

# STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS



## DEPARTMENT OF REVENUE

### State of Rhode Island Revenue Assessment Report Year-to-Date FY 2012 through September 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year as the Revenue Estimating Conference (see RI General Law § 35-16-1) convenes and modifies the revenue estimates originally enacted by the General Assembly.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.*

#### **Fiscal Year-to-Date Estimate of Enacted FY 2012 Revenues**

In order to determine the expected 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. These percentages are 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 September of the fiscal year over the past five fiscal years is approximately 24.2 percent. This percentage is applied to the FY 2012 enacted estimate for the health care provider assessment to yield the fiscal-year-to-date September estimate of enacted FY 2012 health care provider assessment of \$10.0 million. 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 year-to-date collections through September:

<b>Revenue Item</b>	<b>Percent of Total Collected through Fiscal YTD</b>	<b>Revenue Item</b>	<b>Percent of Total Collected through Fiscal YTD</b>
Personal Income Tax		Motor Vehicles	18.4 %
Estimated Payments	24.1 %	Motor Carrier Fuel	19.6 %
Final Payments	6.0 %	Cigarettes	26.9 %
Withholding Payments	22.8 %	Alcohol	26.1 %
Refunds Paid	6.3 %	Inheritance & Gift	27.7 %
Business Corporations Taxes	14.8 %	Racing & Athletics	25.3 %
Public Utilities Gross Earnings	0.7 %	Realty Transfer	30.8 %
Financial Institutions Taxes	0.7 %	Departmental Rcpts.	18.7 %
Insurance Co. Gross Premiums	-0.4 %	Lottery	17.1 %
Bank Deposits	4.0 %	Other Misc. Revs.	n/a
Health Care Provider Assessment	24.2 %	Unclaimed Property	0.0 %
Sales and Use Tax	27.5 %		

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:

<b>Revenue Item</b>	<b>Enacted FY 2012 Estimate</b>	<b>Revenue Item</b>	<b>Enacted FY 2012 Estimate</b>
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		
		<b>Total General Revenues</b>	<b>\$3,175,996,362</b>

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 quarter 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 September of the fiscal year over the past five fiscal years is approximately 27.5 percent. This percentage is applied to the enacted July through October estimate for sales and use taxes for FY 2012 yields the year-to-date September estimate of enacted FY 2012 sales and use taxes of \$228.3 million.

### **Results for the First Three Months of FY 2012**

The attached table gives the results for the first three months of FY 2012. As is apparent from the table, the Department of Revenue finds that fiscal year-to-date September adjusted cash collections for total general revenues exceed expected revenue collections based on the enacted FY 2012 revenue estimates by \$20.8 million, or 3.1 percent. In total taxes, the variance from the enacted FY 2012 expected revenues is \$20.5 million, or 3.6 percent. For departmental receipts, the difference from the enacted FY 2012 expected revenues is -\$46,995 or -0.1 percent. For other general revenue sources, fiscal year-to-date September adjusted cash collections differ from the enacted FY 2012 revenue estimate by \$302,924 or 0.5 percent.

It is important to note that four revenue items have adjusted cash collections that exceed enacted expected revenues by \$1.0 million or more. Personal income tax adjusted cash collections exceed expected enacted FY 2012 revenues by \$19.3 million, or 7.7 percent. This positive difference is attributable to adjusted cash estimated payments exceeding expected enacted FY 2012 estimated payments by \$9.7 million and adjusted cash refunds less than expected FY 2012 enacted refunds by \$7.3 million through the first quarter of FY 2012. Fiscal year-to-date personal income tax adjusted cash collections include \$171,697 of reimbursed Historic Structures Tax Credits (HSTCs). Inheritance and gift tax adjusted cash collections exceed expected FY 2012 enacted revenues by 19.0 percent or \$1.5 million. Public utilities gross earnings tax adjusted cash collections are \$1.4 million or 197.4 percent more than expected FY 2012 enacted public utilities gross earnings revenues. Fiscal year-to-date motor vehicle operator's license and registration fees adjusted cash collections exceed expected FY 2012 enacted motor vehicle operator license and registration fees by \$1.1 million, or 11.4 percent. Finally, financial institutions taxes, insurance companies gross premium taxes, the health care provider assessment, the lottery transfer, racing and athletics taxes, and motor carrier fuel use taxes adjusted cash collections are all greater than expected enacted FY 2012 revenues for these revenue categories but by less than \$1.0 million through September of the fiscal year.

On the negative side, one revenue item has adjusted cash collections that trail expected enacted revenues by more than \$1.0 million. Sales and use taxes adjusted cash collections are below expected FY 2012 enacted sales and use taxes by \$3.7 million or 1.6 percent. Adjusted cash collections for departmental receipts, cigarette and other tobacco products taxes, business corporations taxes, realty transfer taxes, alcohol excise taxes, and bank deposits taxes are below expected enacted revenues for these revenue categories but by less than \$1.0 million each through the first quarter of FY 2012.



Rosemary Booth Gallogly, Director  
Rhode Island Department of Revenue

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

	YTD September Estimate of Enacted FY 2012	YTD September Adjusted Cash FY 2012	Difference	Variance
<b>Personal Income Tax</b>	\$ 250,183,962	\$ 269,513,430 *	\$ 19,329,469	7.7%
<b>General Business Taxes</b>				
Business Corporations	17,972,215	17,391,192	(581,023)	-3.2%
Public Utilities Gross Earnings	719,443	2,139,954	1,420,511	197.4%
Financial Institutions	3,575	913,423	909,848	25449.1%
Insurance Companies	(440,588)	330,235	770,823	-175.0%
Bank Deposits	80,285	46,457	(33,828)	-42.1%
Health Care Provider Assessment	10,016,038	10,684,324	668,286	6.7%
<b>Excise Taxes</b>				
Sales and Use	228,317,757	224,602,499 *	(3,715,257)	-1.6%
Motor Vehicle	9,496,982	10,582,568	1,085,586	11.4%
Motor Carrier Fuel Use	215,511	225,723	10,212	4.7%
Cigarettes	35,918,216	35,321,826	(596,390)	-1.7%
Alcohol	3,160,868	3,096,382	(64,486)	-2.0%
<b>Other Taxes</b>				
Inheritance and Gift	8,123,381	9,663,067	1,539,686	19.0%
Racing and Athletics	304,026	318,111	14,085	4.6%
Realty Transfer	2,004,117	1,756,607	(247,510)	-12.4%
<b>Total Taxes</b>	<b>\$ 566,075,789</b>	<b>\$ 586,585,799</b>	<b>\$ 20,510,010</b>	<b>3.6%</b>
<b>Total Departmental Receipts</b>	<b>\$ 37,361,300</b>	<b>\$ 37,314,305</b> ^,*	<b>\$ (46,995)</b>	<b>-0.1%</b>
<b>Taxes and Departmentals</b>	<b>\$ 603,437,089</b>	<b>\$ 623,900,103</b>	<b>\$ 20,463,015</b>	<b>3.4%</b>
<b>Other General Revenue Sources</b>				
Other Miscellaneous Revenues	263,984 +	263,984 ^^	-	0.0%
Lottery Transfer	61,816,852	62,119,776	302,924	0.5%
Unclaimed Property	-	-	-	n/a
<b>Total Other Sources</b>	<b>\$ 62,080,835</b>	<b>\$ 62,383,760</b>	<b>\$ 302,924</b>	<b>0.5%</b>
<b>Total General Revenues</b>	<b>\$ 665,517,924</b>	<b>\$ 686,283,863</b>	<b>\$ 20,765,939</b>	<b>3.1%</b>

^ Deducts \$128,993,416 in Hospital Licensing Fees for cash receipts received in FY 2012 that were accrued back to FY 2011 and deducts \$839,301 from Imaging Service 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 \$3,137 from Personal Income Tax, \$9,696 from Sales and Use Tax and \$925 from Departmental Receipts for the late posting of a September non-sufficient funds transfer. Adds \$13,758 to Sales and Use Tax to record the adjustment for the late posting of the September non-sufficient funds transfer. The net impact to Sales and Use Tax is an increase of \$4,062.

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

PIT Component	YTD Estimates	YTD Actuals	Difference	Variance
Estimateds	\$ 41,393,336	\$ 51,064,119	\$ 9,670,783	23.4%
Finals	10,775,411	9,778,185	(997,225)	-9.3%
Withholding	215,559,576	218,956,145	3,396,569	1.6%
Refunds	(17,544,361)	(10,285,019)	7,259,342	-41.4%
<b>Total</b>	<b>\$ 250,183,962</b>	<b>\$ 269,513,430</b>	<b>\$ 19,329,469</b>	<b>7.7%</b>

**STATE OF RHODE ISLAND REVENUE ASSESSMENT REPORT**  
**Monthly Estimate to Actual**

	September Estimate of Enacted FY 2012	September Adjusted Cash FY 2012	Difference	Variance
<b>Personal Income Tax</b>	\$ 106,366,213	\$ 119,463,012 *	\$ 13,096,799	12.3%
<b>General Business Taxes</b>				
Business Corporations	13,750,658	10,948,930	(2,801,728)	-20.4%
Public Utilities Gross Earnings	98,016	913,126	815,110	831.6%
Financial Institutions	40,400	911,323	870,923	2155.8%
Insurance Companies	(784,516)	126,415	910,931	-116.1%
Bank Deposits	42,384	46,457	4,073	9.6%
Health Care Provider Assessment	3,445,223	3,704,319	259,096	7.5%
<b>Excise Taxes</b>				
Sales and Use	74,097,573	69,930,770 *	(4,166,802)	-5.6%
Motor Vehicle	3,280,827	3,785,064	504,237	15.4%
Motor Carrier Fuel Use	60,580	42,170	(18,410)	-30.4%
Cigarettes	11,756,423	11,944,971	188,548	1.6%
Alcohol	917,145	853,981	(63,164)	-6.9%
Controlled Substances	-	-	-	-
<b>Other Taxes</b>				
Inheritance and Gift	3,390,433	1,105,928	(2,284,505)	-67.4%
Racing and Athletics	93,023	108,803	15,780	17.0%
Realty Transfer	630,201	535,433	(94,768)	-15.0%
<b>Total Taxes</b>	<b>\$ 217,184,581</b>	<b>\$ 224,420,702</b>	<b>7,236,121</b>	<b>3.3%</b>
<b>Total Departmental Receipts</b>	<b>\$ 12,642,574</b>	<b>\$ 13,539,887</b> ^,*	<b>897,313</b>	<b>7.1%</b>
<b>Taxes and Departmentals</b>	<b>\$ 229,827,155</b>	<b>\$ 237,960,589</b>	<b>8,133,434</b>	<b>3.5%</b>
<b>Other General Revenue Sources</b>				
Gas Tax Transfer	-	-	-	
Other Miscellaneous Revenues	36,080 +	36,080	-	0.0%
Lottery Transfer	30,863,421	29,805,939	(1,057,482)	-3.4%
Unclaimed Property	-	-	-	
<b>Total Other Sources</b>	<b>\$ 30,899,501</b>	<b>\$ 29,842,019</b>	<b>(1,057,482)</b>	<b>-3.4%</b>
<b>Total General Revenues</b>	<b>\$ 260,726,656</b>	<b>\$ 267,802,608</b>	<b>7,075,952</b>	<b>2.7%</b>

^ Deducts \$568,373 in Hospital Licensing Fees for cash receipts received in FY 2012 that were accrued back to FY 2011.

\* Deducts \$3,137 from Personal Income Tax, \$9,696 from Sales and Use Tax and \$925 from Departmental Receipts for the late posting of a September non-sufficient funds transfer. Adds \$13,758 to Sales and Use Tax to record the adjustment for the late posting of the September non-sufficient funds transfer. The net impact to Sales and Use Tax is an increase of \$4,062.

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

PIT Component	Estimates	Actuals	Difference	Variance
Estimateds	\$ 35,150,141	\$ 45,240,146	\$ 10,090,005	28.7%
Finals	4,497,763	4,306,429	(191,334)	-4.3%
Withholding	71,049,051	72,400,436	1,351,385	1.9%
Refunds	(4,330,742)	(2,483,999)	1,846,744	-42.6%
<b>Total</b>	<b>\$ 106,366,213</b>	<b>\$ 119,463,012</b>	<b>\$ 13,096,799</b>	<b>12.3%</b>