



STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
DEPARTMENT OF REVENUE

State of Rhode Island Revenue Assessment Report
Year-to-Date FY 2011 through November 2010

The monthly revenue assessment report compares revenue collections on a fiscal year-to-date basis to the Office of Revenue Analysis' fiscal year-to-date estimate of revenue collections based on the current fiscal year revenue estimate. It should be noted that the fiscal year revenue estimate will vary over the course of the fiscal year as the Revenue Estimating Conference (see RI General Law § 35-16-1) convenes and modifies the revenue estimates originally enacted by the General Assembly.

The purpose of the Revenue Assessment Report is to give readers a sense of how the state's revenue collections compare to those that might be expected if the official revenue estimate was being met in a predictable way. Caution should be exercised when interpreting this report as actual collections may vary significantly from past collection patterns. In addition, it is important for the reader to understand that enacted and adopted revenue estimates are made on an accrual not a cash basis. Revenue accruals are not determined until at least one month after the close of the fiscal year in June. Thus, even if the assessment of actual fiscal year-to-date revenue collections trails the fiscal year-to-date revenue estimates, it is possible for the fiscal year end accrual to make up any shortfall.

In prior reports, the Departmental Receipts adjusted cash collections figures failed to take into account that \$7.1 million of disproportionate share revenues received by Eleanor Slater Hospital in July 2010 were accrued back to FY 2010. The effect of this omission was to overstate the amount by which fiscal year-to-date adjusted cash collections exceeded expected enacted revenues. Beginning with the October 2010 report this oversight has been corrected. The November 2010 report uses the revenue estimates adopted at the November 2010 Revenue Estimating Conference as the basis of comparison for fiscal year-to-date adjusted cash collections through November.

Fiscal Year-to-Date Estimate of Revised FY 2011 Revenues

In order to determine the expected year-to-date revenue collections based on the revised FY 2011 revenue estimates adopted at the November 2010 Revenue Estimating Conference (REC),

the Office of Revenue Analysis first determines the average percentage of total adjusted cash collections that occurred in a given month over the past five fiscal years. For Inheritance and Gift taxes the past ten fiscal years are used. These percentages are then applied to the November 2010 REC revised FY 2011 revenue estimate for each revenue item. In the case of Other Miscellaneous Revenues and the Unclaimed Property transfer, the actual year-to-date collections are used due to the discrete and unpredictable nature of the timing of these receipts.

Thus, for example, the November 2010 REC revised revenue estimate for Sales and Use taxes for FY 2011 is \$805.5 million. The average percentage of adjusted cash total Sales and Use taxes that were collected through November of the fiscal year over the past five fiscal years is approximately 44.2 percent. This percentage applied to the November 2010 REC estimate for Sales and Use taxes for FY 2011 yields the Year-To-Date November Estimate of revised FY 2011 Sales and Use taxes of \$355.6 million. This process is repeated for all November 2010 REC revised revenue items except Other Miscellaneous Revenues and the Unclaimed Property Transfer.

The table below provides the rounded five year or ten year average percentages for year-to-date collections through November:

Revenue Item	Percent of Total Collected through Fiscal YTD	Revenue Item	Percent of Total Collected through Fiscal YTD
Personal Income Tax		Motor Vehicles	29.1 %
Estimated Payments	28.6 %	Motor Carrier Fuel	27.6 %
Final Payments	11.9 %	Cigarettes	43.4 %
Withholding Payments	38.7 %	Alcohol	42.9 %
Refunds Paid	15.3 %	Inheritance & Gift	43.7 %
Business Corporations Taxes	8.1 %	Racing & Athletics	42.5 %
Public Utilities Gross Earnings	1.8 %	Realty Transfer	47.8 %
Financial Institutions Taxes	18.4 %	Departmental Rcpts.	34.0 %
Insurance Co. Gross Premiums	0.1 %	Lottery	33.2 %
Bank Deposits	5.7 %	Other Misc. Revs.	n/a
Health Care Provider Assessment	40.9 %	Unclaimed Property	0.0 %
Sales and Use Tax	44.2 %		

It should be noted that the FY 2011 Health Care Provider Assessment consists only of an assessment on nursing homes. Also, in the 2010 session, the General Assembly passed legislation signed by the Governor that prohibits the running of live greyhound races anywhere

in the state in FY 2011 and beyond. As a result, Racing and Athletics taxes now consist only of a tax on simulcast wagering. In addition, the “Percent of Total Collected through Fiscal YTD” for Departmental Receipts is calculated excluding Hospital Licensing Fee revenues, which are large, made only once in the fiscal year, and not always at the same time each fiscal year. Finally, the Lottery transfer does not begin in a given fiscal year until August while the Unclaimed Property transfer occurs in June of each fiscal year.

The revised FY 2011 revenue estimates adopted at the November 2010 Revenue Estimating Conference by revenue item are as follows:

Revenue Item	Revised FY 2011 Estimate	Revenue Item	Revised FY 2011 Estimate
Personal Income Tax		Motor Vehicles	\$51,800,000
Estimated Payments	\$ 181,400,000	Motor Carrier Fuel	1,100,000
Final Payments	157,800,000	Cigarettes	135,000,000
Withholding Payments	905,000,000	Alcohol	12,000,000
Refunds Paid	(295,600,000)	Inheritance & Gift	28,300,000
Business Corporations Taxes	123,300,000	Racing & Athletics	1,250,000
Public Utilities Gross Earnings	97,000,000	Realty Transfer	6,400,000
Financial Institutions Taxes	250,000	Departmental Rcpts.	334,700,000
Insurance Co. Gross Premiums	98,200,000	Lottery	347,500,000
Bank Deposits	1,900,000	Other Misc. Revs	10,855,000
Health Care Provider Assessment	40,500,000	Unclaimed Property	5,300,000
Sales and Use Tax	805,500,000		
		Total General Revenues	\$3,037,355,000

Results for the First Five Months of FY 2011

The attached table gives the results for the first five months of FY 2011. As is apparent from the table, the Department of Revenue finds that adjusted year-to-date November cash collections for Total General Revenues exceed expected revenue collections based on the November 2010 REC revised FY 2011 revenue estimates by \$37.5 million, or 3.6 percent. In Total Taxes, the variance from the November 2010 REC revised expected revenues is \$31.2 million, or 3.7 percent. For Departmental Receipts, the difference from the November 2010 REC revised expected revenues is \$4.8 million or 7.3 percent. For Other General Revenue Sources, fiscal year-to-date November adjusted cash collections are more than the November 2010 REC revised estimate by \$1.4 million or 1.2 percent.

It is important to note that five revenue items have adjusted cash collections that exceed revised expected revenues by \$1.0 million or more. Within taxes, Personal Income Tax adjusted cash collections have the largest positive difference from expected revenues with a variance of \$16.0 million or 4.3 percent. It should be noted that fiscal year-to-date Personal Income Tax adjusted cash collections include \$2.5 million of reimbursed Historic Structures Tax Credits. Adjusted Business Corporations Tax cash collections exceed revised expected collections by \$10.6 million or 106.5 percent. It should be noted that fiscal year-to-date Business Corporations Taxes adjusted cash collections include \$789,010 of reimbursed Historic Structures Tax Credits. The adjusted Motor Vehicle License and Registration cash collections exceed expected revenues by \$4.2 million or 28.0 percent. Total Cigarette Tax cash collections exceed revised expected revenues by \$1.7 million or 2.8 percent. The adjusted Lottery Transfer to the General Fund cash collections exceed revised expected revenues by \$1.4 million or 1.2 percent. Finally, Financial Institutions, Insurance Companies Gross Premiums, Health Care Provider Assessment, Sales and Use, Motor Carrier Fuel Use, and Racing and Athletics taxes adjusted cash collections are all greater than expected revised revenues by less than \$1.0 million through the fifth month of the fiscal year. It should be noted that fiscal year-to-date Insurance Companies Gross Premiums adjusted cash collections include \$974 of reimbursed Historic Structures Tax Credits.

On the negative side, only one revenue item has an adjusted cash collection that trails revised expected revenues by more than \$1.0 million. The largest shortfall in General Revenue is the Inheritance and Gift tax which is -\$1.9 million or 15.1 percent less than revised expected cash collections through November. Public Utilities Gross Earnings, Bank Deposits, Alcohol and Realty Transfer taxes adjusted cash collections, however, are below expected revised revenues by less than \$1.0 million through November of FY 2011.



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STATE OF RHODE ISLAND REVENUE ASSESSMENT REPORT
Year-to-Date Estimate to Actual

	YTD November Estimate of Revised FY 2011	YTD November Adjusted Cash FY 2011	Difference	Variance
Personal Income Tax	\$ 375,510,394	\$ 391,555,321	\$ 16,044,928	4.3%
General Business Taxes				
Business Corporations	9,929,438	20,504,975 *	10,575,537	106.5%
Public Utilities Gross Earnings	1,741,158	951,897 **	(789,260)	-45.3%
Financial Institutions	46,095	108,570 ***	62,475	135.5%
Insurance Companies	139,099	824,460	685,361	492.7%
Bank Deposits	108,703	4,241	(104,462)	-96.1%
Health Care Provider Assessment	16,550,881	16,671,789	120,908	0.7%
Excise Taxes				
Sales and Use	355,628,421	356,339,453	711,032	0.2%
Motor Vehicle	15,092,647	19,311,796	4,219,149	28.0%
Motor Fuel	303,798	438,100	134,302	44.2%
Cigarettes	58,628,068	60,281,265	1,653,197	2.8%
Alcohol	5,148,241	5,012,542	(135,699)	-2.6%
Other Taxes				
Inheritance and Gift	12,355,091	10,491,952	(1,863,139)	-15.1%
Racing and Athletics	530,897	544,292	13,395	2.5%
Realty Transfer	3,060,149	2,954,763	(105,386)	-3.4%
Total Taxes	\$ 854,773,080	\$ 885,995,416	31,222,336	3.7%
Total Departmental Receipts	\$ 65,495,801	\$ 70,304,774 ^	4,808,973	7.3%
Taxes and Departmentals	\$ 920,268,882	\$ 956,300,190	36,031,309	3.9%
Other General Revenue Sources				
Other Miscellaneous Revenues	335,642 +	335,642 ^^	-	0.0%
Lottery Transfer	115,375,918	116,809,853 ^^	1,433,935	1.2%
Unclaimed Property	-	-	-	n/a
Total Other Sources	\$ 115,711,560	\$ 117,145,495	1,433,935	1.2%
Total General Revenues	\$ 1,035,980,442	\$ 1,073,445,685	37,465,243	3.6%

* Adjusts for \$7.2 million in Business Corporations cash receipts received in September that was accrued back to FY 2010.

** Adjusts for \$3.3 million in Public Utilities Gross Earnings cash receipts received in July that was accrued back to FY 2010.

*** Adjusts for \$1.7 million in Financial Institutions cash receipts that were issued as a refund in October that was accrued back to FY 2010.

^ Adjusts for \$121,446,816 in Hospital Licensing Fees cash receipts and \$7.1 million in disproportionate share revenues received in FY 2011 that were accrued back to FY 2010.

^^ Adjusts for \$1.8 million in Other Miscellaneous Revenues cash receipts received in FY 2011 that were accrued back to FY 2010.

^^^ Adjusts for \$1.6 million in Lottery Transfer cash receipts received in October 2010 that were accrued back to FY 2010.

+ Set equal to actual amounts received due to general receipt of transfers in June.

PIT Component	YTD Estimates	YTD Actuals	Difference	Variance
Estimateds	\$ 51,914,972	\$ 41,594,220	\$ (10,320,753)	-19.9%
Finals	18,726,367	24,290,397	5,564,030	29.7%
Withholding	349,957,486	362,943,495	12,986,009	3.7%
Refunds	(45,088,431)	(37,272,790)	7,815,641	-17.3%
Total	\$ 375,510,394	\$ 391,555,321	\$ 16,044,928	4.3%