

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 October 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year as the Revenue Estimating Conference (see RI General Law § 35-16-1) convenes and modifies the revenue estimates originally enacted by the General Assembly.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 Enacted FY 2012 Revenues

In order to determine the expected monthly and fiscal year-to-date revenue collections based on the enacted FY 2012 revenue estimates signed into law by Governor Chafee on June 30, 2011, 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 enacted FY 2012 estimate for each revenue item. For fiscal year-to-date estimates, the monthly percentages are summed and then applied to the enacted 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 enacted FY 2012 revenue estimate for the health care provider assessment is \$41.3 million. The average percentage of adjusted cash total health care provider assessments that were collected through October of the fiscal year over the past five fiscal years is approximately 32.6 percent. For the month of October, the relevant percentage is 8.3 percent. These percentages are applied to the FY 2012 enacted estimate for the health care provider assessment to yield the monthly and fiscal-year-to-date October estimate of enacted FY 2012 health care provider assessments of \$3.4 million and \$13.5 million respectively. This process is repeated for all enacted FY 2012 revenue items except other miscellaneous revenues.

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

Revenue Item	<u>Percent Collected</u>		Revenue Item	<u>Percent Collected</u>	
	Month	YTD		Month	YTD
Personal Income Tax			Motor Vehicles Fees	9.4 %	27.8 %
Estimated Payments	2.2 %	26.3 %	Motor Carrier Fuel Use	9.3 %	28.9 %
Final Payments	4.9 %	11.0 %	Cigarettes Tax	8.8 %	35.7 %
Withholding Payments	7.7 %	30.5 %	Alcohol Excise Tax	7.8 %	34.0 %
Refunds & Adjustments	3.0 %	9.3 %	Inheritance & Gift Tax	9.3 %	37.1 %
Business Corporations Tax	-1.7 %	13.2 %	Racing & Athletics Tax	8.5 %	33.8 %
Utilities Gross Earnings Tax	0.2 %	0.9 %	Realty Transfer Tax	8.6 %	39.4 %
Financial Institutions Tax	3.3 %	4.0 %	Departmental Receipts	9.8 %	28.5 %
Insurance Gross Premiums Tax	0.4 %	0.0 %	Lottery Transfer	8.0 %	25.1 %
Bank Deposits Tax	-0.1 %	3.9 %	Other Misc. Revenues	n/a	n/a
Health Care Provider Assmnt.	8.3 %	32.6 %	Unclaimed Property	0.0 %	0.0 %
Sales and Use Tax	8.5 %	36.0 %			

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 FY 2012 revenue estimates enacted by the General Assembly and signed into law by Governor Chafee by revenue item are as follows:

Revenue Item	Enacted FY 2012 Estimate	Revenue Item	Enacted FY 2012 Estimate
Personal Income Tax		Motor Vehicles	\$51,600,000
Estimated Payments	\$ 172,100,000	Motor Carrier Fuel	1,100,000
Final Payments	178,379,965	Cigarettes	133,500,000
Withholding Payments	943,700,000	Alcohol	12,100,000
Refunds Paid	(278,858,543)	Inheritance & Gift	29,300,000
Business Corporations Taxes	121,224,665	Racing & Athletics	1,200,000
Public Utilities Gross Earnings	99,400,000	Realty Transfer	6,500,000
Financial Institutions Taxes	500,000	Departmental Rcpts.	343,543,141
Insurance Co. Gross Premiums	102,600,000	Lottery	361,042,103
Bank Deposits	2,000,000	Other Misc. Revs	6,325,000
Health Care Provider Assessment	41,327,129	Unclaimed Property	6,200,000
Sales and Use Tax	846,512,902		
		Total General Revenues	\$3,175,996,362

It should be noted that the enacted FY 2012 revenue estimate for sales and use taxes is \$846.5 million. This figure includes \$17.2 million in increased sales tax revenue resulting from the sales tax base expansion that was passed into law. The sales tax base expansion, however, does not take effect until October 1, 2011. (Sales and use taxes collected in October 2011 are not remitted to the Division of Taxation until November.) Thus, for the first four months of the fiscal year the enacted FY 2012 revenue estimate for the sales and use tax is \$829.3 million. The average percentage of adjusted cash total sales and use taxes that were collected through October of the fiscal year over the past five fiscal years is approximately 36.0 percent. For the month of October the same percentage is 8.5 percent. These percentages are applied to the enacted July through October estimate for sales and use taxes for FY 2012 to yield the monthly and fiscal year-to-date October estimates of enacted FY 2012 sales and use taxes of \$70.1 million and \$298.4 million respectively.

Results for Year-to-Date FY 2012 through October 2011

The attached table gives the results for the first four months of FY 2012. As is apparent from the table, the Department of Revenue finds that FY 2012 year-to-date through October 2011 adjusted cash collections for total general revenues exceed expected revenue collections based on the enacted FY 2012 revenue estimates by \$30.1 million, or 3.4 percent. In total taxes, the variance from the enacted FY 2012 expected revenues is \$28.7 million, or 3.9 percent. For departmental

receipts, the difference from the enacted FY 2012 expected revenues is -\$153,610 or -0.3 percent. For other general revenue sources, FY 2012 year-to-date through October adjusted cash collections differ from the enacted FY 2012 revenue estimate by \$1.5 million or 1.7 percent.

It is important to note that five revenue items have fiscal year-to-date adjusted cash collections that exceed FY 2012 year-to-date enacted expected revenues by \$1.0 million or more. Personal income tax fiscal year-to-date adjusted cash collections exceed year-to-date expected enacted FY 2012 revenues by \$20.7 million, or 6.3 percent. This positive difference is attributable to fiscal year-to-date adjusted cash estimated payments exceeding year-to-date expected enacted FY 2012 estimated payments by \$10.4 million and fiscal year-to-date adjusted cash refunds trailing year-to-date expected FY 2012 enacted refunds by \$10.2 million. Fiscal year-to-date personal income tax adjusted cash collections include \$238,870 of reimbursed Historic Structures Tax Credits (HSTCs). Business corporations taxes fiscal year-to-date adjusted cash collections are \$4.9 million or 30.5 percent more than year-to-date expected FY 2012 enacted business corporations tax revenues. Inheritance and gift tax fiscal year-to-date adjusted cash collections exceed year-to-date expected FY 2012 enacted revenues by 16.7 percent or \$1.8 million. The fiscal year-to-date lottery transfer exceeds the year-to-date expected FY 2012 enacted lottery transfer by \$1.5 million, or 1.7 percent. Public utilities gross earnings tax fiscal year-to-date adjusted cash collections are \$1.4 million or 149.9 percent more than the year-to-date expected FY 2012 enacted public utilities gross earnings revenues. Finally, fiscal year-to-date financial institutions taxes, the health care provider assessment, insurance companies gross premium taxes, and racing and athletics taxes adjusted cash collections are all greater than year-to-date expected FY 2012 enacted revenues for these revenue categories but by less than \$1.0 million through October of the fiscal year.

On the negative side, no revenue items have fiscal year-to-date adjusted cash collections that trail year-to-date expected FY 2012 enacted revenues by more than \$1.0 million. Fiscal year-to-date adjusted cash collections for sales and use taxes, cigarette and other tobacco products taxes, realty transfer taxes, motor vehicle operator license and registration fees, departmental receipts, alcohol excise taxes, bank deposits taxes and motor carrier fuel use taxes are below year-to-date expected FY 2012 enacted revenues for these revenue categories but by less than \$1.0 million each through October 2011.

Results for the Month of October

The attached table gives the results for October of FY 2012. As is apparent from the table, the Department of Revenue finds that October adjusted cash collections for total general revenues exceed expected October revenue collections based on the enacted FY 2012 revenue estimates by \$9.9 million, or 4.5 percent. In total taxes, the variance from the enacted FY 2012 expected October revenues is \$8.1 million, or 4.8 percent. For departmental receipts, the difference from the enacted FY 2012 expected revenues for October is \$476,810 or 2.4 percent. For other general revenue sources, October adjusted cash collections differ from the enacted FY 2012 revenue estimate for October by \$1.2 million or 4.2 percent.

Four revenue items have adjusted cash collections for October that exceed expected FY 2012 enacted revenues for October by \$1.0 million or more. Business corporations taxes October adjusted cash collections are \$5.4 million or 269.8 percent more than monthly expected FY 2012 enacted business corporations tax revenues. Sales and use taxes monthly adjusted cash collections are above expected FY 2012 enacted sales and use taxes for October by \$3.2 million or 4.5 percent. Personal income tax monthly adjusted cash collections exceed expected FY 2012 enacted revenues for October by \$1.4 million, or 1.8 percent. This positive difference is attributable to October adjusted cash refunds being less than monthly expected FY 2012 enacted refunds by \$2.9 million. October personal income tax adjusted cash collections include \$67,173 of reimbursed Historic Structures Tax Credits (HSTCs). The monthly lottery transfer exceeds the expected FY 2012 enacted lottery transfer for October by \$1.2 million, or 4.2 percent. Finally, monthly departmental receipts, inheritance and gift taxes, realty transfer taxes, the health care provider assessment, financial institutions taxes, and bank deposit taxes adjusted cash collections are all greater than October expected enacted FY 2012 revenues for these revenue categories but by less than \$1.0 million.

On the negative side, one revenue item has monthly adjusted cash collections that trail October expected FY 2012 enacted revenues by more than \$1.0 million. October motor vehicle operator license and registration fees adjusted cash collections are \$1.3 million or 26.2 percent less than the monthly expected FY 2012 enacted motor vehicle operator license and registration fees. Monthly adjusted cash collections for insurance companies gross premium taxes, alcohol excise taxes, motor carrier fuel use taxes, public utilities gross earnings taxes, cigarette and other tobacco products taxes and racing and athletics taxes are below monthly expected enacted revenues for these revenue categories but by less than \$1.0 million for October.



Rosemary Booth Gallogly, Director
Rhode Island Department of Revenue

November 8, 2011

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

	YTD October Estimate of Enacted FY 2012		YTD October Adjusted Cash FY 2012		Difference	Variance
Personal Income Tax	\$ 326,874,202		\$ 347,574,257		\$ 20,700,055	6.3%
General Business Taxes						
Business Corporations	15,956,134		20,815,161		4,859,027	30.5%
Public Utilities Gross Earnings	923,210		2,307,518		1,384,308	149.9%
Financial Institutions	20,075		939,902		919,827	4581.9%
Insurance Companies	(47,368)		2,076		49,444	-104.4%
Bank Deposits	78,975		46,457		(32,518)	-41.2%
Health Care Provider Assessment	13,464,000		14,150,951		686,951	5.1%
Excise Taxes						
Sales and Use	298,407,594		297,863,206 *		(544,388)	-0.2%
Motor Vehicle	14,370,211		14,178,239		(191,972)	-1.3%
Motor Carrier Fuel Use	317,857		289,358		(28,499)	-9.0%
Cigarettes	47,662,947		47,037,498		(625,449)	-1.3%
Alcohol	4,109,000		3,992,922		(116,078)	-2.8%
Other Taxes						
Inheritance and Gift	10,857,546		12,668,547		1,811,001	16.7%
Racing and Athletics	405,744		409,448		3,704	0.9%
Realty Transfer	2,564,244		2,359,912		(204,332)	-8.0%
Total Taxes	\$ 735,964,371		\$ 764,635,452		\$ 28,671,081	3.9%
Total Departmental Receipts	\$ 56,891,468		\$ 56,737,858 ^		\$ (153,610)	-0.3%
Taxes and Departmentals	\$ 792,855,839		\$ 821,373,310		\$ 28,517,471	3.6%
Other General Revenue Sources						
Other Miscellaneous Revenues	308,976 +		308,976 ^^		-	0.0%
Lottery Transfer	90,786,017		92,319,267 **		1,533,250	1.7%
Unclaimed Property	-	+	-		-	n/a
Total Other Sources	\$ 91,094,992		\$ 92,628,243		\$ 1,533,250	1.7%
Total General Revenues	\$ 883,950,831		\$ 914,001,552		\$ 30,050,721	3.4%

* Deducts \$2,092,342 from the Sales and Use Tax to account for the posting of an audit payment and the receipt of a prior year liability.

^ Deducts \$130,842,535 in Hospital Licensing Fees for cash receipts received in FY 2012 that were accrued back to FY 2011 and deducts \$839,301 from the Imaging Services Surcharge for the "payment of bills" from an audit recovery for prior years.

^^ 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	\$ 45,203,319		\$ 55,577,745		\$ 10,374,426	23.0%
Finals	19,553,730		17,190,409		(2,363,320)	-12.1%
Withholding	288,029,466		290,524,212		2,494,746	0.9%
Refunds	(25,912,313)		(15,718,110)		10,194,203	-39.3%
Total	\$ 326,874,202		\$ 347,574,257		\$ 20,700,055	6.3%

STATE OF RHODE ISLAND REVENUE ASSESSMENT REPORT
Monthly Estimate to Actual

	October Estimate of Enacted FY 2012	October Adjusted Cash FY 2012	Difference	Variance
Personal Income Tax	\$ 76,690,182	\$ 78,057,689	\$ 1,367,507	1.8%
General Business Taxes				
Business Corporations	(2,016,081)	3,423,969	5,440,050	-269.8%
Public Utilities Gross Earnings	203,767	167,564	(36,203)	-17.8%
Financial Institutions	16,500	26,479	9,979	60.5%
Insurance Companies	393,220	(328,159)	(721,379)	-183.5%
Bank Deposits	(1,310)	-	1,310	
Health Care Provider Assessment	3,447,962	3,466,627	18,665	0.5%
Excise Taxes				
Sales and Use	70,102,679	73,264,769 *	3,162,090	4.5%
Motor Vehicle	4,873,229	3,595,671	(1,277,558)	-26.2%
Motor Carrier Fuel Use	102,346	63,635	(38,711)	-37.8%
Cigarettes	11,744,731	11,715,672	(29,059)	-0.2%
Alcohol	948,132	896,540	(51,592)	-5.4%
Controlled Substances	-	-	-	-
Other Taxes				
Inheritance and Gift	2,734,164	3,005,480	271,316	9.9%
Racing and Athletics	101,718	91,337	(10,381)	-10.2%
Realty Transfer	560,127	603,305	43,178	7.7%
Total Taxes	\$ 169,901,365	\$ 178,050,578	8,149,213	4.8%
Total Departmental Receipts	\$ 19,530,168	\$ 20,006,978 ^	476,810	2.4%
Taxes and Departmentals	\$ 189,431,533	\$ 198,057,556	8,626,023	4.6%
Other General Revenue Sources				
Gas Tax Transfer	-	-	-	
Other Miscellaneous Revenues	44,992 +	44,992	-	0.0%
Lottery Transfer	28,969,165	30,199,491 **	1,230,326	4.2%
Unclaimed Property	-	-	-	
Total Other Sources	\$ 29,014,157	\$ 30,244,483	1,230,326	4.2%
Total General Revenues	\$ 218,445,690	\$ 228,302,039	9,856,348	4.5%

* Deducts \$2,092,342 from the Sales and Use Tax to account for the posting of an audit payment and the receipt of a prior year liability.

^ Deducts \$780,746 in Hospital Licensing Fees for 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 receipt of transfers in June.

PIT Component	Estimates	Actuals	Difference	Variance
Estimateds	\$ 3,809,983	\$ 4,513,626	\$ 703,644	18.5%
Finals	8,778,319	7,412,224	(1,366,095)	-15.6%
Withholding	72,469,833	71,568,067	(901,765)	-1.2%
Refunds	(8,367,952)	(5,433,091)	2,934,861	-35.1%
Total	\$ 76,690,182	\$ 78,060,826	\$ 1,370,645	1.8%

FY 2012 Variance of Adjusted Cash Collections to Estimate

