

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 November 2011

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year as the Revenue Estimating Conference (see RI General Law § 35-16-1) convenes and modifies the revenue estimates originally enacted by the General Assembly.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 \$41.3 million. The average percentage of adjusted cash total health care provider assessments that were collected through November of the fiscal year over the past five fiscal years is approximately 40.8 percent. For the month of November, the relevant percentage is 8.2 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 monthly and fiscal-year-to-date November estimates of \$3.4 million and \$17.1 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 November:

Revenue Item	<u>Percent Collected</u>		Revenue Item	<u>Percent Collected</u>	
	Month	YTD		Month	YTD
Personal Income Tax			Motor Vehicles Fees	5.4 %	33.2 %
Estimated Payments	1.5 %	27.8 %	Motor Carrier Fuel Use	7.3 %	36.2 %
Final Payments	1.3 %	12.2 %	Cigarettes Tax	8.0 %	43.7 %
Withholding Payments	8.3 %	38.8 %	Alcohol Excise Tax	9.1 %	43.1 %
Refunds & Adjustments	5.3 %	14.6 %	Inheritance & Gift Tax	7.7 %	45.6 %
Business Corporations Tax	-3.5 %	9.6 %	Racing & Athletics Tax	7.9 %	41.7 %
Utilities Gross Earnings Tax	0.7 %	1.7 %	Realty Transfer Tax	8.0 %	47.4 %
Financial Institutions Tax	19.4 %	23.4 %	Departmental Receipts	6.1 %	34.6 %
Insurance Gross Premiums Tax	0.4 %	0.3 %	Lottery Transfer	8.0 %	33.1 %
Bank Deposits Tax	1.8 %	5.8 %	Other Misc. Revenues	n/a	n/a
Health Care Provider Assmnt.	8.2 %	40.8 %	Unclaimed Property	0.0 %	0.0 %
Sales and Use Tax ¹	8.3 %	44.3 %			

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, 8.2 percent for the month of November and 44.2 percent for the fiscal year-to-date period through November, 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 \$68.1 million and \$366.5 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, 12.9 percent on both a monthly and a partial fiscal year-to-date basis for November, were applied to the \$16.0 million of estimated “additional” sales and use tax expected FY 2012 revised revenues to arrive at month of November and partial fiscal year-to-date through November estimates of \$2.1 million.

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 November 2011

The table Year-to-Date Estimate to Actual gives the results for the first five months of FY 2012. As is apparent from the table, the Department of Revenue finds that FY 2012 year-to-date through November 2011 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 \$43.0 million, or 4.0 percent. In total taxes, the variance from the November 2011 REC expected FY 2012 revised revenues is \$39.7 million, or 4.4 percent. For departmental receipts, the difference from the November 2011 REC expected FY 2012 revised revenues is \$2.5 million or 3.6 percent. For other general revenue sources, FY 2012 year-to-date adjusted cash collections through November differ from the November 2011 REC revised FY 2012 revenue estimate by \$758,830 or 0.6 percent.

It is important to note that four 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. Personal income tax fiscal year-to-date adjusted cash collections exceed year-to-date expected FY 2012 revised revenues by \$22.4 million, or 5.6 percent. This positive difference is attributable to fiscal year-to-date adjusted cash estimated payments exceeding year-to-date expected FY 2012 revised estimated payments by \$6.2 million, fiscal year-to-date adjusted cash refunds trailing year-to-date expected FY 2012 revised refunds by \$11.9 million, and adjusted cash withholding payments exceeding year-to-date expected FY 2012 revised withholding payments by \$3.8

million. Fiscal year-to-date personal income tax adjusted cash collections include \$878,917 of reimbursed Historic Structures Tax Credits (HSTCs). Business corporations taxes fiscal year-to-date adjusted cash collections are \$9.5 million or 88.0 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 \$369,855 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 36.6 percent or \$5.7 million. Fiscal year-to-date departmental receipts exceed expected FY 2012 revised revenues by \$2.5 million or 3.6 percent. Finally, fiscal year-to-date motor vehicle operator license and registration fees, lottery transfer, financial institutions taxes, the health care provider assessment, cigarette and other tobacco product taxes, public utilities gross earnings taxes, sales and use taxes, and racing and athletics taxes adjusted cash collections are all greater than year-to-date expected FY 2012 revised revenues through November of the fiscal year in each of these revenue categories but by less than \$1.0 million.

On the negative side, no 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 premium taxes, bank deposit taxes, realty transfer taxes, alcohol excise taxes, and motor carrier fuel use taxes are below year-to-date expected FY 2012 revised revenues through November 2011 for each of these revenue categories but by less than \$1.0 million each.

Results for the Month of November

The table Monthly Estimate to Actual gives the results for November of FY 2012. As is apparent from the table, the Department of Revenue finds that November adjusted cash collections for total general revenues exceed expected November revenue collections based on the estimates adopted at the November 2011 REC by \$17.8 million, or 9.0 percent. In total taxes, the variance from expected FY 2012 revised November revenues is \$15.1 million, or 9.6 percent. For departmental receipts, the difference from the expected FY 2012 revised revenues for November is \$2.0 million or 16.4 percent. For other general revenue sources, November adjusted cash collections differ from the expected FY 2012 revised revenue estimate for November by \$774,017 or 2.6 percent.

Four revenue items have adjusted cash collections for November that exceed expected FY 2012 revised revenues for November by \$1.0 million or more. Personal income tax monthly adjusted cash collections exceed expected FY 2012 revised revenues for November by \$6.6 million, or 9.6 percent. This positive difference is attributable to November adjusted cash refunds being less than monthly expected FY 2012 revised refunds by \$2.6 million and adjusted cash final payments being greater than monthly expected FY 2012 revised final payments by \$2.4 million. November personal income tax adjusted cash collections include \$640,046 of reimbursed Historic Structures Tax Credits (HSTCs). Business corporations taxes November adjusted cash collections are \$3.5 million or 88.9 percent more than monthly expected FY 2012 revised business corporations tax revenues. Inheritance and gift taxes November monthly adjusted cash

collections exceed expected FY 2012 revised revenues for November by 224.2 percent or \$5.9 million. Departmental receipts for November exceed the expected FY 2012 revised revenues for November by \$2.0 million, or 16.4 percent. Finally, monthly lottery transfer, sales and use taxes, cigarette and other tobacco product taxes, motor vehicle operator license and registration fees, racing and athletics taxes, motor carrier fuel use taxes, realty transfer taxes, and alcohol excise taxes adjusted cash collections are all greater than November expected FY 2012 revised revenues for each of these revenue categories but by less than \$1.0 million.

On the negative side, one revenue item has monthly adjusted cash collections that trail November expected FY 2012 revised revenues by more than \$1.0 million. November public utilities gross earnings taxes adjusted cash collections are \$1.2 million or 169.6 percent less than the monthly expected FY 2012 revised public utilities gross earnings taxes. Monthly adjusted cash collections for insurance companies gross premium taxes, financial institution taxes, the health care provider assessment, and bank deposit taxes adjusted cash collections are below monthly FY 2012 expected revised revenues for each of these revenue categories but by less than \$1.0 million for November.



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

	YTD November Estimate of Revised FY 2012	YTD November Adjusted Cash FY 2012	Difference	Variance
Personal Income Tax	\$ 400,696,029	\$ 423,079,146	\$ 22,383,117	5.6%
General Business Taxes				
Business Corporations	10,837,627	20,371,265	9,533,638	88.0%
Public Utilities Gross Earnings	1,643,743	1,806,377	162,634	9.9%
Financial Institutions	233,888	939,902	706,014	301.9%
Insurance Companies	358,086	115,823	(242,263)	-67.7%
Bank Deposits	115,287	32,344	(82,943)	-71.9%
Health Care Provider Assessment	17,051,227	17,418,556	367,329	2.2%
Excise Taxes				
Sales and Use	368,507,285	368,523,246 *	15,961	0.0%
Motor Vehicle	16,006,625	16,938,905	932,280	5.8%
Motor Carrier Fuel Use	397,678	386,623	(11,055)	-2.8%
Cigarettes	57,417,754	57,747,474	329,720	0.6%
Alcohol	5,083,921	5,069,766	(14,155)	-0.3%
Other Taxes				
Inheritance and Gift	15,488,508	21,159,168	5,670,660	36.6%
Racing and Athletics	500,585	523,834	23,249	4.6%
Realty Transfer	2,893,814	2,857,199	(36,615)	-1.3%
Total Taxes	\$ 897,232,056	\$ 936,969,628	\$ 39,737,572	4.4%
Total Departmental Receipts	\$ 68,130,276	\$ 70,599,749 ^	\$ 2,469,473	3.6%
Taxes and Departmentals	\$ 965,362,332	\$ 1,007,569,377	\$ 42,207,045	4.4%
Other General Revenue Sources				
Other Miscellaneous Revenues	338,166 +	338,166 ^^	-	0.0%
Lottery Transfer	121,590,403	122,349,233 **	758,830	0.6%
Unclaimed Property	-	-	-	n/a
Total Other Sources	\$ 121,928,569	\$ 122,687,399	\$ 758,830	0.6%
Total General Revenues	\$ 1,087,290,901	\$ 1,130,256,776	\$ 42,965,875	4.0%

* Deducts \$2,092,342 from the Sales and Use Tax to account for the receipt tax and interest payments from the audit of prior year sales activity.

^ Deducts \$131,835,116 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 \$174,876 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.

** 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	\$ 51,957,810	\$ 58,173,373	\$ 6,215,563	12.0%
Finals	21,401,143	21,843,804	442,662	2.1%
Withholding	366,720,309	370,543,604	3,823,295	1.0%
Refunds	(39,383,233)	(27,481,635)	11,901,598	-30.2%
Total	\$ 400,696,029	\$ 423,079,146	\$ 22,383,117	5.6%

STATE OF RHODE ISLAND REVENUE ASSESSMENT REPORT
Monthly Estimate to Actual

	November Estimate of Revised FY 2012	November Adjusted Cash FY 2012	Difference	Variance
Personal Income Tax	\$ 68,869,027	\$ 75,504,889	\$ 6,635,862	9.6%
General Business Taxes				
Business Corporations	(3,983,290)	(443,896)	3,539,394	-88.9%
Public Utilities Gross Earnings	720,532	(501,141)	(1,221,673)	-169.6%
Financial Institutions	193,737	-	(193,737)	
Insurance Companies	406,008	113,747	(292,261)	-72.0%
Bank Deposits	36,312	(14,113)	(50,425)	-138.9%
Health Care Provider Assessment	3,433,170	3,267,605	(165,565)	-4.8%
Excise Taxes				
Sales and Use	70,163,574	70,660,040	496,466	0.7%
Motor Vehicle	2,583,289	2,760,666	177,377	6.9%
Motor Carrier Fuel Use	79,821	97,265	17,444	21.9%
Cigarettes	10,470,362	10,709,976	239,614	2.3%
Alcohol	1,076,797	1,076,844	47	0.0%
Controlled Substances	-	-	-	-
Other Taxes				
Inheritance and Gift	2,618,676	8,490,621	5,871,945	224.2%
Racing and Athletics	94,842	114,386	19,544	20.6%
Realty Transfer	487,370	497,287	9,917	2.0%
Total Taxes	\$ 157,250,225	\$ 172,334,176	15,083,951	9.6%
Total Departmental Receipts	\$ 12,033,602	\$ 14,001,415 ^	1,967,813	16.4%
Taxes and Departmentals	\$ 169,283,828	\$ 186,335,591	17,051,764	10.1%
Other General Revenue Sources				
Gas Tax Transfer	-	-	-	
Other Miscellaneous Revenues	29,190 +	29,190	-	0.0%
Lottery Transfer	29,255,949	30,029,966	774,017	2.6%
Unclaimed Property	- +	-	-	
Total Other Sources	\$ 29,285,139	\$ 30,059,156	774,017	2.6%
Total General Revenues	\$ 198,568,967	\$ 216,394,747	17,825,780	9.0%

^ Deducts \$992,581 in Hospital Licensing Fees for cash receipts received in FY 2012 that were accrued back to FY 2011 and \$35,752 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	\$ 2,840,897	\$ 2,595,628	\$ (245,270)	-8.6%
Finals	2,217,920	4,653,395	2,435,475	109.8%
Withholding	78,141,459	80,019,391	1,877,932	2.4%
Refunds	(14,331,249)	(11,763,525)	2,567,725	-17.9%
Total	\$ 68,869,027	\$ 75,504,889	\$ 6,635,863	9.6%

FY 2012 Variance of Adjusted Cash Collections to Estimate

