

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



DEPARTMENT OF REVENUE
Office of Revenue Analysis

State of Rhode Island Revenue Assessment Report
Year-to-Date FY 2013 through September 2012

The monthly revenue assessment report compares revenue collections on a fiscal year-to-date basis to the Office of Revenue Analysis' fiscal year-to-date estimate of revenue collections based on the current fiscal year revenue estimate. It should be noted that the fiscal year revenue estimate will vary over the course of the fiscal year as the Revenue Estimating Conference (see RI General Law § 35-16-1) convenes and modifies the revenue estimates originally enacted by the General Assembly.

The purpose of the Revenue Assessment Report is to give readers a sense of how the state's revenue collections compare to those that might be expected if the official revenue estimate was being met in a predictable way. Caution should be exercised when interpreting this report as actual collections may vary significantly from past collection patterns. In addition, it is important for the reader to understand that enacted and adopted revenue estimates are made on an accrual not a cash basis. Revenue accruals are not determined until at least one month after the close of the fiscal year in June. Thus, even if the assessment of actual fiscal year-to-date revenue collections trails the fiscal year-to-date revenue estimates, it is possible for the fiscal year end accrual to make up any shortfall.

Reference to the phrase "expected FY 2013 enacted" year-to-date revenue collections includes all revenue changes signed into law by Governor Chafee on June 15, 2012 as part of the FY 2013 enacted budget and any items with revenue impacts that passed outside of the FY 2013 enacted budget. The items passed outside the FY 2013 enacted budget include an increase in the rental vehicle surcharge to 8.0 percent, the expansion of the Middletown enterprise zone making more businesses eligible to receive the enterprise zone wage tax credit, and the exemption of qualified sales of manufactured and mobile home parks from state and local real estate transfer taxes. Of these three items it is estimated that the increase from 6.0 percent to 8.0 percent in the rental vehicle surcharge and the decrease in the State share of the total rental vehicle surcharge from

50.0 percent to 40.0 percent will generate \$193,333 in additional revenues within the rental vehicle surcharge component of motor vehicle license and registration fees. With respect to the other two changes the fiscal impacts are de minimus and are not included in the FY 2013 “enacted” revenue estimate.

Estimates of Enacted FY 2013 Revenues

In order to determine the expected monthly and fiscal year-to-date revenue collections based on the enacted FY 2013 estimates, 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 2013 estimate for each revenue item. For fiscal year-to-date estimates, the monthly percentages are summed and then applied to the enacted FY 2013 estimate for each revenue item. In the case of other miscellaneous revenues, the actual monthly and year-to-date collections are used in place of estimates due to the discrete and unpredictable nature of the timing of these receipts.

The FY 2013 enacted budget includes estimated revenues attributable to the 2012 Tax Amnesty Act. The tax amnesty program runs from September 2, 2012 through November 15, 2012. The estimated monthly distribution of tax amnesty estimated revenues is based on cash collections’ experience gained from the 2006 Tax Amnesty Act. As a result, an adjusted monthly percentage has been computed for personal income tax final payments, business corporations taxes, insurance companies gross premiums taxes, health care provider assessments, sales and use taxes, inheritance and gift taxes, hotel taxes, and interest on overdue taxes included in departmental receipts, which is reported in October, January, April and June of the fiscal year.

Thus, for example, the enacted FY 2013 revenue estimate for the health care provider assessment is \$42.2 million, including \$6,533 of estimated tax amnesty revenue. 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 24.5 percent. For the month of September, the relevant percentage is 8.4 percent. These percentages are applied to the total enacted FY 2013 estimate for the health care provider assessment to yield the monthly and fiscal-year-to-date September estimate of enacted FY 2013 health care provider assessments of \$10.3 million and \$3.6 million, respectively. This process is repeated for all enacted FY 2013 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 September:

Revenue Item	<u>Percent Collected</u>		Revenue Item	<u>Percent Collected</u>	
	Month	YTD		Month	YTD
Personal Income Tax			Motor Vehicles Fees	6.5 %	19.0 %
Estimated Payments	21.4 %	24.7 %	Motor Carrier Fuel Use	5.5 %	20.6 %
Final Payments+	2.3 %	5.8 %	Cigarettes Tax	8.9 %	26.9 %
Withholding Payments	7.5 %	22.9 %	Alcohol Excise Tax	7.4 %	26.3 %
Refunds & Adjustments	1.4 %	5.7 %	Inheritance & Gift Tax+	9.9 %	27.9 %
Business Corporations Tax+	11.4 %	15.1 %	Racing & Athletics Tax	7.9 %	25.2 %
Utilities Gross Earnings Tax+	0.3 %	1.2 %	Realty Transfer Tax	9.1 %	30.3 %
Financial Institutions Tax	10.4 %	1.8 %	Departmental Receipts+	6.4 %	18.9 %
Insurance Gross Premiums Tax+	-0.7 %	-0.4 %	Lottery Transfer	8.5 %	17.1 %
Bank Deposits Tax	2.1 %	4.0 %	Other Misc. Revenues	n/a	n/a
Health Care Provider Assmnt.+	8.4 %	24.5 %	Unclaimed Property	0.0 %	0.0 %
Sales and Use Tax ¹ +	8.8 %	27.0 %			

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 the 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, 2012. See below for a more detailed discussion of this methodology.

+ Estimated 2012 tax amnesty revenues are incorporated into the average percentage calculations.

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 Collected" for the month and year-to-date 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 2013 revenue estimates enacted by the General Assembly and signed into law by Governor Chafee by revenue item are as follows:

Revenue Item	Enacted FY 2013 Estimate	Revenue Item	Enacted FY 2013 Estimate
Personal Income Tax		Sales and Use Tax+	\$887,558,055
Estimated Payments	\$ 200,000,000	Motor Vehicles	47,893,333*
Final Payments+	182,356,603	Motor Carrier Fuel	1,100,000
Withholding Payments	996,000,000	Cigarettes	138,053,896
Refunds Paid	(291,500,000)	Alcohol	12,200,000
Net Accrual	(6,000,000)	Inheritance & Gift+	35,148,959
Business Corporations Taxes+	133,251,413	Racing & Athletics	1,200,000
Public Utilities Gross Earnings	100,100,000	Realty Transfer	5,900,000
Financial Institutions Taxes	1,700,000	Departmental Rcpts.+	342,094,537
Insurance Co. Gross Premiums+	89,825,327	Lottery	387,553,420
Bank Deposits	2,100,000	Other Misc. Revs	4,440,000
Health Care Provider Assessment+	42,206,533	Unclaimed Property	7,900,000
		Total General Revenues^	\$3,321,082,077

* Includes \$193,333 attributable to the changes in the rental vehicle surcharge that were passed outside of the FY 2013 enacted budget.

+ Estimated 2012 tax amnesty revenues are incorporated into the enacted FY 2013 estimates. The breakdown includes personal income tax final payments, \$3,012,820; business corporations taxes, \$351,413; insurance companies gross premiums taxes, \$25,327; health care provider assessments, \$6,533; sales and use taxes, \$4,422,830; inheritance & gift taxes, \$248,959; and departmental receipts (interest on overdue taxes), \$2,827,042.

^ Total General Revenues includes the net accrual for the personal income tax which is estimated to be \$(6,000,000) in the enacted FY 2013 budget.

It should be noted that the enacted FY 2013 revenue estimate for sales and use taxes is \$887.6 million. The Office of Revenue Analysis has determined that this figure is comprised of \$872.2 million of “base” sales and use tax revenues, \$4.4 million of 2012 tax amnesty revenues starting in September 2012, and \$11.0 million of “additional” sales and use tax revenues generated by the expansion of the State’s sales and use tax base effective October 1, 2012. (Sales and use taxes generated during the month of October will not be remitted to the Division of Taxation until November.) The Office of Revenue Analysis adjusted the methodology for estimating expected FY 2013 enacted sales and use tax revenues to account for these changes in the sales and use tax base as they are executed. The standard methodology for estimating expected FY 2013 enacted sales and use tax revenues was used to determine the monthly and fiscal year-to-date expected FY 2013 enacted “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.

The 2012 tax amnesty program began September 1, 2012. The estimated tax amnesty revenues are distributed according to the cash collections experience of the 2006 tax amnesty program. The average percentages calculated are based on the ratio of the distributed monthly allocations to the total estimated 2012 tax amnesty revenues.

Finally, the “additional” expected sales and use tax FY 2013 enacted revenues due to the expansion of the State’s sales and use tax base are 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 previous fiscal year are calculated. The Office of Revenue Analysis does not calculate any expected “additional” revenue from the sales tax base expansion in the enacted FY 2013 budget for the September period since the “additional” sales tax revenue will not be remitted to the Division of Taxation until November 2012. It should be noted that the enacted FY 2013 sales and use tax estimate includes an unknown amount of revenues from the expansion of the sales tax base that occurred in October 2011. It is assumed that these revenues will be collected under the base methodology.

An adjusted average based on this methodology, 8.8 percent for the month of September and 27.0 percent for the fiscal year-to-date period through September, is applied to the \$872.2 million of estimated “base” sales and use tax expected FY 2013 enacted revenues and the \$4.4 million of estimated tax amnesty revenues, to arrive at monthly and fiscal year-to date estimates of \$77.7 million and \$239.8 million, respectively.

The estimates of expected FY 2013 enacted “base” sales and use tax revenues, the estimated 2012 tax amnesty revenues, and expected FY 2013 enacted “additional” sales and use tax revenues are then summed to arrive at total expected FY 2013 enacted sales and use tax revenues. For the September period, the expected FY 2013 enacted sales and use tax revenue is only the “base” sales and use tax revenues and the 2012 tax amnesty revenues, since the “additional” sales and use tax revenues will not be realized until November 2012.

Results for Year-to-Date FY 2013 through September 2012

The table, *Year-to-Date Estimate to Actual*, gives the results for the first three months of FY 2013. As is apparent from the table, the Department of Revenue finds that fiscal year-to-date September adjusted cash collections for total general revenues trail expected revenue collections based on the FY 2013 enacted revenue estimates by \$12.1 million, or -1.7 percent. In total taxes, the variance from the expected FY 2013 enacted revenues is \$(11.8 million), or -2.0 percent. For departmental receipts, the difference from the expected FY 2013 enacted revenues is \$1.4 million, or 3.8 percent. For other general revenue sources, fiscal year-to-date September adjusted cash collections trail the expected FY 2013 enacted revenue estimate for fiscal year-to-date through September by \$1.7 million, or -2.6 percent.

In addition to departmental receipts, one revenue item has adjusted cash collections that exceed expected FY 2013 enacted revenues by \$1.0 million or more.

- Public Utilities Gross Earnings tax adjusted cash collections through September are \$1.0 million, or 86.7 percent, more than expected FY 2013 enacted revenues.

Business corporations taxes, financial institutions income taxes, insurance companies gross premiums taxes, health care provider assessments, motor vehicle operator's license and registration fees, cigarettes and other tobacco products taxes, racing and athletics taxes, and realty transfer taxes adjusted cash collections are all greater than expected FY 2013 enacted revenues but by less than \$1.0 million through September of the fiscal year.

On the negative side, four revenue items have adjusted cash collections that trail expected FY 2013 enacted revenues by more than \$1.0 million.

- The largest shortfall is in sales and use tax adjusted cash collections, which trail expected FY 2013 enacted revenues by -2.9 percent or \$(6.9 million).
- Personal income tax adjusted cash collections lag expected FY 2013 enacted revenues by \$5.4 million, or -2.0 percent, with the difference being attributable to withholding tax adjusted cash collections being less than expected FY 2013 enacted revenues by \$5.9 million, or -2.6 percent, and estimated tax payments adjusted cash collections being less than expected FY 2013 enacted revenues by \$2.6 million, or -5.2 percent. This is partially offset by refunds and adjustments adjusted cash collections being fewer than expected FY 2013 enacted revenues by \$3.6 million, or -21.6 percent. Fiscal year-to-date personal income tax adjusted cash collections include \$70,269 of reimbursed Historic Structures Tax Credits (HSTCs).
- Inheritance and Gift tax adjusted cash collections are below expected FY 2013 enacted revenues by \$2.9 million, or -29.3 percent.
- The fiscal year-to-date lottery transfer trails expected FY 2013 enacted revenues through September by \$1.7 million, or -2.6 percent.

Bank deposits taxes, motor carrier fuel use taxes, and alcohol excise taxes adjusted cash collections are below expected FY 2013 enacted revenues but by less than \$1.0 million through September.

Results for the Month of September

The table, *Monthly Estimate to Actual*, gives the results for September of FY 2013. As is apparent from the table, the Department of Revenue finds that September adjusted cash collections for total general revenues trail expected FY 2013 enacted total general revenues by \$7.1 million, or -2.6 percent. In total taxes, the variance from the expected FY 2013 enacted revenues is \$(7.7 million), or -3.3 percent. For departmental receipts, the difference from the expected FY 2013 enacted revenues is \$419,994 or 3.3 percent. For other general revenue sources, September adjusted cash collections exceed the expected FY 2013 enacted revenue estimate for September by \$160,737 million, or 0.5 percent.

No revenue items have September adjusted cash collections that exceed monthly expected FY 2013 enacted revenues by \$1.0 million or more.

In addition to departmental receipts, September insurance companies gross premiums taxes, public utilities gross earnings taxes, motor vehicle operator's license and registration fees, lottery transfer, alcohol excise taxes, realty transfer taxes, health care provider assessments, financial institutions income taxes, and racing and athletics taxes adjusted cash collections are all greater than monthly expected FY 2013 enacted revenues but by less than \$1.0 million.

Four revenue items have September adjusted cash collections that trail monthly expected FY 2013 enacted revenues by more than \$1.0 million.

- Business corporations tax adjusted cash collections are \$3.6 million, or -23.5 percent, less than monthly expected FY 2013 enacted revenues.
- Personal income tax adjusted cash collections are below monthly expected FY 2013 enacted revenues by \$2.0 million, or -1.7 percent. The difference is attributable to estimated tax payments and final tax payments adjusted cash collections being less than monthly expected FY 2013 enacted revenues by \$2.8 million, or -6.6 percent, and \$677,179, or -15.9 percent, respectively. The total shortfall is partially offset by refunds and adjustments adjusted cash collections being fewer than monthly expected FY 2013 enacted revenues by \$784,036 and withholding tax payments being greater by \$651,171, or 0.9 percent. September personal income tax adjusted cash collections include \$10,568 of reimbursed Historic Structures Tax Credits (HSTCs).
- Inheritance and Gift tax adjusted cash collections are below monthly expected FY 2013 enacted revenues by \$2.2 million, or -61.9 percent.
- Sales and use tax adjusted cash collections lag monthly expected FY 2013 enacted revenues by 2.2 percent or \$(1.7 million).

Finally, September adjusted cash collections for cigarettes and other tobacco products taxes, motor carrier fuel use taxes, and bank deposits taxes are below monthly expected FY 2013 enacted revenues for each of these revenue categories but by less than \$1.0 million.



Rosemary Booth Gallogly, Director
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 2013	YTD September Adjusted Cash FY 2013	Difference	Variance
Personal Income Tax	\$ 271,666,477	\$ 266,221,988 *	(5,444,489)	-2.0%
General Business Taxes				
Business Corporations	20,057,046	20,715,965 *	658,919	3.3%
Public Utilities Gross Earnings	1,154,269	2,155,230 *	1,000,962	86.7%
Financial Institutions	30,843	208,653	177,810	576.5%
Insurance Companies	(334,626)	124,226 * ^a	458,852	-137.1%
Bank Deposits	84,299	-	(84,299)	n/a
Health Care Provider Assessment	10,345,341	10,486,006 *	140,665	1.4%
Excise Taxes				
Sales and Use	239,809,998	232,926,604 *	(6,883,394)	-2.9%
Motor Vehicle	9,093,962	9,950,500	856,538	9.4%
Motor Carrier Fuel Use	226,150	173,079	(53,071)	-23.5%
Cigarettes	37,254,325	37,473,731 *	219,405	0.6%
Alcohol	3,206,502	3,101,566	(104,936)	-3.3%
Other Taxes				
Inheritance and Gift	9,803,970	6,935,040 *	(2,868,930)	-29.3%
Racing and Athletics	302,330	313,047	10,717	3.5%
Realty Transfer	1,788,846	1,908,838	119,992	6.7%
Total Taxes	\$ 604,489,731	\$ 592,694,473	\$ (11,795,258)	-2.0%
Departmental Receipts	\$ 37,883,673	\$ 39,307,875 *^b	\$ 1,424,202	3.8%
Taxes and Departmentals	\$ 642,373,404	\$ 632,002,347	\$ (10,371,056)	-1.6%
Other General Revenue Sources				
Other Miscellaneous Revenues	90,635 +	90,635 ^c	-	0.0%
Lottery Transfer	66,249,668	64,519,865	(1,729,803)	-2.6%
Unclaimed Property	-	-	-	n/a
Total Other Sources	\$ 66,340,304	\$ 64,610,500	\$ (1,729,803)	-2.6%
Total General Revenues	\$ 708,713,707	\$ 696,612,848	\$ (12,100,860)	-1.7%

* Totals include revenues received from the 2012 Tax Amnesty Act broken down as follows: Personal Income Taxes, \$582,461; Business Corporations Taxes, \$898,796; Public Utilities Gross Earnings Taxes, \$610,867; Sales and Use Taxes, \$193,032; Cigarette Excise Taxes, \$7,205; Hotel Taxes, \$390; and \$1,040,209 in Interest Owed on Overdue Taxes. This amount will be transferred to departmental receipts in October.

^a Deducts \$1,722,000 for insurance settlement cash receipts received in FY 2013 that were accrued back to FY 2012.

^b Deducts \$122,360,647 in Hospital Licensing Fees for cash receipts received in FY 2013 that were accrued back to FY 2012, deducts \$141,407 in Interim Medicaid Hospital Rate Settlements cash receipts received in FY 2013 that were accrued back to FY 2012, and deducts \$1,026,551 from a drug settlement cash receipts received by the Attorney General in FY 2013 that were accrued back to FY 2012.

^c Deducts \$2,218,208 from two Medicaid Settlements cash receipts received in FY 2013 that were accrued back to FY 2012.

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

PIT Component	YTD Estimates	YTD Actuals	Difference	Variance
Estimateds	\$ 49,427,179	46,864,833	\$ (2,562,346)	-5.2%
Finals	10,522,738	9,893,649	(629,089)	-6.0%
Withholding	228,386,520	222,531,619	(5,854,902)	-2.6%
Refunds	(16,669,961)	(13,068,113)	3,601,848	-21.6%
Net Accrual			-	
Total	\$ 271,666,477	\$ 266,221,988	\$ (5,444,489)	-2.0%

STATE OF RHODE ISLAND REVENUE ASSESSMENT REPORT
Monthly Estimate to Actual

	September Estimate of Enacted FY 2013	September Adjusted Cash FY 2013	Difference	Variance
Personal Income Tax	\$ 117,882,620	\$ 115,833,134 * \$	(2,049,485)	-1.7%
General Business Taxes				
Business Corporations	15,218,712	11,649,013 *	(3,569,699)	-23.5%
Public Utilities Gross Earnings	292,077	972,622 * ^a	680,546	233.0%
Financial Institutions	175,994	195,304	19,310	11.0%
Insurance Companies	(631,094)	96,936 * ^b	728,030	-115.4%
Bank Deposits	44,503	-	(44,503)	n/a
Health Care Provider Assessment	3,558,762	3,593,224 *	34,462	1.0%
Excise Taxes				
Sales and Use	77,732,831	76,039,899 * ^c	(1,692,933)	-2.2%
Motor Vehicle	3,099,663	3,400,039	300,376	9.7%
Motor Carrier Fuel Use	60,836	31,590 ^d	(29,246)	-48.1%
Cigarettes	12,351,779	12,224,882 ^e	(126,898)	-1.0%
Alcohol	908,779	1,020,682	111,903	12.3%
Controlled Substances	-	-	-	-
Other Taxes				
Inheritance and Gift	3,497,301	1,334,070 *	(2,163,231)	-61.9%
Racing and Athletics	95,223	96,372	1,149	1.2%
Realty Transfer	536,390	630,222	93,832	17.5%
Total Taxes	\$ 234,824,377	\$ 227,117,989 \$	(7,706,388)	-3.3%
Departmental Receipts	12,861,422	\$ 13,281,417 * ^f \$	419,994	3.3%
Taxes and Departmentals	\$ 247,685,799	\$ 240,399,406 \$	(7,286,394)	-2.9%
Other General Revenue Sources				
Other Miscellaneous Revenues	(2,145,652) +	(2,145,652) ^g	-	0.0%
Lottery Transfer	32,966,973	33,127,710	160,737	0.5%
Unclaimed Property	-	-	-	n/a
Total Other Sources	\$ 30,821,321	\$ 30,982,058 \$	160,737	0.5%
Total General Revenues	\$ 278,507,121	\$ 271,381,464 \$	(7,125,657)	-2.6%

* Breakdown of revenues collected through the 2012 Tax Amnesty Act: Personal Income Taxes, \$582,461; Business Corporations Taxes, \$898,796; Public Utilities Gross Earnings Taxes, \$610,867; Sales and Use Taxes, \$193,032; Cigarette Excise Taxes, \$7,205; Hotel Taxes, \$390; and and Interest owed, will be transferred to departmental receipts in October, \$1,040,209.

^a Adds \$196,922 for refunds processed in August that were posted in September.

^b Adds \$1,449,082 for refunds processed in August that were posted in September.

^c Adds \$21,474 for refunds processed in August that were posted in September.

^d Adds \$26,110 for refunds processed in August that were posted in September.

^e Deducts \$605,214 in Hospital Licensing Fees for cash receipts received in FY 2013 that were accrued back to FY 2012, deducts \$35,352 in Interim Medicaid Hospital Rate Settlements cash receipts received in FY 2013 that were accrued back to FY 2012, and deducts \$312,640 for August Driving Record Abstracts receipts that were posted in September.

^f Deducts \$2,218,208 from two Medicaid Settlements cash receipts received in FY 2013 that were accrued back to FY 2012.

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

PIT Component	Estimates	Actuals	Difference	Variance
Estimateds	\$ 42,737,154	39,929,640	\$ (2,807,514)	-6.6%
Finals	4,269,153	3,591,974	(677,179)	-15.9%
Withholding	74,852,179	75,503,350	651,171	0.9%
Refunds	(3,975,865)	(3,191,829)	784,036	-19.7%
Total	\$ 117,882,620	\$ 115,833,134 \$	(2,049,485)	-1.7%

FY 2013 Variance of Adjusted Cash Collections to Estimate

