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## Sales tax collections dip to start 2013

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Regional sales tax collections in the first two months of 2013 are running slightly behind a year ago with \$8.536 million returned to the four largest cities in the two-county area – and economists point to more headwinds in the near-term.

Tax collections are down 1.76% for the combined receipts of Fayetteville, Springdale, Rogers and Bentonville according to city records. Bentonville was the only city among the four to report lower collections year-over-year.

Denise Land, finance director for the City of Bentonville, reports revenue dipped about 7.3% in February after a very healthy January report when collections rose 28%.

Despite the lower collections in February, Land said they still came in almost \$200,000 over budget. The city was up against a tough \$1 million comparison from a year ago and Land is confident the numbers will improve.

Among the smaller towns of Bella Vista, Siloam Springs and Lowell, collections in the first two months of 2013 totaled \$1.07 million. Revenue rose 4.65% among this smaller town group, with Lowell and Bella Vista each reporting increases, while collections in Siloam Springs are tracking lower to start 2013.

University of Arkansas economists warn a pullback in collections is likely to continue for the next couple of months as consumers adjust to higher payroll taxes and a recent spike in fuel costs.

The consumer confidence index fell from a 71.5 reading in November to 66.7 in December. Consumer confidence deteriorated further during the month of January to a reading of 58.6. The February reading is due out later this week.

Sales tax revenue tracks two months in arrears as February collections reflect sales transactions made in December.

February collections totaled \$5.075 million among the four largest cities, up 3.93% from a year ago.

## Monthly Sales Tax Collections (February)

Bentonville \$936,369, down 7.3%

Fayetteville, \$1.757 million, up 5.8%

Rogers \$1.466 million, up 12.3%

Springdale \$916,049, up 0.9%

City officials say they have budgeted for slight increases in collections this year over last, and while they expect some months will be higher and some months slightly lower from 2012 they forecast modest growth in 2013.

## POTENTIAL HEADWINDS

The region's largest employer, Wal-Mart Stores Inc., said last week the retailer expects muted sales growth through April as customers adjust to smaller paychecks and longer delays in tax refunds.

The median household income in Northwest Arkansas is \$54,186, the additional payroll tax reduced household income by roughly \$97 per month or \$1,164 annually. This went into effect Jan. 1.

Tax refunds generally spur consumer spending beginning in early February, but Wal-Mart Stores reports fewer tax refunds being cashed so far this year as the changes in the tax code has delayed refunds up to three weeks compared to year ago. Wal-Mart said it had cashed \$3 million in refund checks a year ago, compared to just \$1.7 million this year as of last week. The retailer also reported sluggish sales in the first two weeks of February, but that traffic and receipts had picked up more recently.

The delay in getting refunds not only affects when it's spent but also how the funds might be used.

Bill Simon, CEO of Wal-Mart US, said when consumers cash a tax check the week before the Super Bowl, they tend to buy a television. The retailer does not know how the later refund checks will be spent.

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Economists view Wal-Mart as a gauge into the mind and actions of consumers, which represent nearly two-thirds of the country's overall gross domestic output.

John Silvia, chief economist with Wells Fargo Securities, expects the U.S. economy to grow at slow 2% rate through the first six months of 2013 with contributions coming from consumers later this Spring and some additional business investment.

Silvia said decreased government spending and inventories will be a slight drag, or headwind, to overall economic growth.

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