

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS



DEPARTMENT OF REVENUE

State of Rhode Island Revenue Assessment Report
FY 2012 Monthly and Fiscal Year-to-Date April 2012

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year as the Revenue Estimating Conference (see RI General Law § 35-16-1) convenes and modifies the revenue estimates originally enacted by the General Assembly.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.

Estimates of Revised FY 2012 Revenues Adopted at the November 2011 REC

In order to determine the expected monthly and fiscal year-to-date revenue collections based on the estimates adopted at the November 2011 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. For monthly estimates, these percentages are applied to the November 2011 REC revised FY 2012 estimate for each revenue item. For fiscal year-to-date estimates, the monthly percentages are summed and then applied to the November 2011 REC revised FY 2012 estimate for each revenue item. In the case of other miscellaneous revenues,

the actual year-to-date collections are used in place of an estimate due to the discrete and unpredictable nature of the timing of these receipts.

Thus, for example, the November 2011 REC revised revenue estimate for the health care provider assessment for FY 2012 is \$41.8 million. The average percentage of adjusted cash total health care provider assessments that were collected through April of the fiscal year over the past five fiscal years is approximately 83.1 percent. For the month of April, the relevant percentage is 8.4 percent. These percentages are applied to the revised FY 2012 estimate for the health care provider assessment adopted at the November 2011 Revenue Estimating Conference to yield the FY 2012 monthly and fiscal-year-to-date April expected revenue estimates of \$3.5 million and \$34.7 million respectively. This process is repeated for all November 2011 REC revised FY 2012 revenue estimates except other miscellaneous revenues and the unclaimed property transfer.

The table below provides the rounded five year or ten year average percentages for monthly and fiscal year-to-date collections for April:

Revenue Item	<u>Percent Collected</u>		Revenue Item	<u>Percent Collected</u>	
	Month	YTD		Month	YTD
Personal Income Tax			Motor Vehicles Fees	11.8 %	78.9 %
Estimated Payments	13.5 %	79.0 %	Motor Carrier Fuel Use	10.7 %	73.8 %
Final Payments	70.7 %	95.8 %	Cigarettes Tax	7.8 %	82.5 %
Withholding Payments	7.5 %	83.5 %	Alcohol Excise Tax	8.3 %	81.2 %
Refunds & Adjustments	21.7 %	86.9 %	Inheritance & Gift Tax	6.6 %	83.2 %
Business Corporations Tax	6.6 %	70.8 %	Racing & Athletics Tax	8.2 %	81.1 %
Utilities Gross Earnings Tax	0.8 %	44.8 %	Realty Transfer Tax	7.1 %	84.5 %
Financial Institutions Tax	24.7 %	80.9 %	Departmental Receipts	9.2 %	73.9 %
Insurance Gross Premiums Tax	-1.2 %	44.3 %	Lottery Transfer	9.1 %	73.6 %
Bank Deposits Tax	1.6 %	42.2 %	Other Misc. Revenues	n/a	n/a
Health Care Provider Assmnt.	8.4 %	83.1 %	Unclaimed Property	0.0 %	0.0 %
Sales and Use Tax ¹	8.1 %	84.1 %			

¹ Percentages are a weighted average of the standard monthly and fiscal year-to-date percentages for base sales and use tax adjusted cash collections and monthly and fiscal year-to-date percentages calculated by the Office of Revenue Analysis for sales and use tax revenues generated by the expansion of the State's sales and use tax base that went into effect on October 1, 2011. See below for a more detailed discussion of this methodology.

It should be noted that the health care provider assessment consists only of an assessment on nursing homes. Racing and athletics taxes consist 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, generally 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 2012 revenue estimates adopted at the November 2011 Revenue Estimating Conference by revenue item are as follows:

Revenue Item	Revised FY 2012 Estimate	Revenue Item	Revised FY 2012 Estimate
Personal Income Tax		Motor Vehicles	\$48,200,000
Estimated Payments	\$ 187,000,000	Motor Carrier Fuel	1,100,000
Final Payments	175,000,000	Cigarettes	131,500,000
Withholding Payments	945,500,000	Alcohol	11,800,000
Refunds Paid	(269,600,000)	Inheritance & Gift	34,000,000
Business Corporations Taxes	112,600,000	Racing & Athletics	1,200,000
Public Utilities Gross Earnings	99,400,000	Realty Transfer	6,100,000
Financial Institutions Taxes	1,000,000	Departmental Rcpts.	340,500,000
Insurance Co. Gross Premiums	99,500,000	Lottery	367,200,000
Bank Deposits	2,000,000	Other Misc. Revs	11,015,000
Health Care Provider Assessment	41,800,000	Unclaimed Property	7,800,000
Sales and Use Tax ¹	845,100,000		
		Total General Revenues	\$3,195,415,000

¹ The Office of Revenue Analysis determines that the revised FY 2012 sales and use tax estimate adopted at the November 2011 Revenue Estimating Conference is comprised of \$829.1 million of “base” sales and use tax revenues and \$16.0 million of “additional” sales and use tax revenues that are the result of the sales and use tax base expansion that went into effect on October 1, 2011.

As noted above, the estimate adopted at the November 2011 Revenue Estimating Conference (REC) for sales and use taxes is \$845.1 million. The Office of Revenue Analysis has determined that this figure is comprised of \$829.1 million of “base” sales and use tax revenues and \$16.0 million of “additional” sales and use tax revenues generated by the expansion of the State’s sales and use tax base effective October 1, 2011. (Sales and use taxes collected in October 2011 are not remitted to the Division of Taxation until November.) Beginning in November, the Office of Revenue Analysis altered the methodology for estimating FY 2012 expected revised sales and use tax revenues to account for this change in the sales and use tax base.

In particular, the standard methodology for estimating expected FY 2012 revised sales and use tax revenues was used to determine the monthly and fiscal year-to-date expected FY 2012 revised “base” sales and use tax revenues. That is, average percentages based on the ratio of monthly adjusted cash collections to total fiscal year adjusted cash collections for July through June for the past five fiscal years were calculated. These percentages, 8.1 percent for the month of April and 83.6 percent for the fiscal year-to-date period through April, were applied to the \$829.1 million of estimated “base” sales and use tax expected FY 2012 revised revenues to arrive at monthly and fiscal year-to date estimates of \$66.8 million and \$693.2 million respectively.

Once these “base” expected sales and use tax revenues were determined, the “additional” expected sales and use tax FY 2012 revised revenues due to the expansion of the State’s sales and use tax base were estimated. In this case, average percentages based on the ratio of monthly adjusted cash collections to total adjusted cash collections for November through June for the past five fiscal years were calculated. These percentages, 12.6 percent on a monthly and 74.5 percent on a partial fiscal year-to-date basis for April, were applied to the \$16.0 million of estimated “additional” sales and use tax expected FY 2012 revised revenues to arrive at month of April and partial fiscal year-to-date through April estimates of \$2.0 million and \$11.9 million respectively.

The estimates of expected FY 2012 revised “base” sales and use tax revenues and expected FY 2012 revised “additional” sales and use tax revenues were then summed to arrive at total expected FY 2012 revised sales and use tax revenues. These are the values that are displayed in the Year-to-Date Estimate to Actual and Monthly Estimate to Actual tables that accompany this report.

Results for Year-to-Date FY 2012 through April 2012

The table Year-to-Date Estimate to Actual gives the results for the first ten months of FY 2012. As is apparent from the table, the Department of Revenue finds that FY 2012 year-to-date through April 2012 adjusted cash collections for total general revenues exceed expected FY 2012 revised revenue collections based on the estimates adopted at the November 2011 Revenue Estimating Conference by \$59.8 million, or 2.5 percent. In total taxes, the variance from the November 2011 REC expected FY 2012 revised revenues is \$41.6 million, or 2.1 percent. For departmental receipts, the difference from the November 2011 REC expected FY 2012 revised revenues is \$7.6 million or 5.2 percent. For other general revenue sources, FY 2012 year-to-date adjusted cash collections through April differ from the November 2011 REC revised FY 2012 revenue estimate by \$10.5 million or 3.9 percent.

In addition to departmental receipts, seven other revenue items have fiscal year-to-date adjusted cash collections that exceed expected FY 2012 year-to-date revised revenues by \$1.0 million or more.

- Business corporations taxes fiscal year-to-date adjusted cash collections are \$16.0 million or 20.1 percent more than year-to-date expected FY 2012 revised business corporations tax revenues. Fiscal year-to-date business corporations tax adjusted cash collections include \$913,855 of reimbursed Historic Structures Tax Credits (HSTCs).
- Inheritance and gift tax fiscal year-to-date adjusted cash collections exceed year-to-date expected FY 2012 revised revenues by 37.3 percent or \$10.6 million. Fiscal year-to-date adjusted cash inheritance and gift tax collections incorporate two large tax payments of \$9.8 million received in November 2011 and April 2012.
- The fiscal year-to-date lottery transfer exceeds the year-to-date expected FY 2012 revised lottery transfer by \$10.5 million, or 3.9 percent.
- Personal income tax fiscal year-to-date adjusted cash collections exceed fiscal year-to-date expected FY 2012 revised revenues by \$9.8 million, or 1.1 percent. This positive difference consists of fiscal year-to-date adjusted cash estimated payments exceeding year-to-date expected FY 2012 revised estimated payments by \$4.0 million, or 2.7 percent; fiscal year-to-date adjusted cash refunds leading year-to-date expected FY 2012 revised refunds by \$10.9 million, or 4.6 percent; adjusted cash withholding payments exceeding year-to-date expected FY 2012 revised withholding payments by \$20.9 million, or 2.6 percent; and adjusted cash final payments lagging year-to-date expected FY 2012 revised final payments by \$4.2 million, or -2.5 percent. Fiscal year-to-date personal income tax adjusted cash collections include \$1.1 million of reimbursed Historic Structures Tax Credits (HSTCs) and \$14.8 million of increased withholding payments as a result of the winning tickets for the recent \$336.4 million and \$60.0 million Powerball jackpots being sold in Rhode Island.
- Sales and use tax adjusted cash collections through March of the fiscal year lead expected FY 2012 fiscal year-to-date sales and use tax revenues by \$2.6 million or 0.4 percent.
- Adjusted cash fiscal year-to-date cigarettes and other tobacco products tax collections exceed expected FY 2012 revised cigarettes and other tobacco products tax collections by \$1.9 million or 1.7 percent.
- Financial institution taxes year-to-date adjusted cash collections are \$1.4 million more than year-to-date expected FY 2012 revised financial institution tax revenues.

Finally, in descending order, fiscal year-to-date adjusted cash motor vehicle registration and operator license fees, public utilities gross earnings taxes, alcohol excise taxes racing and athletics taxes, and bank deposits taxes are all greater than year-to-date expected FY 2012 revised revenues through April of the fiscal year in each of these revenue categories but by less than \$1.0 million.

On the negative side, one revenue item has fiscal year-to-date adjusted cash collections that trail year-to-date expected FY 2012 revised revenues by more than \$1.0 million.

- Fiscal year-to-date adjusted cash collections for insurance companies gross premiums taxes trail year-to-date expected FY 2012 revised revenue by 4.0 percent, or \$1.8 million. Fiscal year-to-date insurance companies gross premiums taxes include \$4.3 million of reimbursed Historic Structures Tax Credits (HSTCs).

Finally, fiscal year-to-date adjusted cash collections for motor carrier fuel use taxes, the health care provider assessment and realty transfer taxes are each below year-to-date expected FY 2012 revised revenues through April but by less than \$1.0 million.

Results for the Month of April

The table Monthly Estimate to Actual gives the results for April of FY 2012. As is apparent from the table, the Department of Revenue finds that April adjusted cash collections for total general revenues trail expected April revenue collections based on the estimates adopted at the November 2011 REC by \$3.1 million, or -1.0 percent. In total taxes, the variance from expected FY 2012 revised April revenues is -\$5.6 million, or -2.1 percent. For departmental receipts, the difference from the expected FY 2012 revised revenues for April is -\$1.2 million or -6.8 percent. For other general revenue sources, April adjusted cash collections lead the expected FY 2012 revised revenue estimate for April by \$3.7 million, or 11.0 percent.

Four revenue items have adjusted cash collections for April that exceed expected FY 2012 revised revenues for April by \$1.0 million or more.

- Business corporations taxes adjusted cash collections for April are \$6.4 million or 87.1 percent more than expected FY 2012 revised business corporations tax revenues for April. April business corporations tax adjusted cash collections include \$44,000 of reimbursed Historic Structures Tax Credits (HSTCs).
- April inheritance and gift taxes adjusted cash collections are \$6.1 million above monthly expected FY 2012 revised inheritance and gift tax revenues, a variance of 269.7 percent.
- The April lottery transfer leads the monthly expected FY 2012 revised lottery transfer estimate for April by \$3.7 million or 11.0 percent
- Insurance companies gross premiums taxes adjusted cash collections for April are \$2.2 million ahead of expected FY 2012 revised insurance companies gross premiums tax revenues for April.

April sales and use taxes, cigarettes and other tobacco products taxes, racing and athletics taxes and realty transfer taxes adjusted cash collections are all greater than April expected FY 2012 revised revenues for each of these revenue categories but by less than \$1.0 million.

In addition to April departmental receipts, three revenue items have April adjusted cash collections that trail expected FY 2012 revised revenues for April by more than \$1.0 million.

- Personal income taxes adjusted cash collections for April are \$18.1 million or 11.2 percent less than monthly expected FY 2012 revised personal income taxes for April. This negative difference consists of monthly adjusted cash estimated payments trailing monthly expected FY 2012 revised estimated payments by \$3.9 million, or -15.7 percent; April adjusted cash refunds greater than monthly expected FY 2012 revised refunds by \$8.3 million, or 14.2 percent; April adjusted cash withholding payments exceeding monthly expected FY 2012 revised withholding payments by \$3.6 million, or 5.0 percent; and April adjusted cash final payments below monthly expected FY 2012 revised final

payments by \$9.4 million, or -7.6 percent. April personal income tax adjusted cash collections include \$110,949 of reimbursed Historic Structures Tax Credits (HSTCs) and \$2.2 million of increased withholding payments as a result of the winning ticket for the recent \$60.0 million Powerball jackpot being sold in Rhode Island.

- April financial institutions taxes adjusted cash collections are \$1.8 million or 736.4 percent less than expected monthly FY 2012 revised revenues for April.
- Motor vehicle registration and operator license fees adjusted cash collections for April lag the monthly expected FY 2012 revised motor vehicle registration and operator licenses fee revenues estimate for April by \$1.4 million or -24.6 percent.

Finally, April adjusted cash collections for public utilities gross earnings taxes, the health care provider assessment, alcohol excise taxes, motor carrier fuel use taxes, and bank deposits taxes are below April FY 2012 expected revised revenues for each of these revenue categories but by less than \$1.0 million.



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

	YTD April Estimate of Revised FY 2012		YTD April Adjusted Cash FY 2012		Difference	Variance
Personal Income Tax	\$ 870,347,180		\$ 880,143,557	a	\$ 9,796,378	1.1%
General Business Taxes						
Business Corporations	79,728,657		95,714,810	b	15,986,153	20.1%
Public Utilities Gross Earnings	44,545,148		45,070,127	c	524,979	1.2%
Financial Institutions	809,403		2,179,936	b	1,370,533	169.3%
Insurance Companies	44,108,592		42,348,833		(1,759,759)	-4.0%
Bank Deposits	844,450		903,479		59,029	7.0%
Health Care Provider Assessment	34,728,772		34,596,254		(132,518)	-0.4%
Excise Taxes						
Sales and Use	705,132,707		707,716,392	d	2,583,685	0.4%
Motor Vehicle	38,021,993		38,780,837		758,844	2.0%
Motor Carrier Fuel Use	811,326		677,022		(134,304)	-16.6%
Cigarettes	108,526,992		110,409,303		1,882,311	1.7%
Alcohol	9,580,724		9,743,891		163,167	1.7%
Other Taxes						
Inheritance and Gift	28,272,513		38,823,489		10,550,976	37.3%
Racing and Athletics	972,804		1,049,906		77,102	7.9%
Realty Transfer	5,153,735		5,073,863		(79,872)	-1.5%
Total Taxes	\$ 1,971,584,994		\$ 2,013,231,700		\$ 41,646,706	2.1%
Departmental Receipts	\$ 145,363,005		\$ 152,987,201	e	\$ 7,624,196	5.2%
Taxes and Departmentals	\$ 2,116,947,999		\$ 2,166,218,900		\$ 49,270,902	2.3%
Other General Revenue Sources						
Other Miscellaneous Revenues	4,166,755	+	4,166,755	f	-	0.0%
Lottery Transfer	270,179,986		280,667,944	g	10,487,958	3.9%
Unclaimed Property	-	+	-		-	n/a
Total Other Sources	\$ 274,346,741		\$ 284,834,699		\$ 10,487,958	3.8%
Total General Revenues	\$ 2,391,294,740		\$ 2,451,053,599		\$ 59,758,859	2.5%

- a Includes \$14,796,878 of gambling withholding taxes paid due to the sale of the winning \$336.4 million and \$60.0 million Powerball jackpot tickets in Rhode Island.
- b Incorporates transfer of \$725,000 from Business Corporations Taxes to Financial Institution Taxes for prior year posting errors corrected for in January and March 2012
- c Includes \$628,000 from field audit recoveries for tax years 2007-2009.
- d Deducts \$1,314,139 from the Sales and Use Tax to account for the receipt of tax payments from the audit of prior year sales activity and adds back \$2,083,626 from a refund issued for Sales and Use Tax receipts received from November 1, 2007 through August 31, 2010.
- e Deducts \$134,676,981 in Hospital Licensing Fees for cash receipts received in FY 2012 that were accrued back to FY 2011, deducts \$839,301 from the Imaging Services Surcharge for the "payment of bills" from an audit recovery for prior years and deducts \$351,640 in Interim Medicaid Hospital Rate Settlement cash receipts received in FY 2012 that were accrued back to FY 2011.
- f Deducts \$1,951,166 in Tobacco Settlement cash receipts received in FY 2012 that were accrued back to FY 2011 and includes \$3,271,648 in Tobacco Settlement cash receipts received in February 2012 from settlement of a lawsuit in December 2011.
- g Deducts \$2,731,761 from the Lottery Transfer to account for the receipt of revenues that were accrued back to FY 2011.
- + Set equal to actual amounts received due to general receipt of transfers in June.

PIT Component	YTD Estimates		YTD Actuals		Difference	Variance
Estimateds	\$ 147,714,175		\$ 151,704,116		\$ 3,989,941	2.7%
Finals	167,725,515		163,528,763		(4,196,752)	-2.5%
Withholding	789,307,226		810,201,475		20,894,249	2.6%
Refunds	(234,399,736)		(245,290,796)		(10,891,060)	4.6%
Total	\$ 870,347,180		\$ 880,143,557		\$ 9,796,378	1.1%

STATE OF RHODE ISLAND REVENUE ASSESSMENT REPORT
Monthly Estimate to Actual

	April Estimate of Revised FY 2012		April Adjusted Cash FY 2012		Difference	Variance
Personal Income Tax	\$ 160,959,971		\$ 142,884,771	a	\$ (18,075,201)	-11.2%
General Business Taxes						
Business Corporations	7,404,125		13,549,941		6,145,816	83.0%
Public Utilities Gross Earnings	756,365		429,401		(326,964)	-43.2%
Financial Institutions	246,810		(1,270,646)		(1,517,456)	-614.8%
Insurance Companies	(1,186,832)		1,043,274		2,230,106	-187.9%
Bank Deposits	32,105		-		(32,105)	
Health Care Provider Assessment	3,527,072		3,363,258		(163,814)	-4.6%
Excise Taxes						
Sales and Use	68,829,361		69,775,574		946,213	1.4%
Motor Vehicle	5,700,080		4,295,812		(1,404,268)	-24.6%
Motor Carrier Fuel Use	117,893		43,834		(74,059)	-62.8%
Cigarettes	10,208,864		10,915,257		706,393	6.9%
Alcohol	984,386		898,763		(85,623)	-8.7%
Controlled Substances	-		-		-	-
Other Taxes						
Inheritance and Gift	2,255,480		8,338,115		6,082,635	269.7%
Racing and Athletics	97,844		103,653		5,809	5.9%
Realty Transfer	433,787		440,941		7,154	1.6%
Total Taxes	\$ 260,367,312		\$ 254,811,948		\$ (5,555,364)	-2.1%
Departmental Receipts	\$ 18,079,874		\$ 16,849,946	b	\$ (1,229,928)	-6.8%
Taxes and Departmentals	\$ 278,447,186		\$ 271,661,894		\$ (6,785,292)	-2.4%
Other General Revenue Sources						
Gas Tax Transfer	-		-		-	
Other Miscellaneous Revenues	40,508	+	40,508		-	0.0%
Lottery Transfer	33,539,498		37,234,772		3,695,274	11.0%
Unclaimed Property	-	+	-		-	
Total Other Sources	\$ 33,580,006		\$ 37,275,280		\$ 3,695,274	11.0%
Total General Revenues	\$ 312,027,192		\$ 308,937,174		\$ (3,090,018)	-1.0%

a Includes \$2,219,889 of gambling withholding taxes paid due to the sale of the winning \$60.0 million Powerball jackpot ticket in Rhode Island.

b Deducts \$568,373 in Hospital Licensing Fees for cash receipts received in FY 2012 that were accrued back to FY 2011 and deducts \$35,352 in Interim Medicaid Hospital Rate Settlement cash receipts received in FY 2012 that were accrued back to FY 2011.

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

PIT Component	Estimates		Actuals		Difference	Variance
Estimateds	\$ 25,171,553		\$ 21,230,350		\$ (3,941,203)	-15.7%
Finals	123,670,537		114,268,337		(9,402,200)	-7.6%
Withholding	70,560,374		74,117,593		3,557,218	5.0%
Refunds	(58,442,493)		(66,731,509)		(8,289,016)	14.2%
Total	\$ 160,959,971		\$ 142,884,771		\$ (18,075,201)	-11.2%