

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 February 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year as the Revenue Estimating Conference (see RI General Law § 35-16-1) convenes and modifies the revenue estimates originally enacted by the General Assembly.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 February of the fiscal year over the past five fiscal years is approximately 66.2 percent. For the month of February, the relevant percentage is 8.1 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 February expected revenue estimates of \$3.4 million and \$27.7 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 February:

Revenue Item	<u>Percent Collected</u>		Revenue Item	<u>Percent Collected</u>	
	Month	YTD		Month	YTD
Personal Income Tax			Motor Vehicles Fees	7.9 %	50.6 %
Estimated Payments	1.3 %	63.8 %	Motor Carrier Fuel Use	6.9 %	60.7 %
Final Payments	2.0 %	17.2 %	Cigarettes Tax	6.7 %	66.9 %
Withholding Payments	8.5 %	66.3 %	Alcohol Excise Tax	6.2 %	66.8 %
Refunds & Adjustments	19.9 %	41.9 %	Inheritance & Gift Tax	7.3 %	67.3 %
Business Corporations Tax	-0.7 %	17.2 %	Racing & Athletics Tax	7.6 %	64.1 %
Utilities Gross Earnings Tax	2.6 %	4.4 %	Realty Transfer Tax	7.4 %	71.4 %
Financial Institutions Tax	-9.1 %	25.3 %	Departmental Receipts	6.1 %	57.3 %
Insurance Gross Premiums Tax	5.7 %	6.7 %	Lottery Transfer	8.0 %	56.3 %
Bank Deposits Tax	0.2 %	6.3 %	Other Misc. Revenues	n/a	n/a
Health Care Provider Assmnt.	8.1 %	66.2 %	Unclaimed Property	0.0 %	0.0 %
Sales and Use Tax ¹	7.4 %	68.7 %			

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, 7.3 percent for the month of February and 68.3 percent for the fiscal year-to-date period through February, 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 \$60.8 million and \$566.5 million respectively.

Once these “base” expected sales and use tax revenues were determined, the “additional” sales and use tax expected 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, 11.3 percent on a monthly and 50.7 percent on a partial fiscal year-to-date basis for February, were applied to the \$16.0 million of estimated “additional” sales and use tax expected FY 2012 revised revenues to arrive at month of February and partial fiscal year-to-date through February estimates of \$1.8 million and \$8.1 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 February 2012

The table Year-to-Date Estimate to Actual gives the results for the first eight months of FY 2012. As is apparent from the table, the Department of Revenue finds that FY 2012 year-to-date through February 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 \$40.1 million, or 2.3 percent. In total taxes, the variance from the November 2011 REC expected FY 2012 revised revenues is \$28.0 million, or 1.9 percent. For departmental receipts, the difference from the November 2011 REC expected FY 2012 revised revenues is \$8.5 million or 7.5 percent. For other general revenue sources, FY 2012 year-to-date adjusted cash collections through February differ from the November 2011 REC revised FY 2012 revenue estimate by \$3.5 million or 1.7 percent.

In addition to departmental receipts, six 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 \$14.0 million or 71.9 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

\$869,855 of reimbursed Historic Structures Tax Credits (HSTCs). Personal income tax fiscal year-to-date adjusted cash collections exceed year-to-date expected FY 2012 revised revenues by \$7.6 million, or 1.2 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 \$7.0 million, or 5.8 percent; fiscal year-to-date adjusted cash refunds leading year-to-date expected FY 2012 revised refunds by \$10.3 million, or 9.1 percent; adjusted cash withholding payments exceeding year-to-date expected FY 2012 revised withholding payments by \$6.9 million, or 1.1 percent; and adjusted cash final payments exceeding year-to-date expected FY 2012 revised final payments by \$4.1 million, or 13.6 percent. Fiscal year-to-date personal income tax adjusted cash collections include \$993,579 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 25.3 percent or \$5.8 million. The fiscal year-to-date lottery transfer exceeds the year-to-date expected FY 2012 revised lottery transfer by \$3.5 million, or 1.7 percent. Motor vehicle operator license and registration fees year-to-date adjusted cash collections are \$2.3 million or 9.5 percent more than year-to-date expected FY 2012 revised motor vehicle operator license and registration fees. Financial institution taxes year-to-date adjusted cash collections are \$1.5 million more than year-to-date expected FY 2012 revised financial institution taxes. Finally, fiscal year-to-date cigarettes and other tobacco products taxes, sales and use taxes, the health care provider assessment, bank deposits taxes, racing and athletics taxes, and alcohol excise taxes adjusted cash collections are all greater than year-to-date expected FY 2012 revised revenues through February of the fiscal year in each of these revenue categories but by less than \$1.0 million.

On the negative side, two revenue items have 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 47.8 percent, or \$3.3 million. Fiscal year-to-date insurance companies gross premiums taxes include \$198,174 of reimbursed Historic Structures Tax Credits (HSTCs). Public utilities gross earnings taxes trail expected FY 2012 revised revenues by \$1.1 million, or 25.3 percent. Finally, fiscal year-to-date motor carrier fuel use taxes and realty transfer taxes are below year-to-date expected FY 2012 revised revenues through January 2012 for each of these revenue categories but by less than \$1.0 million each.

Results for the Month of February

The table Monthly Estimate to Actual gives the results for February of FY 2012. As is apparent from the table, the Department of Revenue finds that February adjusted cash collections for total general revenues trail expected February revenue collections based on the estimates adopted at the November 2011 REC by \$17.1 million, or 10.2 percent. In total taxes, the variance from expected FY 2012 revised February revenues is -\$17.2 million, or -13.9 percent. For departmental receipts, the difference from the expected FY 2012 revised revenues for February is \$1.1 million or 9.5 percent. For other general revenue sources, February adjusted cash collections trail the expected FY 2012 revised revenue estimate for February by \$1.1 million, or 3.2 percent.

In addition to departmental receipts, two other revenue items have adjusted cash collections for February that exceed expected FY 2012 revised revenues for February by \$1.0 million or more. Business corporations taxes adjusted cash collections for February are \$3.9 million more than monthly expected FY 2012 revised business corporations taxes.. February business corporations tax adjusted cash collections include \$500,000 of reimbursed Historic Structures Tax Credits (HSTCs). February cigarettes and other tobacco products taxes adjusted cash collections are \$1.1 million or 12.3 percent more than expected monthly FY 2012 revised revenues. February inheritance and gift taxes, motor vehicle operator license and registration fees, the health care provider assessment, racing and athletics taxes, bank deposit taxes, and alcohol excise taxes adjusted cash collections are all greater than February expected FY 2012 revised revenues for each of these revenue categories but by less than \$1.0 million.

On the negative side, five revenue items have February adjusted cash collections that trail expected FY 2012 revised revenues for February by more than \$1.0 million. Personal income taxes adjusted cash collections for February are \$16.7 million or 50.4 percent less than monthly expected FY 2012 revised personal income taxes for February. This negative difference consists of monthly adjusted cash estimated payments exceeding monthly expected FY 2012 revised estimated payments by \$640,368, or 26.6 percent; monthly adjusted cash refunds leading monthly expected FY 2012 revised refunds by \$21.1 million, or 39.4 percent; adjusted cash withholding payments exceeding monthly expected FY 2012 revised withholding payments by \$2.7 million, or 3.3 percent; and adjusted cash final payments leading monthly expected FY 2012 revised final payments by \$1.1 million, or 30.5 percent. February personal income tax adjusted cash collections include \$5,349 of reimbursed Historic Structures Tax Credits (HSTCs). Insurance companies gross premiums taxes adjusted cash collections trail expected monthly FY 2012 revised revenues by \$2.8 million or 46.3 percent for February. February insurance companies gross premiums taxes adjusted cash collections include \$195,828 of reimbursed Historic Structures Tax Credits (HSTCs). Public utilities gross earnings taxes adjusted cash collections for February are \$2.4 million or 91.6 percent less than monthly expected FY 2012 revised revenues for February. February sales and use taxes adjusted cash collections trail expected monthly FY 2012 revised revenue by \$1.3 million, or 2.1 percent. The February lottery transfer trails the monthly expected FY 2012 revised lottery transfer estimate by \$1.1 million or 3.6 percent. Finally, adjusted cash collections for realty transfer taxes, motor carrier fuel use taxes, and financial institution taxes are below monthly FY 2012 expected revised revenues for each of these revenue categories but by less than \$1.0 million for February.



Rosemary Booth Gallogly, Director
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March 9, 2012

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

	YTD February Estimate of Revised FY 2012		YTD February Adjusted Cash FY 2012		Difference	Variance
Personal Income Tax	\$ 663,101,741		\$ 670,745,275		\$ 7,643,533	1.2%
General Business Taxes						
Business Corporations	19,396,834		33,351,586	*	13,954,752	71.9%
Public Utilities Gross Earnings	4,391,967		3,281,928	^	(1,110,039)	-25.3%
Financial Institutions	253,093		1,704,747	*	1,451,654	573.6%
Insurance Companies	6,960,453		3,631,669		(3,328,784)	-47.8%
Bank Deposits	125,043		222,025		96,982	77.6%
Health Care Provider Assessment	27,685,161		27,802,304		117,143	0.4%
Excise Taxes						
Sales and Use	574,582,732		574,884,763	**	302,032	0.1%
Motor Vehicle	24,375,809		26,694,442		2,318,633	9.5%
Motor Carrier Fuel Use	667,434		580,304		(87,130)	-13.1%
Cigarettes	87,992,295		88,817,474		825,179	0.9%
Alcohol	7,885,502		7,943,953		58,451	0.7%
Other Taxes						
Inheritance and Gift	22,895,703		28,688,418		5,792,715	25.3%
Racing and Athletics	769,727		836,788		67,061	8.7%
Realty Transfer	4,356,262		4,276,644		(79,618)	-1.8%
Total Taxes	\$ 1,445,439,755		\$ 1,473,462,320		\$ 28,022,565	1.9%
Total Departmental Receipts	\$ 112,824,325		\$ 121,304,798	^^	\$ 8,480,473	7.5%
Taxes and Departmentals	\$ 1,558,264,081		\$ 1,594,767,118		\$ 36,503,037	2.3%
Other General Revenue Sources						
Other Miscellaneous Revenues	3,707,170	+	3,707,170	^^^	-	0.0%
Lottery Transfer	206,698,854		210,235,965	***	3,537,111	1.7%
Unclaimed Property	-	+	-		-	n/a
Total Other Sources	\$ 210,406,023		\$ 213,943,135		\$ 3,537,111	1.7%
Total General Revenues	\$ 1,768,670,104		\$ 1,808,710,253		\$ 40,040,149	2.3%

* Incorporates transfer of \$425,000 from Business Corporations Taxes to Financial Institution Taxes for prior year posting errors corrected for in January 2012

^ Includes \$628,000 from field audit recoveries for tax years 2007-2009.

** 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.

^^ Deducts \$133,540,235 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 \$280,397 in Interim Medicaid Hospital Rate Settlement cash receipts received in FY 2012 that were accrued back to FY 2011.

^^^ 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.

*** 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	\$ 119,246,911		\$ 126,209,283		\$ 6,962,372	5.8%
Finals	30,130,030		34,235,576		4,105,546	13.6%
Withholding	626,731,900		633,622,531		6,890,632	1.1%
Refunds	(113,007,099)		(123,322,115)		(10,315,016)	9.1%
Total	\$ 663,101,741		\$ 670,745,275		\$ 7,643,533	1.2%

STATE OF RHODE ISLAND REVENUE ASSESSMENT REPORT
Monthly Estimate to Actual

	February Estimate of Revised FY 2012	February Adjusted Cash FY 2012	Difference	Variance
Personal Income Tax	\$ 33,146,380	\$ 16,425,923	\$ (16,720,457)	-50.4%
General Business Taxes				
Business Corporations	(784,686)	3,126,693	3,911,379	-498.5%
Public Utilities Gross Earnings	2,626,520	221,353	(2,405,167)	-91.6%
Financial Institutions	(90,669)	(98,055)	(7,386)	8.1%
Insurance Companies	5,948,334	3,193,014	(2,755,320)	-46.3%
Bank Deposits	3,265	16,479	13,214	404.8%
Health Care Provider Assessment	3,376,192	3,511,857	135,665	4.0%
Excise Taxes				
Sales and Use	62,569,028	61,273,783 *	(1,295,245)	-2.1%
Motor Vehicle	3,811,814	4,202,858	391,044	10.3%
Motor Carrier Fuel Use	75,422	58,306	(17,116)	-22.7%
Cigarettes	8,779,271	9,860,443	1,081,172	12.3%
Alcohol	731,912	736,859	4,947	0.7%
Controlled Substances	-	-	-	-
Other Taxes				
Inheritance and Gift	2,466,347	2,997,411	531,064	21.5%
Racing and Athletics	91,230	126,092	34,862	38.2%
Realty Transfer	451,905	380,264	(71,641)	-15.9%
Total Taxes	\$ 123,202,267	\$ 106,033,281	\$ (17,168,986)	-13.9%
Total Departmental Receipts	\$ 11,954,103	\$ 13,095,525 ^	\$ 1,141,422	9.5%
Taxes and Departmentals	\$ 135,156,369	\$ 119,128,806	\$ (16,027,563)	-11.9%
Other General Revenue Sources				
Gas Tax Transfer	-	-	-	
Other Miscellaneous Revenues	3,351,151 +	3,351,151 ^^	-	0.0%
Lottery Transfer	29,486,810	28,420,405	(1,066,405)	-3.6%
Unclaimed Property	-	-	-	
Total Other Sources	\$ 32,837,961	\$ 31,771,556	\$ (1,066,405)	-3.2%
Total General Revenues	\$ 167,994,330	\$ 150,900,362	\$ (17,093,969)	-10.2%

* Adds back \$2,083,626 from a refund issued for Sales and Use Tax receipts received from November 1, 2007 through August 31, 2010.

^ 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.

^^ Includes \$3,271,648 in Tobacco Settlement cash receipts received in February 2012 from settlement of a lawsuit in December 2011.

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

PIT Component	Estimates	Actuals	Difference	Variance
Estimateds	\$ 2,410,553	\$ 3,050,921	\$ 640,368	26.6%
Finals	3,494,193	4,559,338	1,065,145	30.5%
Withholding	80,839,748	83,505,492	2,665,744	3.3%
Refunds	(53,598,114)	(74,689,828)	(21,091,715)	39.4%
Total	\$ 33,146,380	\$ 16,425,923	\$ (16,720,457)	-50.4%

FY 2012 Variance of Adjusted Cash Collections to Estimate

