 30. We began Fiscal Year 2022 on July 1.

Results from collections and distributions for FY2021 reached $6.845 billion. This is $1.09 billion or 19% above prior-year results.

The collections fully funded the Revenue Stabilization Act for the Fiscal Year 2021 and left a surplus of $945.7 million.

The fiscal year ended above forecast in all major categories of collections and above year-ago levels. The Department of Finance and Administration says there are several contributing factors.

The deadline for individual income taxes was extended last year to July. Payroll withholding tax exceeded expectations amid a faster rebound in the state economy. Sales tax exceeded expectations from the combined factors of an economic rebound, stimulus transfers, and growth in online marketplace sales.

The state’s most significant sources of revenue come from individual income tax and sales and use tax.

Individual income tax collections totaled $3.97 billion. That is $550 million or 16.1% above FY2020.
Sales and Use collections totaled $2.88 billion. That is $340 million or 13.4% above FY2020.

Corporate Income Taxes totaled $651.9 million. That is an increase of $169.8 or 35.2% above FY2020.

This week, the Governor authorized the Department of Finance and Administration to increase the state forecast for FY2021 by $213 million.

This increase allowed for $86.6 million to be diverted to the Medicaid trust fund. That brings the balance of the trust fund to more than $600 million, ensuring that there are adequate funds for the healthcare of low-income Arkansans.

After the revised forecast, the state’s Long-Term Reserve Fund has a balance of $1.22 billion.

The Governor has indicated he will call a special session this fall to address future tax cuts. We will continue to update you on any developments.