



STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
DEPARTMENT OF REVENUE

State of Rhode Island Revenue Assessment Report
Year-to-Date FY 2011 through September 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year as the Revenue Estimating Conference (see RI General Law § 35-16-1) convenes and modifies the revenue estimates originally enacted by the General Assembly.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.

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

In order to determine the expected year-to-date revenue collections based on the enacted FY 2011 revenue estimate enacted by the General Assembly on June 4, 2010, the Office of Revenue Analysis first determines the average percentage of total 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. 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. These percentages are then applied to the enacted FY 2011 revenue estimate for each revenue item.

Thus, for example, the enacted revenue estimate for Sales and Use taxes for FY 2011 is \$787.0 million. The average percentage of total Sales and Use taxes that were collected through September of the fiscal year over the past five fiscal years is approximately 27.4 percent. This percentage applied to the FY 2011 enacted estimate for Sales and Use taxes yields the Year-To-

Date September Estimate of Enacted FY 2011 Sales and Use taxes of \$215.4 million. This process is repeated for all enacted revenue items except Other Miscellaneous Revenues and the Unclaimed Property Transfer.

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

Revenue Item	Percent of Total Collected through Fiscal YTD	Revenue Item	Percent of Total Collected through Fiscal YTD
Personal Income Tax		Motor Vehicles	14.6 %
Estimated Payments	24.7 %	Motor Carrier Fuel	16.4 %
Final Payments	5.7 %	Cigarettes	26.7 %
Withholding Payments	22.8 %	Alcohol	25.7 %
Refunds Paid	6.4 %	Inheritance & Gift	27.0 %
Business Corporations Taxes	11.9 %	Racing & Athletics	25.8 %
Public Utilities Gross Earnings	0.8 %	Realty Transfer	31.2 %
Financial Institutions Taxes	-1.3 %	Departmental Rcpts.	18.2 %
Insurance Co. Gross Premiums	-0.6 %	Lottery	17.0 %
Bank Deposits	4.0 %	Other Misc. Revs.	n/a
Health Care Provider Assessment	24.2 %	Unclaimed Property	0.0 %
Sales and Use Tax	27.4 %		

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 enacted FY 2011 revenue estimates passed into law by the General Assembly on June 4, 2010 by revenue item are as follows:

Revenue Item	Enacted FY 2011 Estimate	Revenue Item	Enacted FY 2011 Estimate
Personal Income Tax		Motor Vehicles	\$48,500,000
Estimated Payments	\$ 185,500,000	Motor Carrier Fuel	1,000,000
Final Payments	177,200,000	Cigarettes	134,000,000
Withholding Payments	888,400,000	Alcohol	11,700,000
Refunds Paid	(311,600,000)	Inheritance & Gift	27,600,000
Business Corporations Taxes	119,000,000	Racing & Athletics	1,300,000
Public Utilities Gross Earnings	98,000,000	Realty Transfer	6,900,000
Financial Institutions Taxes	1,000,000	Departmental Rcpts..	345,226,745
Insurance Co. Gross Premiums	101,250,000	Lottery	346,138,520
Bank Deposits	2,200,000	Other Misc. Revs	5,331,000
Health Care Provider Assessment	39,800,000	Unclaimed Property	6,000,000
Sales and Use Tax	787,000,000		
		Total General Revenues	\$3,019,846,265

Results for the First Three Months of FY 2011

The attached table gives the results for the first quarter of FY 2011. As is apparent from the table, the Department of Revenue finds that adjusted year-to-date September cash collections for Total General Revenues exceed expected revenue collections based on the enacted FY 2011 revenue estimates by \$38.1 million, or 6.0 percent. In Total Taxes, the variance from enacted expected revenues is \$29.5 million, or 5.5 percent. For Departmental Receipts, the difference from enacted expected revenues is \$7.6 million or 20.7 percent. For Other General Revenue Sources, fiscal year-to-date September adjusted cash collections are more than the enacted estimate by \$913,457 or 1.5 percent.

It is important to note that six revenue items have adjusted cash collections that exceed enacted expected revenues by \$1.0 million or more. Within taxes, Sales and Use Tax adjusted cash collections have the largest positive difference from expected enacted revenues with a variance of \$9.1 million or 4.2 percent. Adjusted Personal Income Tax cash collections also exceed expected enacted collections by \$9.1 million but at a rate of 3.8 percent. It should be noted that fiscal year-to-date Personal Income Tax adjusted cash collections include \$374,198 of reimbursed Historic Structures Tax Credits. Business Corporations adjusted cash collections exceed enacted revenues by \$5.1 million or 36.3 percent. It should be noted that fiscal year-to-date Business Corporations Taxes adjusted cash collections include \$399,541 of reimbursed Historic Structures Tax Credits. The adjusted Motor Vehicle License and Registration cash collections exceed expected enacted revenues by \$3.8 million or 53.3 percent. Cigarettes excise tax cash collections exceed expected enacted revenues by \$2.0 million or 5.5 percent. In

addition, as noted above, adjusted Departmental Receipts cash collections lead expected enacted Departmental Receipts revenues by \$7.6 million or 20.7 percent. Finally, Financial Institutions, Insurance Companies Gross Premiums, Health Care Provider Assessment, Alcohol, Motor Carrier Fuel Use, and Racing and Athletics taxes' adjusted cash collections and the Lottery Transfer all exceed expected enacted revenues by less than \$1.0 million through the third 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, no revenue items have adjusted cash collections that trail enacted expected revenues by more than \$1.0 million. Public Utilities Gross Earnings, Bank Deposits, Inheritance and Gift, and Realty Transfer adjusted cash collections, however, are below expected enacted revenues through September of FY 2011.



Rosemary Booth Gallogly, Acting Director
Department of Revenue

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

	YTD September Estimate of FY 2011	YTD September Adjusted Cash FY 2011	Difference	Variance
Personal Income Tax	\$ 238,404,410	\$ 247,496,343	\$ 9,091,933	3.8%
General Business Taxes				
Business Corporations	14,166,803	19,313,759 *	5,146,956	36.3%
Public Utilities Gross Earnings	739,424	573,123 **	(166,301)	-22.5%
Financial Institutions	(13,004)	112,880	125,884	-968.0%
Insurance Companies	(561,933)	32,997	594,930	-105.9%
Bank Deposits	87,365	4,241	(83,124)	-95.1%
Health Care Provider Assessment	9,636,430	10,038,256	401,826	4.2%
Excise Taxes				
Sales and Use	215,411,236	224,536,382	9,125,146	4.2%
Motor Vehicle	7,077,468	10,849,855	3,772,387	53.3%
Motor Fuel	164,048	196,246	32,198	19.6%
Cigarettes	35,822,867	37,810,421	1,987,554	5.5%
Alcohol	3,008,219	3,129,021	120,802	4.0%
Other Taxes				
Inheritance and Gift	7,444,905	7,073,570	(371,335)	-5.0%
Racing and Athletics	335,777	341,886	6,109	1.8%
Realty Transfer	2,151,559	1,886,174	(265,385)	-12.3%
Total Taxes	\$ 533,875,574	\$ 563,395,154	29,519,581	5.5%
Total Departmental Receipts	\$ 36,936,300	\$ 44,584,479 ^	7,648,179	20.7%
Taxes and Departmentals	\$ 570,811,873	\$ 607,979,633	37,167,760	6.5%
Other General Revenue Sources				
Other Miscellaneous Revenues	135,243 +	135,243 ^^	-	0.0%
Lottery Transfer	58,871,285	59,784,742	913,457	1.6%
Unclaimed Property	-	-	-	n/a
Total Other Sources	\$ 59,006,528	\$ 59,919,985	913,457	1.5%
Total General Revenues	\$ 629,818,402	\$ 667,899,618	38,081,217	6.0%

* 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 \$120,458,918 in Hospital Licensing Fees cash receipts received in FY 2011 that were accrued back to FY 2010.

^^ Adjusts for \$985,560 in Other Miscellaneous Revenues cash receipts received in July that was 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	\$ 45,810,669	\$ 35,857,035	\$ (9,953,634)	-21.7%
Finals	10,181,766	15,001,748	4,819,981	47.3%
Withholding	202,494,403	212,813,094	10,318,691	5.1%
Refunds	(20,082,428)	(16,175,533)	3,906,894	-19.5%
Total	\$ 238,404,410	\$ 247,496,343	\$ 9,091,933	3.8%