

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS  
GOVERNOR LINCOLN D. CHAFEE



DEPARTMENT OF REVENUE  
Office of Revenue Analysis

State of Rhode Island Revenue Brief  
Special Report on Preliminary FY 2012 Revenues

This special edition of the State of Rhode Island Revenue Brief is the traditional fiscal year end report on preliminary revenues. This special report assesses fiscal year state revenue collections on an accrual basis. That is, it considers total fiscal year revenue collections, which are equal to cash collections plus the net accrual between consecutive fiscal years. One result of this approach is that the detailed discussions of revenue collection anomalies is absent from this report. Further, this report's focus is on preliminary FY 2012 revenue collections and the revenue estimates adopted in the final enacted FY 2012 budget. Finally, the growth rates cited refer to final enacted or preliminary FY 2012 revenues versus audited FY 2011 total revenues collected

*The data contained in this report is drawn from two sources, the Division of Taxation and the Office of Accounts and Controls. This report makes minimal adjustments to the data that is reported and only to ensure that the Division of Taxation's data is consistent with Office of Accounts and Controls' data.*

**Total General Revenues**

<u>FY 2012</u>	<u>Final Enacted</u>	<u>Preliminary Close</u>	<u>Variance</u>
Growth Rates	5.6%	6.0 %	0.4 %
Revenues	\$3,257,400,000	\$3,270,258,951	\$12,858,951

Preliminary Fiscal Year 2012 total general revenues collected have increased by 6.0 percent as compared to audited Fiscal Year 2011 total general revenues. For preliminary FY 2012, total general revenues were \$3.270 billion as compared to \$3.084 billion for audited FY 2011, an increase of \$186.5 million. Final Enacted FY 2012 total general revenues were estimated at \$3.257 billion; a growth rate of 5.6 percent over audited FY 2011 total general revenues. The preliminary FY 2012 revenues were \$12.9 million, or 0.4 percent, more than the final enacted FY 2012 estimate.

### Taxes and Departmental Receipts

<u>FY 2012</u>	<u>Final Enacted</u>	<u>Preliminary Close</u>	<u>Variance</u>
Growth Rates	5.1 %	5.5 %	0.3 %
Revenues	\$2,848,100,000	\$2,857,886,771	\$9,786,771

The State of Rhode Island Department of Revenue reports that preliminary Fiscal Year 2012 taxes and departmental receipts have increased by 5.5 percent as compared to audited FY 2011 collections. For preliminary FY 2012, total taxes and departmental receipts were \$2.858 billion as compared to \$2.710 billion for FY 2011, an increase of \$147.8 million. Final enacted FY 2012 taxes and departmental receipts were estimated at \$2.848 billion; a growth rate of 5.1 percent over audited FY 2011 total general revenues. The preliminary actual revenues were \$9.8 million, or 0.3 percent, more than the final enacted estimate.

### Other General Revenue Sources

<u>FY 2012</u>	<u>Final Enacted</u>	<u>Preliminary Close</u>	<u>Variance</u>
Growth Rates	9.6%	10.4%	0.8 %
Revenues	\$409,300,000	\$412,372,181	\$3,072,181

Preliminary FY 2012 Other General Revenue Sources collected have increased by 10.4 percent as compared to audited Fiscal Year 2011 collections. For preliminary FY 2012, total other general sources were \$412.4 million as compared to \$373.6 million for audited FY 2011, an increase of \$38.8 million. The growth rate enacted in the final FY 2012 budget was 9.6 percent. Preliminary FY 2012 Other General Revenue Sources were \$3.1 million, or 0.8 percent, more than the final enacted estimate of \$409.3 million.

### Total Taxes

<u>FY 2012</u>	<u>Final Enacted</u>	<u>Preliminary Close</u>	<u>Variance</u>
Growth Rates	5.3 %	5.9 %	0.6 %
Revenues	\$2,503,600,000	\$2,518,403,704	\$14,803,704

Total tax revenues for preliminary fiscal year 2012 were \$2.518 billion or 5.9 percent more than the \$2.377 billion in total taxes collected in FY 2011. In nominal terms, FY 2012 preliminary total taxes exceeded final FY 2011 total taxes by \$141.0 million. The FY 2012 final growth estimate for total taxes, enacted by the General Assembly, was 5.3 percent over audited FY 2011 total tax collections. The preliminary actual revenues were \$14.8 million more than the final enacted estimates.

It is important to note that any historic structures tax credits (HSTC) redeemed from FY 2009 onward are reimbursed from the Historic Structures Tax Credit Fund's bond proceeds upon receipt of the tax credit certificate. Prior to FY 2009, the redemption of historic structures tax

credit certificates were deducted directly from realized tax receipts. Thus, prior to FY 2009 the actual revenues for the tax types that had HSTCs redeemed to offset an actual tax liability were net revenues (i.e., total collection *less* HSTC redemptions). Since FY 2009, the actual revenues for the tax types that have HSTCs redeemed to offset an actual tax liability are gross revenues (i.e., total collections *plus* HSTC reimbursements).

In FY 2011, audited total historic structure tax credit redemptions/reimbursements for all taxes totaled \$14.2 million versus \$6.6 million in FY 2012, a decrease of \$7.6 million or growth of -53.8 percent. The breakdown of the reimbursement of redeemed HSTCs by tax type is shown in the table below:

<b>Historic Structure Tax Credits</b>				
<b>Tax Type</b>	<b>FY 2011</b>	<b>FY 2012</b>	<b>Difference</b>	<b>% Change</b>
Personal Income	\$ 6,722,204	\$ 1,362,240	\$ (5,359,963)	-79.7 %
Business Corporations	818,010	913,855	95,845	11.7 %
Insurance	1,029,825	323,151	(706,674)	-68.6 %
Insurance/HMOs	5,619,604	3,958,906	(1,660,698)	-29.6 %
<b>Total</b>	<b>\$ 14,189,642</b>	<b>\$ 6,558,152</b>	<b>\$ (7,631,490)</b>	<b>-53.8 %</b>

### **Personal Income Taxes**

<b><u>FY 2012</u></b>	<b><u>Final Enacted</u></b>	<b><u>Preliminary Close</u></b>	<b><u>Variance</u></b>
Growth Rates	2.4 %	3.9 %	1.4 %
Revenues	\$1,046,200,000	\$1,060,854,533	\$14,654,533

Actual personal income tax collections for preliminary FY 2012 are up \$39.5 million, or 3.9 percent, compared to audited FY 2011 personal income tax receipts. The General Assembly's final enacted estimate for personal income tax revenues in FY 2012 was \$1.046 billion, or growth of 2.4 percent from audited FY 2011 personal income tax receipts. FY 2012 preliminary personal income tax collections are \$14.7 million, or 1.4 percent, more than the final enacted FY 2012 budget estimate. Preliminary FY 2012 collections for personal income taxes totaled \$1.061 billion of which \$1.068 billion were cash collections received in FY 2012 and -\$7.5 million was the net accrual. This compares to cash collections of \$1.026 billion received during FY 2011 and a net accrual of -\$4.2 million.

The components of the personal income tax with the final enacted FY 2012 budget estimate and the FY 2012 preliminary revenues are shown in the table below:

<b>Component</b>	<b>Final Enacted</b>	<b>Final Enacted Growth</b>	<b>Preliminary Close</b>	<b>Preliminary Growth</b>
Estimated Payments	\$ 192,000,000	11.9 %	\$ 192,037,542	12.0 %
Final Payments*	176,000,000	-6.2 %	174,673,953	-6.9 %
Withholding	967,600,000	4.2 %	970,832,743	4.5 %
Refunds/Adjustments	(283,400,000)	8.0 %	(269,077,978)	2.6 %
Net Accrual	(6,000,000)	41.3 %	(7,611,728)	79.3 %
<b>Total</b>	<b>\$1,046,200,000</b>	<b>2.4 %</b>	<b>\$1,060,854,533</b>	<b>3.9 %</b>
*Final payments include \$114,230 in reporting adjustments contained in the Controller's preliminary revenue report.				

Preliminary FY 2012 income tax refunds paid are up by \$6.8 million, or 2.6 percent, compared to audited FY 2011 income tax refunds paid. The General Assembly's enacted estimate for income tax refunds paid in FY 2012 was \$283.4 million, an increase of 8.0 percent over audited FY 2011 income tax refunds paid. Preliminary FY 2012 income tax refunds paid totaled \$269.1 million, \$14.3 million, or 5.1 percent, less than the final enacted estimate.

With respect to income tax withholding payments, preliminary FY 2012 revenues have increased by \$42.2 million, or 4.5 percent, when compared to audited FY 2011 income tax withholding payments. The final enacted estimate for income tax withholding payments in FY 2012 was \$967.6 million, an increase of 4.2 percent over audited FY 2011 income withholding taxes paid. Preliminary FY 2012 withholding income taxes paid totaled \$970.8 million, 0.3 percent, or \$3.2 million, more than the final enacted estimate for FY 2012.

Preliminary FY 2012 final income tax payments decreased by \$13.0 million or -6.9 percent, as compared to final payments in FY 2011. FY 2011 final income tax payments received include \$6.7 million of reimbursed Historic Structures Tax Credits versus \$1.4 million in preliminary FY 2012. The final enacted estimate for final income tax payments received in FY 2012 was \$176.0 million, a decrease of 6.2 percent from audited FY 2011 final income tax payments. Preliminary FY 2012 final income tax payments totaled \$174.7 million, \$1.3 million, or 0.8 percent, less than enacted.

Preliminary FY 2012 estimated income tax payments are up \$20.5 million from audited FY 2011 collections. This increase translates into a fiscal year growth rate of 12.0 percent. The 12.0 percent actual growth in preliminary estimated income tax payments received between FY 2012 and FY 2011 exceed the final enacted growth rate for estimated income tax payments received of 11.9 percent. Preliminary FY 2012 estimated income tax payments received totaled \$192.0 million, \$37,542 more than the final enacted FY 2012 estimate.

Finally, for FY 2012 the personal income tax net accrual of -\$7.6 million decreased by \$3.4 million from the audited FY 2011 net accrual of -\$4.2 million. This decrease translates into a fiscal year growth rate of 79.3 percent. The preliminary FY 2012 personal income tax net

accrual was \$1.6 million less than the final enacted FY 2012 personal income tax net accrual estimate of -\$6.0 million, a difference of 26.9 percent.

### **Business Corporations Taxes**

<b><u>FY 2012</u></b>	<b><u>Final Enacted</u></b>	<b><u>Preliminary Close</u></b>	<b><u>Variance</u></b>
Growth Rates	55.7 %	45.8 %	-6.4 %
Revenues	\$131,600,000	\$123,225,702	\$(8,374,298)

Rhode Island business corporations tax revenues are comprised of taxes collected from the corporate income tax, and taxes on nonresident contractors and political organizations. Preliminary FY 2012 business corporations tax revenues were up \$38.7 million, or 45.8 percent, from audited FY 2011 business corporations taxes. This growth rate lags the final enacted growth rate of 55.7 percent. The final enacted estimate for business corporations tax revenues in FY 2012 was \$131.6 million, \$8.4 million more than preliminary revenues.

Preliminary FY 2012 business corporations tax revenues totaled \$123.2 million of which \$129.1 million were cash collections for business corporations taxes and -\$8.0 million was the net accrual. This compares to cash collections of \$131.2 million and a net accrual of -\$46.6 million in audited FY 2011. The large negative net accrual in audited FY 2011 was due to two factors. First, audited FY 2011 business corporations tax cash collections included \$28.9 million of payments made in FY 2011 that were accrued back to FY 2010. Second, a \$17.7 million net accrual that reduced revenue in FY 2011 was booked to reflect a change in the accrual methodology that was implemented jointly by the Office of the Auditor General (OAG) and the Office of Accounts and Controls (OAC) beginning in FY 2011.

The table below provides the component breakdown for corporate income tax receipts.

<b>Component</b>	<b>FY 2011</b>	<b>Preliminary FY 2012</b>	<b>Nominal Difference</b>	<b>Percent Difference</b>
Estimated Payments	\$ 76,190,243	\$ 88,510,646	\$ 12,320,403	16.2 %
Final Payments*	92,686,433	65,971,288	(26,715,145)	-28.8 %
Refunds/Adjustments	(37,949,931)	(23,416,848)	14,533,083	-38.3 %
Net Accrual**	(46,654,150)	(8,006,245)	38,647,905	-82.8 %
<b>Total</b>	<b>\$ 84,272,595</b>	<b>\$ 123,058,841</b>	<b>\$ 38,786,246</b>	<b>46.0 %</b>
* Final Payments include historic structures tax credit reimbursements of \$818,010 in FY 2011 and \$913,855 in FY 2012.				
** The net accrual includes a \$2,203,566 reporting adjustment contained in the Controller's preliminary revenue report				

Preliminary FY 2012 corporate income tax refunds paid totaled \$23.4 million or \$14.5 million less than audited FY 2011 corporate income tax refunds paid. This translates into a preliminary growth of -38.3 percent from audited FY 2011 corporate income tax refunds paid.

Preliminary FY 2012 final corporate income tax payments decreased by \$26.7 million or -28.8 percent, as compared to final payments in FY 2011. Preliminary FY 2012 final corporate income tax payments totaled \$66.0 million versus \$92.7 million in FY 2011. FY 2011 final corporate income tax payments received include \$818,010 of reimbursed Historic Structures Tax Credits versus \$913,855 in preliminary FY 2012.

Preliminary FY 2012 estimated corporate income tax payments increased by \$12.3 million from audited FY 2011 collections. This increase translates into a fiscal year growth rate of 16.2 percent. Preliminary FY 2012 estimated corporate income tax payments received totaled \$88.5 million versus \$76.2 million in FY 2011.

Finally, the preliminary FY 2012 corporate income tax net accrual totaled -\$8.0 million or \$38.6 million less than the audited FY 2011 corporate income tax net accrual of -\$46.7 million.. This decrease translates into a fiscal year growth rate of -82.8 percent.

### **Public Utilities Gross Earnings Taxes**

<b><u>FY 2012</u></b>	<b><u>Final Enacted</u></b>	<b><u>Preliminary Close</u></b>	<b><u>Variance</u></b>
Growth Rates	-5.2 %	-3.0 %	2.4 %
Revenues	\$98,300,000	\$100,631,477	\$2,331,477

Public utilities gross earnings taxes are down 3.0 percent, or \$3.1 million, for preliminary FY 2012 from audited FY 2011 public utilities gross earnings taxes. This growth rate leads the final growth rate of -5.2 percent enacted by the General Assembly in June. The final enacted estimate for public utilities gross earnings tax revenues in FY 2012 was \$98.3 million, \$2.3 million lower than preliminary FY 2012 collections for public utilities gross earnings taxes. There was no substantive difference in the net accrual for the two fiscal years.

### **Financial Institutions Taxes**

<b><u>FY 2012</u></b>	<b><u>Final Enacted</u></b>	<b><u>Preliminary Close</u></b>	<b><u>Variance</u></b>
Growth Rates	1.6 %	44.7 %	42.3 %
Revenues	\$2,500,000	\$3,557,938	\$1,057,938

Preliminary FY 2012 financial institution tax revenues were \$1.1 million higher than the \$2.5 million collected in audited FY 2011. Preliminary FY 2012 financial institutions taxes totaled \$3.6 million or 44.7 percent over final FY 2011 financial institutions taxes. The enacted growth rate for FY 2012 was 1.6 percent. Preliminary FY 2012 financial institutions tax revenues consisted of \$5.3 million in cash collections received and a -\$1.7 million net accrual. This compares to FY 2011 cash collections of -\$282,560 and a net accrual of \$2.7 million.

### Insurance Companies Gross Premiums Taxes

<u>FY 2012</u>	<u>Final Enacted</u>	<u>Preliminary Close</u>	<u>Variance</u>
Growth Rates	46.9 %	47.7 %	0.6 %
Revenues	\$89,000,000	\$89,509,870	\$509,870

Preliminary FY 2012 insurance companies gross premiums tax revenues are up \$28.9 million, or 47.7 percent, over audited FY 2011 insurance companies gross premiums tax revenues. This growth rate is higher than the growth rate of 46.9 percent enacted by the General Assembly in June. The final enacted estimate for insurance companies gross premiums tax revenues in FY 2012 was \$89.0 million, or \$509,870 lower than preliminary FY 2012 receipts.

Preliminary FY 2012 insurance companies gross premiums tax revenues were comprised of \$93.3 million in cash collections and a net accrual of -\$3.8 million. Audited FY 2011 insurance companies gross premiums tax revenues totaled \$60.6 million, of which \$96.2 million were cash collections and -\$35.6 million was the net accrual. The net accrual in FY 2011 was due to a change in the accrual methodology implemented by the Office of the Auditor General (OAG) and the Office of Accounts and Controls (OAC) beginning in FY 2011.

The following table provides a component breakdown of insurance companies gross premiums tax revenues.

<u>Component</u>	<u>FY 2011</u>	<u>FY 2012</u>	<u>Nominal Difference</u>	<u>Percent Difference</u>
<u>Property and Casualty</u>				
Cash	\$ 62,823,899	\$56,628,305	\$ (6,195,594)	-9.9 %
Net Accrual	(35,624,995)	(3,809,038)	31,815,957	-89.3 %
<b>Total</b>	<b>\$ 27,198,904</b>	<b>\$ 52,819,267</b>	<b>\$ 25,620,363</b>	<b>94.2 %</b>
<u>Health Insurance</u>				
Cash	\$ 33,391,096	\$ 36,690,603	\$ 3,299,507	9.9 %
Net Accrual	0	0	0	n/a
<b>Total</b>	<b>\$ 33,391,096</b>	<b>\$ 36,690,603</b>	<b>\$ 3,299,507</b>	<b>9.9 %</b>

Preliminary FY 2012 property and casualty insurance gross premiums tax revenues were \$52.8 million of which \$56.6 million were cash collections and -\$3.8 million was the net accrual. Preliminary FY 2012 cash collections decreased by \$6.2 million, or -9.9 percent, compared to audited FY 2011 cash collections. While cash collections decreased between FY 2012 and FY 2011, the preliminary net accrual increased by \$31.8 million. Preliminary FY 2012 health insurance gross premiums tax receipts were \$36.7 million compared to the \$33.4 million in audited FY 2011 revenues. This translates into an increase of \$3.3 million, or 9.9 percent.

### **Bank Deposit Taxes**

<b><u>FY 2012</u></b>	<b><u>Final Enacted</u></b>	<b><u>Preliminary Close</u></b>	<b><u>Variance</u></b>
Growth Rates	6.7 %	1.7 %	-4.7 %
Revenues	\$2,100,000	\$2,000,645	\$(99,355)

Preliminary FY 2012 bank deposit taxes of \$2.0 million are up \$33,357, or 1.7 percent, over audited FY 2011 bank deposit taxes. This growth rate is lower than the growth rate of 6.7 percent enacted by the General Assembly. The final enacted estimate for bank deposits taxes collected in FY 2012 was \$2.1 million or \$99,355 above preliminary FY 2012 receipts. There was no substantive difference in the net accrual for the two fiscal years.

### **Health Care Provider Assessment Taxes**

<b><u>FY 2012</u></b>	<b><u>Final Enacted</u></b>	<b><u>Preliminary Close</u></b>	<b><u>Variance</u></b>
Growth Rates	2.1 %	2.8 %	0.8 %
Revenues	\$41,600,000	\$41,922,464	\$322,464

Preliminary FY 2012 health care provider assessment taxes are up by \$1.2 million or 2.8 percent, over audited FY 2011 health care provider assessments. This growth rate leads the growth rate estimated in the final enacted FY 2012 budget. The General Assembly's final enacted estimate for health care provider assessment revenues in FY 2012 was \$41.6 million. Preliminary FY 2012 revenues for health care provider assessments totaled \$41.9 million, \$322,464 more than enacted. There was no substantive difference in the net accrual for the two fiscal years.

### **Sales and Use Taxes**

<b><u>FY 2012</u></b>	<b><u>Final Enacted</u></b>	<b><u>Preliminary Close</u></b>	<b><u>Variance</u></b>
Growth Rates	4.1 %	4.6 %	0.5 %
Revenues	\$846,000,000	\$850,443,875	\$4,443,875

Actual sales and use tax collections for preliminary FY 2012 are up \$37.4 million, or 4.6 percent, relative to audited FY 2011 sales and use tax receipts. The preliminary FY 2012 growth rate exceeds the final enacted FY 2012 growth rate of 4.1 percent over audited FY 2011 sales and use tax revenues. The General Assembly's final enacted estimate for sales and use tax revenues in FY 2012 was \$846.0 million or \$4.4 million less than preliminary FY 2012 receipts. Preliminary FY 2012 revenues for sales and use taxes totaled \$850.4 million of which \$848.2 million were cash collections received during FY 2012 period and \$2.2 million was the net accrual. During FY 2011, cash collections were \$813.1 million with a net accrual -\$137,166.

The following table provides the component breakdown for sales and use tax collections:



<b>Component</b>	<b>FY 2011</b>	<b>FY 2012</b>	<b>Nominal Difference</b>	<b>Percent Difference</b>
Net Taxation*	\$ 714,586,935	\$746,149,393	\$ 31,562,458	4.4 %
Registry	84,471,127	87,820,446	3,349,319	4.0 %
Prov. Place Mall	14,086,405	14,259,101	172,696	1.2 %
Net Accrual	(137,166)	2,214,936	2,352,102	-1,714.8 %
<b>Total</b>	<b>\$813,007,301</b>	<b>\$850,443,876</b>	<b>\$ 37,436,575</b>	<b>4.6 %</b>
*Adds \$320,025 to FY 2011 and \$39,821 to FY 2012 for receipts from non-sufficient funds checks				

Within the sales tax components, registry receipts were up 4.0 percent in preliminary FY 2012 when compared to final FY 2011. This percentage increase translates into \$3.3 million more in registry receipts between preliminary FY 2012 and audited FY 2011. Net sales tax receipts remitted directly to the Division of Taxation posted an increase of 4.4 percent for preliminary FY 2012 over final FY 2011. This percentage increase translates into \$31.8 million more between preliminary FY 2012 and final FY 2011. Providence Place Mall (PPM) sales tax receipts were up 1.2 percent between preliminary FY 2012 and final FY 2011. This percentage increase translates into \$172,696 more between preliminary FY 2012 and audited FY 2011. Finally, the sales and use tax preliminary FY 2012 net accrual is \$2.4 million more than the audited FY 2011 net accrual.

### **Motor Vehicle Revenues**

<b><u>FY 2012</u></b>	<b><u>Final Enacted</u></b>	<b><u>Preliminary Close</u></b>	<b><u>Variance</u></b>
Growth Rates	0.1 %	1.5 %	1.4 %
Revenues	\$47,700,000	\$48,391,564	\$691,564

Preliminary FY 2012 motor vehicle revenues are up \$737,030 or 1.5 percent from audited FY 2011 motor vehicle revenues. This growth rate exceeds the final FY 2012 enacted growth rate of 0.1 percent. The final enacted estimate for motor vehicle revenues received in FY 2012 was \$47.7 million, \$691,564 less than preliminary FY 2012 revenues. Preliminary FY 2012 revenues for motor vehicles totaled \$48.4 million of which \$48.3 million were cash collections received during the July 2011 to June 2012 period and \$51,021 was the net accrual. This compares to cash collections of \$47.8 million in FY 2011 and a net accrual of -\$96,558.

The following table displays the component breakdown for motor vehicle revenues:

<b>Component</b>	<b>FY 2011</b>	<b>FY 2012</b>	<b>Nominal Difference</b>	<b>Percent Difference</b>
<u>License and Registration Fees</u>				
Cash	\$ 44,980,955	\$ 45,984,766	\$ 1,003,811	2.2 %
Net Accrual	(104,551)	94,385	198,936	-190.3 %
<b>Total</b>	<b>\$ 44,876,404</b>	<b>\$ 46,079,151</b>	<b>\$ 1,202,747</b>	<b>2.7 %</b>
<u>Rental Vehicle Surcharge</u>				
Cash	\$ 2,770,137	\$ 2,355,777	\$ (414,360)	-15.0 %
Net Accrual	7,993	(43,364)	(51,357)	-642.5 %
<b>Total</b>	<b>\$ 2,778,130</b>	<b>\$ 2,312,413</b>	<b>\$ (465,717)</b>	<b>-16.8 %</b>

Preliminary FY 2012 license and registration fees were \$46.1 million of which \$46.0 million were cash collections and \$94,385 was the net accrual. Preliminary FY 2012 cash collections increased by \$1.0 million, or 2.2 percent compared to audited FY 2011 cash collections, and the preliminary net accrual increased by \$198,936.

Preliminary FY 2012 rental vehicle surcharge revenues were \$2.3 million compared to the \$2.8 million in audited FY 2011 collections. This translates into a decrease of \$465,717, or -16.8 percent. The preliminary FY 2012 rental vehicle surcharge net accrual decreased by 642.5 percent, or \$51,357 from audited FY 2011 collections.

### **Motor Carrier Fuel Use Taxes**

<b><u>FY 2012</u></b>	<b><u>Final Enacted</u></b>	<b><u>Preliminary Close</u></b>	<b><u>Variance</u></b>
Growth Rates	-5.2 %	-30.5 %	-26.7 %
Revenues	\$1,000,000	\$732,672	\$(267,328)

Preliminary FY 2012 motor carrier fuel use taxes are down \$322,267 or -30.5 percent from audited FY 2011 motor carrier fuel use taxes. Motor carrier fuel use taxes are those taxes paid by commercial truckers for the use of Rhode Island's highways. This growth rate is lower than the final enacted growth rate for FY 2012 of -5.2 percent. The final enacted estimate for motor carrier fuel use tax revenues in FY 2012 was \$1.0 million. Preliminary FY 2012 revenues for motor carrier fuel use taxes totaled \$732,672, or \$267,328 less than enacted.

### **Cigarettes Taxes**

<b><u>FY 2012</u></b>	<b><u>Final Enacted</u></b>	<b><u>Preliminary Close</u></b>	<b><u>Variance</u></b>
Growth Rates	-0.3 %	-2.2 %	-1.9 %
Revenues	\$133,600,000	\$131,085,912	\$(2,514,088)

Rhode Island cigarette tax receipts are made up of excise taxes collected on the sale of cigarettes, a tax on the wholesale price of other tobacco products such as cigars, pipe tobacco, and smokeless tobacco, and a cigarette floor stock tax, which is imposed when the cigarette excise tax rate is increased.

Cigarettes tax revenues for preliminary FY 2012, including other tobacco products and any cigarette floor stock taxes, are down \$3.0 million, or -2.2 percent, compared to audited FY 2011 revenues. This preliminary rate of growth is lower than the FY 2012 enacted rate of growth of -0.3 percent over audited FY 2011 cigarettes tax revenues included in the final budget signed by Governor Chafee on June 15, 2012. The preliminary revenues for cigarettes taxes totaled \$2.5 million less than the FY 2012 enacted estimate of \$133.6 million.

The following table provides the component breakdown for cigarettes tax revenues:

<b>Component</b>	<b>FY 2011</b>	<b>FY 2012</b>	<b>Nominal Difference</b>	<b>Percent Difference</b>
<u>Cigarettes</u>				
Cash	\$131,629,571	\$128,497,515	\$ (3,132,056)	-2.4 %
Net Accrual	(868,834)	(1,065,808)	(196,974)	22.7 %
<b>Total Cigarettes</b>	<b>\$130,760,737</b>	<b>\$ 127,431,707</b>	<b>\$ (3,329,030)</b>	<b>-2.5 %</b>
<u>Other Tobacco Products</u>				
Cash	\$ 3,331,944	\$ 3,644,147	\$ 312,203	9.4 %
Net Accrual	(32,242)	10,058	42,300	-131.2 %
<b>Total Other Tobacco</b>	<b>\$ 3,299,702</b>	<b>\$ 3,654,205</b>	<b>\$ 354,503</b>	<b>10.7 %</b>

Preliminary FY 2012 cigarettes tax revenues were \$127.4 million of which \$128.5 million were cash collections and -\$1.1 million was the net accrual. Preliminary FY 2012 cash collections decreased by \$3.1 million, or -2.4 percent, compared to audited FY 2011 cash collections. Cash collections decreased between FY 2012 and FY 2011 as did the preliminary net accrual by \$196,974.

Preliminary FY 2012 smokeless tobacco product tax revenues were \$3.7 million compared to the \$3.3 million of audited FY 2011 revenues. This translates into an increase of \$354,503 or 10.7 percent. The preliminary FY 2012 smokeless tobacco product tax net accrual decreased by \$42,300, or -131.2 percent, from the audited FY 2011 net accrual.

The change in cigarette sales between preliminary FY 2012 and FY 2011 is determined as follows. The value of the cigarette floor stock tax and the other tobacco products tax is netted out of the data for FY 2012 and FY 2011. The cigarette tax rate was \$3.46 per pack of 20 cigarettes in both FY 2011 and FY 2012. After netting out the receipts from other tobacco products and the cigarette floor stock tax, it is determined that Rhode Island sales of packs of cigarettes declined 2.5 percent in FY 2012.

**Alcohol Taxes**

<b><u>FY 2012</u></b>	<b><u>Final Enacted</u></b>	<b><u>Preliminary Close</u></b>	<b><u>Variance</u></b>
Growth Rates	2.7 %	1.6 %	-1.1 %
Revenues	\$12,000,000	\$11,873,646	\$(126,354)

Preliminary FY 2012 alcohol excise tax revenues are up \$190,587 or 1.6 percent from audited FY 2011 alcohol excise tax revenues of \$11.7 million. This growth rate is lower than the final enacted growth rate of 2.7 percent included in the final enacted FY 2012 budget signed into law by Governor Chafee on June 15, 2012. The final enacted estimate for alcohol excise tax revenues in FY 2012 was \$12.0 million. Preliminary FY 2012 revenues for alcohol excise taxes totaled \$11.9 million, \$126,354 less than enacted.

**Inheritance and Gift Taxes**

<b><u>FY 2012</u></b>	<b><u>Final Enacted</u></b>	<b><u>Preliminary Close</u></b>	<b><u>Variance</u></b>
Growth Rates	-4.4 %	-0.9 %	3.6 %
Revenues	\$44,800,000	\$46,411,738	\$1,611,738

Preliminary FY 2012 inheritance tax revenues are \$443,415 less than audited FY 2011 inheritance tax revenues, a decrease of 0.9 percent. This growth rate leads the final enacted growth rate of -4.4 percent included in the final enacted FY 2012 budget signed by Governor Chafee on June 15, 2012. The final enacted estimate for inheritance tax revenues in FY 2012 was \$44.8 million or \$1.6 million less than preliminary revenues for FY 2012.

Preliminary FY 2012 collections for inheritance taxes totaled \$46.4 million of which \$42.1 million were cash collections received in FY 2012 and \$4.3 million was the net accrual. This compares to cash collections of \$24.9 million received in FY 2011 and a net accrual of \$22.0 million. The large net accrual for FY 2011 was due to a change in the accrual methodology implemented by the Office of the Auditor General (OAG) and the Office of Accounts and Controls (OAC) beginning in FY 2011.

**Racing Athletics Taxes**

<b><u>FY 2012</u></b>	<b><u>Final Enacted</u></b>	<b><u>Preliminary Close</u></b>	<b><u>Variance</u></b>
Growth Rates	-1.9 %	0.1 %	2.1 %
Revenues	\$1,300,000	\$1,327,003	\$27,003

Preliminary FY 2012 racing and athletics tax revenues are up \$1,810, or 0.1 percent, from audited FY 2011 racing and athletics tax revenues of \$1.325 million. This growth rate compares to a growth rate of -1.9 percent included in the final enacted FY 2012 budget. The final enacted estimate for racing and athletics tax revenues in FY 2012 was \$1.3 million. Preliminary FY

2012 collections for racing and athletics taxes are \$27,003, or 2.1 percent, more than the final enacted estimate.

### **Realty Transfer Taxes**

<b><u>FY 2012</u></b>	<b><u>Final Enacted</u></b>	<b><u>Preliminary Close</u></b>	<b><u>Variance</u></b>
Growth Rates	-7.4 %	1.0 %	9.1 %
Revenues	\$5,900,000	\$6,434,665	\$534,665

Preliminary FY 2012 realty transfer tax revenues are up \$64,033, or 1.0 percent, from audited FY 2011 realty transfer tax revenues of \$6.37 million. This growth rate leads the final enacted growth rate of -7.4 percent. The final enacted estimate for realty transfer tax revenues for FY 2012 was \$5.9 million. Preliminary FY 2012 collections for realty transfer taxes are \$534,665, or 9.1 percent, more than the final enacted estimate.

### **Total Departmental Receipts**

<b><u>FY 2012</u></b>	<b><u>Final Enacted</u></b>	<b><u>Preliminary Close</u></b>	<b><u>Variance</u></b>
Growth Rates	3.5 %	2.0 %	-1.5 %
Revenues	\$344,500,000	\$339,483,066	\$(5,016,934)

FY 2012 preliminary departmental receipts total \$339.5 million, an increase of \$6.8 million from the amount that was received in FY 2011. Preliminary departmental receipts for FY 2012 are up 2.0 percent when compared to audited receipts collected in FY 2011. The growth rate estimate included in the final enacted FY 2012 budget signed into law by Governor Chafee on June 15, 2012 was 3.5 percent over audited FY 2011 departmental receipt revenues. The final enacted estimate for FY 2012 departmental receipts was \$344.5 million or \$5.0 million more than preliminary FY 2012 revenues.

Within the total departmental receipt components, licenses and fees are down \$2.7 million or -1.0 percent for preliminary FY 2012 versus audited FY 2011. Preliminary FY 2012 revenues were \$259.8 million of which \$267.9 million were cash collections received during the July 2011 to June 2012 period and -\$8.1 million is the FY 2012 net accrual. This compares to FY 2011 cash collections of \$251.7 million and a net accrual of \$10.8 million. It is important to note that, in the licenses and fees category of departmental receipts, the Hospital Licensing Fee was not due for FY 2012 until July 16, 2012 and was accrued back to FY 2012 after payment was received. The Hospital Licensing Fee accounted for \$134.3 million in departmental revenues in FY 2012. In FY 2011, the Hospital Licensing Fee totaled \$141.5 million.

Fines and penalties are up \$4.9 million or 14.7 percent for preliminary FY 2012 versus audited FY 2011. Preliminary FY 2012 fines and penalties revenues were \$38.2 million which is comprised of \$38.2 million in cash collections and a net accrual of \$41,775. Sales and services revenues are down \$3.3 million or -23.8 percent for preliminary FY 2012 versus audited FY 2011. Preliminary revenues for sales and services were \$10.7 million of which \$10.7 million

were cash collection received in FY 2012 and -\$42,975 was the net accrual. This compares to cash collections of \$21.3 million and a net accrual of -\$7.3 million in FY 2011. Finally, miscellaneous departmental revenues are up \$7.9 million or 34.8 percent for preliminary FY 2012 versus audited FY 2011 revenues. FY 2012 preliminary miscellaneous departmental revenues consist of \$29.6 million of cash collections and a net accrual of \$1.2 million. In audited FY 2011 these same figures are \$22.8 million and \$37,780 respectively.

### **Per Penny Motor Fuel Tax Yield**

<b><u>FY 2012</u></b>	<b><u>Final Enacted</u></b>	<b><u>Preliminary Close</u></b>	<b><u>Variance</u></b>
Growth Rates	-0.08 %	-0.10 %	-0.02 %
Revenues	\$4,206,746	\$4,205,959	\$(787)

The state's \$0.32 per gallon motor fuel tax is dedicated to the funding of transportation. In particular, the state's motor fuel tax is allocated to the Rhode Island Department of Transportation which receives \$0.2075 of the \$0.32 per gallon motor fuel tax, the Rhode Island Public Transit Authority which receives \$0.0925 of the \$0.32 per gallon motor fuel tax, and the Department of Human Services which receives \$0.01 of the \$0.32 per gallon motor fuel tax for its elderly transportation program. The Final Enacted figure above is the Office of Revenue Analysis' projection of the per penny yield as it was computed in May 2012.

Based on information provided by the Office of Accounts and Controls, the per penny yield of the State's motor fuel tax was \$4,205,959 in preliminary FY 2012, a decrease of \$4,365, or -0.1 percent, from the final audited FY 2011 per penny yield of \$4,210,324. The Office of Revenue Analysis' estimate for the FY 2012 per penny motor fuel tax yield of \$4,206,746 implied growth over the audited FY 2011 per penny motor fuel tax yield of -0.08 percent.

### **Other Miscellaneous Revenues**

<b><u>FY 2011</u></b>	<b><u>Final Enacted</u></b>	<b><u>Preliminary Close</u></b>	<b><u>Variance</u></b>
Growth Rates	51.1 %	80.9 %	19.7 %
Revenues	\$16,800,000	\$20,110,214	\$3,310,214

Preliminary FY 2012 other miscellaneous revenues are up 80.9 percent, an increase of \$9.0 million from audited FY 2011 other miscellaneous revenues. Other miscellaneous revenues for preliminary FY 2012 total \$20.1 million compared to \$11.1 million collected last fiscal year. The growth rate included in the final enacted FY 2012 budget passed by the General Assembly in June was 51.1 percent over audited FY 2011 other miscellaneous revenues. Preliminary FY 2012 collections for other miscellaneous revenues were \$3.3 million higher than the final enacted estimate of \$16.8 million. Preliminary FY 2012 other miscellaneous revenues consisted of \$18.9 million in cash collections received and a \$1.2 million net accrual. This compares audited FY 2011 other miscellaneous revenues cash collections of \$10.8 million and a net accrual of -\$340,588.

### **Lottery Transfer**

<b><u>FY 2012</u></b>	<b><u>Final Enacted</u></b>	<b><u>Preliminary Close</u></b>	<b><u>Variance</u></b>
Growth Rates	6.7 %	6.4 %	-0.2 %
Revenues	\$378,500,000	\$377,706,394	\$(793,606)

The Lottery Transfer to the general fund is up 6.4 percent, or \$22.8 million, for preliminary FY 2012 compared to the audited FY 2011 lottery transfer. The final enacted FY 2012 growth rate was 6.7 percent over the audited FY 2011 lottery transfer. The preliminary FY 2012 lottery transfer was \$377.7 million or \$793,606 less than the FY 2012 final enacted estimate of \$378.5 million.

With respect to video lottery net terminal income (NTI), the State's share of video lottery NTI increased by 6.5 percent in preliminary FY 2012 versus audited FY 2011. This growth rate lags the final enacted growth rate of 6.9 percent over FY 2011 included in the final enacted FY 2012 budget signed into law by Governor Chafee on June 15, 2012. The preliminary FY 2012 video lottery transfer was \$320.7 million or \$1.2 million less than the FY 2012 final enacted estimate of \$321.9 million.

The transfer to the State general fund from instant and monitor games are up 5.9 percent for preliminary FY 2012 versus audited FY 2011. On a nominal basis this equates to an increase of \$3.2 million in the transfer to the general fund from combined games. The final enacted FY 2012 growth rate estimate for instant and monitor games was 5.2 percent over the audited FY 2011 combined games lottery transfer. The preliminary FY 2012 combined games lottery transfer was \$57.0 million or \$418,159 more than the FY 2012 final enacted combined games lottery transfer of \$56.6 million.

### **Unclaimed Property Transfer**

<b><u>FY 2012</u></b>	<b><u>Final Enacted</u></b>	<b><u>Preliminary Close</u></b>	<b><u>Variance</u></b>
Growth Rates	83.2 %	90.5 %	4.0 %
Revenues	\$14,000,000	\$14,555,573	\$555,573

The preliminary FY 2012 unclaimed property transfer totals \$14.6 million, an increase of \$6.9 million from the unclaimed property transfer received in FY 2011. The unclaimed property transfer for preliminary FY 2012 is up 90.5 percent when compared to the audited FY 2011 unclaimed property transfer. The growth rate incorporated in the final enacted FY 2012 budget was 83.2 percent over the audited FY 2011 unclaimed property transfer. The preliminary FY 2012 unclaimed property transfer was \$555,573 more than the final enacted FY 2012 estimated unclaimed property transfer of \$14.0 million.



Rosemary Booth Gallogly, Director  
Department of Revenue

September 6, 2012



**STATE OF RHODE ISLAND REVENUE ASSESSMENT REPORT**  
**Final Enacted to Preliminary**

	Final Enacted Revenues FY 2012	Preliminary Revenues FY 2012	Difference	Variance
<b>Personal Income Tax</b>	\$ 1,046,200,000	\$ 1,060,854,533 a	14,654,533	1.4%
<b>General Business Taxes</b>				
Business Corporations	131,600,000	123,225,702	(8,374,298)	-6.4%
Public Utilities Gross Earnings	98,300,000	100,631,477	2,331,477	2.4%
Financial Institutions	2,500,000	3,557,938	1,057,938	42.3%
Insurance Companies	89,000,000	89,509,870	509,870	0.6%
Bank Deposits	2,100,000	2,000,645	(99,355)	-4.7%
Health Care Provider Assessment	41,600,000	41,922,464	322,464	0.8%
<b>Excise Taxes</b>				
Sales and Use	846,000,000	850,443,875	4,443,875	0.5%
Motor Vehicle	47,700,000	48,391,564	691,564	1.4%
Motor Carrier Fuel Use	1,000,000	732,672	(267,328)	-26.7%
Cigarettes	133,600,000	131,085,912	(2,514,088)	-1.9%
Alcohol	12,000,000	11,873,646	(126,354)	-1.1%
<b>Other Taxes</b>				
Inheritance and Gift	44,800,000	46,411,738	1,611,738	3.6%
Racing and Athletics	1,300,000	1,327,003	27,003	2.1%
Realty Transfer	5,900,000	6,434,665	534,665	9.1%
<b>Total Taxes</b>	<b>\$ 2,503,600,000</b>	<b>\$ 2,518,403,704</b>	<b>\$ 14,803,704</b>	<b>0.6%</b>
<b>Departmental Receipts</b>	<b>\$ 344,500,000</b>	<b>\$ 339,483,066</b>	<b>\$ (5,016,934)</b>	<b>-1.5%</b>
<b>Taxes and Departmentals</b>	<b>\$ 2,848,100,000</b>	<b>\$ 2,857,886,771</b>	<b>\$ 9,786,771</b>	<b>0.3%</b>
<b>Other General Revenue Sources</b>				
Other Miscellaneous Revenues	16,800,000	20,110,214	3,310,214	19.7%
Lottery Transfer	378,500,000	377,706,394	(793,606)	-0.2%
Unclaimed Property	14,000,000	14,555,573	555,573	4.0%
<b>Total Other Sources</b>	<b>\$ 409,300,000</b>	<b>\$ 412,372,181</b>	<b>\$ 3,072,181</b>	<b>0.8%</b>
<b>Total General Revenues</b>	<b>\$ 3,257,400,000</b>	<b>\$ 3,270,258,952</b>	<b>\$ 12,858,952</b>	<b>0.4%</b>

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.

PIT Component	YTD Estimates	YTD Actuals	Difference	Variance
Estimateds	\$ 192,000,000	\$ 192,037,542	\$ 37,542	0.0%
Finals	176,000,000	174,673,953	(1,326,047)	-0.8%
Withholding	967,600,000	970,832,743	3,232,743	0.3%
Refunds	(283,400,000)	(269,077,978)	14,322,022	-5.1%
Net Accrual	(6,000,000)	(7,611,727)	(1,611,727)	26.9%
<b>Total</b>	<b>\$ 1,046,200,000</b>	<b>\$ 1,060,854,533</b>	<b>\$ 14,654,533</b>	<b>1.4%</b>