

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 2014 through May 2014

The monthly revenue assessment report compares adjusted revenues, on a monthly and fiscal year-to-date basis, to the Office of Revenue Analysis' monthly and fiscal year-to-date estimate of revenues based on the current fiscal year enacted 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 Rhode Island General Laws § 35-16-1) convenes and modifies the fiscal year revenue estimates as enacted by the General Assembly.

The purpose of the Revenue Assessment Report is to give readers a sense of how the state's general revenues 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 revenues may vary significantly from historical patterns. In addition, it is important for the reader to understand that enacted and adopted revenue estimates are made on an accrual basis, 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 revenues trail the fiscal year-to-date revenue estimates, it is possible for the fiscal year-end accruals to make up any shortfall.

Estimate of Revised FY 2014 Revenues Adopted at the May 2014 REC

In order to determine the expected monthly and fiscal year-to-date estimates based on the revised revenue estimates adopted at the May 2014 Revenue Estimating Conference (REC)¹, the Office of Revenue Analysis (ORA) first calculates the average percentage of total adjusted revenues that occurred in a given month over the previous five fiscal years for each revenue item. For estate and transfer taxes the previous ten fiscal years are used. For monthly estimates, these percentages are applied to the revised FY 2014 revenue estimate for each revenue item. For the fiscal year-to-date estimates, the monthly percentages are summed and then applied to the

¹ Reports for the FY 2014 November through April period were based on the estimates adopted at the November 2013 Revenue Estimating Conference.

revised FY 2014 adopted revenue estimate for each revenue item. In the case of other miscellaneous revenues, the actual fiscal year-to-date revenues are used in place of an estimate due to the discrete and unpredictable nature of the timing of these receipts.

The following table provides the rounded five-year or ten-year average percentages used to determine expected monthly and fiscal year-to-date revenues for May:

Revenue Item	<u>Percent Received</u>		Revenue Item	<u>Percent Received</u>	
	May	YTD		May	YTD
Personal Income Taxes			Motor Vehicles Fees	11.0 %	91.8 %
Estimated Payments	1.2 %	79.9 %	Motor Carrier Fuel Use	10.2 %	88.8 %
Final Payments	2.3 %	97.5 %	Cigarettes Taxes	8.3 %	90.9 %
Withholding Payments	8.1 %	91.5 %	Alcohol Excise Taxes	8.7 %	89.3 %
Refunds/Adjustments	7.6 %	96.5 %	Estate and Transfer	9.0 %	91.9 %
Business Corporations Taxes	0.2 %	71.4 %	Racing and Athletics	10.4 %	91.1 %
Utilities Gross Earnings Taxes	0.7 %	44.8 %	Realty Transfer	7.8 %	91.3 %
Financial Institutions Taxes	0.0 %	80.2 %	Departmental Receipts	7.3 %	83.9 %
Insurance Co. Gross Premiums	0.8 %	43.7 %	Lottery Transfer	8.8 %	82.8 %
Bank Deposits	0.8 %	45.7 %	Other Misc. Revenues	n/a	n/a
Health Care Provider Assessment	8.6 %	91.5 %	Unclaimed Property	0.0 %	0.0 %
Sales and Use Taxes+	8.0 %	91.6 %			

+ Percentages are a weighted average of the monthly and fiscal year-to-date percentages for the “base” sales and use tax adjusted revenues and the monthly and fiscal year-to-date percentages calculated by the ORA for foregone sales and use tax revenues projected from changes to the State’s sales and use tax base effective October 1, 2013 and December 1, 2013. See below for a more detailed discussion of this methodology.

The health care provider assessment consists only of an assessment on nursing homes. Racing and athletics taxes consist of a tax on simulcast wagering. The “Percent Received” for monthly 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 only in June of each fiscal year.

Beginning July 1, 2013, alcoholic beverage tax revenues are subject to a temporary increase in the alcohol excise tax. The period of the tax increase is July 1, 2013 through March 31, 2015. As the alcohol excise taxes generated during the month of July are not remitted to the Division of Taxation until August, ORA has adapted the average percentages for alcohol excise taxes to take into account the increase in alcohol excise tax revenues beginning in August 2013.

Effective December 1, 2013, a sales tax exemption will apply to the sale of original works by artists, writers and composers who reside and have a principal place of business in Rhode Island.

The exemption also applies to sales of these works by galleries located in the State. A temporary sales tax exemption will also apply to wine and spirits beginning December 1, 2013, which is scheduled to terminate on April 1, 2015. ORA has taken into account the anticipated decreases in sales and use tax revenues from these sales tax exemptions when determining the average percentages used to determine expected sales and use tax revenues.

It should also be noted that prior to the November Revenue Estimating Conference, it was the Office of Revenue Analysis' understanding that the State would no longer be in compliance with the Streamlined Sales and Use Tax Agreement (SSUTA) beginning October 1, 2013, due to the enactment of a \$250 per item threshold above which clothing and footwear became taxable that went into effect on October 1, 2012. A potential impact of this non-compliance was that the State would no longer receive voluntary remittances of sales and use tax revenues from remote sellers that are parties to the SSUTA. Based on testimony provided by the Rhode Island Division of Taxation, the principals of the November 2013 Revenue Estimating Conference (REC) determined that any action by the SSUTA Governing Board with regard to Rhode Island's non-compliance with the SSUTA would not be finalized prior to the end of FY 2014. As a result, receipts of voluntary sales and use tax payments for FY 2014 are included in the sales and use tax estimate. On December 19, 2013, the Streamlined Sales Tax Governing Board voted unanimously to find Rhode Island out of compliance with the Streamlined Sales and Use Tax Agreement.

The revised FY 2014 estimates adopted at the May 2014 Revenue Estimating Conference by revenue item are as follows:

Revenue Item	May 2014 Revised FY 2014 Estimate	Revenue Item	May 2014 Revised FY 2014 Estimate
Personal Income Taxes [^]		Motor Vehicles	\$ 52,300,000
Estimated Payments	\$ 194,000,000	Motor Carrier Fuel	500,000
Final Payments	172,000,000	Cigarettes Taxes	139,100,000
Withholding Payments	1,015,600,000	Alcohol Excise Taxes	17,600,000
Refunds/Adjustments	(275,000,000)	Estate and Transfer	38,100,000
Business Corporations Taxes	117,100,000	Racing and Athletics	1,200,000
Public Utilities Gross Earnings	108,000,000	Realty Transfer	8,000,000
Financial Institutions Taxes	13,500,000	Departmental Receipts [‡]	354,500,000
Insurance Co. Gross Premiums	106,000,000	Lottery	380,700,000
Bank Deposits	2,400,000	Other Misc. Revenues	7,555,000
Health Care Provider Assessment	41,800,000	Unclaimed Property	11,900,000
Sales and Use Taxes	907,000,000		
		Total General Revenues [^]	\$ 3,410,455,000
[^] Total General Revenues include a net accrual for personal income taxes estimated to be \$(3,400,000) in the revised FY 2014 adopted revenues.			
[‡] The Departmental Receipts figure includes an estimate for hospital licensing fee revenues of \$146,775,080. It should be noted that of this amount, \$5,517,498 remains from overdue FY 2012 Hospital Licensing Fees			

As the table indicates, the revised FY 2014 estimate for sales and use taxes adopted at the May 2014 Revenue Estimating Conference is \$907.0 million. The Office of Revenue Analysis (ORA) has estimated that this figure is comprised of \$915.0 million of “base” sales and use tax revenues and \$(8.0 million) of foregone sales and use tax revenues as a result of narrowing the State’s sales and use tax base. The sales tax exemption on wine and spirits is estimated at \$(7.2 million) and on original creative works it is estimated at \$(825,000). ORA adjusted the methodology used for determining the May revised FY 2014 adopted revenue estimate for sales and use taxes to account for the onset of the changes noted above.

The May 2014 REC revised FY 2014 estimate for alcohol excise taxes is \$17.6 million. ORA has determined that this figure is comprised of \$11.6 million of “base” alcohol excise tax revenues and \$6.0 million of “additional” alcohol excise tax revenues generated by the temporary increase in the excise tax rates effective July 1, 2013. ORA adjusted the methodology used for determining the May revised FY 2014 adopted revenue estimate for alcohol excise taxes to account for the one month delay in revenues received as noted above.

Results for FY 2014 through May

The table, *Year-to-Date Estimate to Actual*, gives the fiscal year-to-date results for FY 2014 through May. As is apparent from the table, the Department of Revenue finds that fiscal year-to-date adjusted total general revenues through May exceed the adopted FY 2014 May 2014 Revenue Estimating Conference (REC) revised total general revenues estimate through May by \$566,553 or 0.0 percent. In total taxes, the fiscal year-to-date adjusted revenues through May are greater than the adopted FY 2014 May 2014 REC estimate of revised total taxes through May by \$3.1 million or 0.1 percent. For departmental receipts, the difference in the fiscal year-to-date adjusted revenues through May and the adopted FY 2014 May 2014 REC estimate of revised departmental receipts through May totaled \$(421,622) or -0.2 percent. For other general revenue sources, fiscal year-to-date adjusted revenues through May are less than the adopted FY 2014 May 2014 REC estimate of revised other general revenue sources through May by \$2.1 million or -0.7 percent.

Three revenue items have fiscal year-to-date adjusted revenues through May that exceed the expected FY 2014 May revised revenue estimates through May by \$1.0 million or more.

- Business corporations tax adjusted revenues of \$86.5 million are \$2.9 million or 3.5 percent greater than the expected FY 2014 May revised business corporations tax estimate of \$83.6 million.
- Insurance companies gross premiums tax adjusted revenues through May are \$2.6 million higher than the expected FY 2014 May revised insurance companies gross premiums tax estimate of \$46.3 million.
- Personal income tax adjusted revenues of \$988.4 million are \$1.6 million or 0.2 percent greater than the expected FY 2014 May revised personal income tax estimate of \$986.9 million. This difference is attributed to fiscal year-to-date withholding tax adjusted revenues exceeding the expected FY 2014 May revised withholding tax estimate by \$879,810 or 0.1 percent and fiscal year-to-date refunds and adjustments adjusted revenues are less than the expected FY 2014 May revised refunds and adjustments estimate by \$2.9 million or -1.1 percent. The overall increase in total personal income taxes from these components is offset in part by fiscal year-to-date final payments adjusted revenues trailing the expected FY 2014 May revised final payments estimate by \$1.4 million or -0.8 percent. Fiscal year-to-date personal income tax final payments adjusted revenues include \$5.8 million of reimbursed Historic Structures Tax Credits (HSTCs). In addition, fiscal year-to-date estimated tax payments adjusted revenues trail the expected FY 2014 May revised estimated tax payments estimate by \$827,406 or -0.5 percent.

Fiscal year-to-date public utilities gross earnings tax and alcohol excise tax adjusted revenues through May are greater than the expected FY 2014 May revised revenue estimates through May, but by less than \$1.0 million.

On the negative side three revenue items' fiscal year-to-date adjusted revenues through May fall short of the expected FY 2014 May revised revenue estimates through May by \$1.0 million or more.

- Financial institutions income tax adjusted revenues of \$8.6 million are \$2.2 million or 20.3 percent less than the expected FY 2014 May revised revenue estimate of \$10.8 million. It should be noted that fiscal year-to-date May 2014 adjusted revenues include \$3.9 million of revenues received from amended prior year returns.
- Lottery transfer adjusted revenues are \$2.1 million or 0.7 percent less than the expected FY 2014 May revised revenue estimate of \$315.1 million. This decrease is primarily due to fiscal year-to-date transfer from video lottery terminals trailing the expected FY 2014 May revised transfer from video lottery terminals estimate by \$1.4 million or -0.5 percent.
- Estate and transfer tax adjusted revenues of \$34.0 million are \$1.0 million or 3.0 percent less than the expected FY 2014 May revised estate and transfer tax estimate of \$35.0 million.

In addition to departmental receipts, fiscal year-to-date cigarettes and other tobacco products excise tax, motor vehicle operator's license and vehicle registration fees, health care provider assessment, realty transfer, bank deposits tax, motor carrier fuel use tax, racing and athletics, and sales and use tax adjusted revenues through May are below the expected FY 2014 May revised revenue estimates through May, but by less than \$1.0 million.

Results for the Month of May 2014

The table, *Monthly Estimate to Actual*, gives the results for May 2014. As is apparent from the table, the Department of Revenue finds that May adjusted total general revenues exceed the adopted FY 2014 May 2014 Revenue Estimating Conference's estimate of revised total general revenues for May by \$7.0 million or 3.2 percent. In total taxes, May adjusted revenues are greater than the adopted FY 2014 May 2014 REC estimate of revised total taxes for May by \$10.0 million or 5.9 percent. For departmental receipts, May adjusted revenues trail the adopted FY 2014 May 2014 REC estimate of revised departmental receipts for May by \$1.7 million or -11.3 percent. For other general revenue sources, May adjusted revenues are less than the adopted FY 2014 May 2014 REC estimate of revised other general revenue sources for May by \$1.3 million or -3.9 percent.

Three revenue items have May adjusted revenues that exceed the expected FY 2014 May revised revenue estimates for May by \$1.0 million or more.

- Personal income tax adjusted revenues for May are \$9.0 million or 13.4 percent greater than the expected FY 2014 May revised monthly personal income tax estimate of \$67.5 million. This increase is attributed to May refunds and adjustments adjusted revenues being less than the monthly expected FY 2014 May revised refunds and adjustments tax estimate by \$7.3 million or -34.7 percent. May withholding tax adjusted revenues exceed the monthly expected FY 2014 May revised withholding tax revenues for May by \$947,654 or 1.2 percent. May final payments adjusted revenues exceed the monthly expected FY 2014 May revised final payments estimate for May by \$272,805 or 6.8 percent. May personal income tax final payments adjusted revenues include \$467,067 of reimbursed Historic Structures Tax Credits (HSTCs). Finally, May estimated tax payments adjusted revenues exceed the monthly expected FY 2014 May revised estimated tax payments revenue estimate for May by \$527,189 or 22.1 percent.

- Sales and use tax adjusted revenues for May of \$75.8 million are \$3.0 million or 4.1 percent more than the expected FY 2014 May revised monthly sales and use tax estimate of \$72.8 million. It should be noted that \$4.3 million was added back to FY 2014 May adjusted revenues for refunds which were processed in May that were accrued back to FY 2013.
- Business corporation tax adjusted revenues for May are \$1.7 million more than the expected FY 2014 May revised monthly business corporations tax estimate of \$250,139.

In May, insurance companies gross premiums tax, alcohol excise tax, financial institutions tax, and racing and athletics tax adjusted revenues are greater than the expected FY 2014 May revised monthly revenue estimates for May, but by less than \$1.0 million.

Three revenue items besides departmental receipts have adjusted revenues in May that fall short of the expected FY 2014 May revised monthly revenue estimate by \$1.0 million or more.

- Estate and transfer tax adjusted revenues for May are \$1.4 million less than the expected FY 2014 May revised monthly estate and transfer tax estimate of \$3.4 million.
- The lottery transfer adjusted revenues for May are \$1.3 million less than the expected FY 2014 May revised monthly lottery transfer estimate of \$33.3 million. This decrease is primarily due to May transfer from video lottery terminals adjusted revenues trailing the monthly expected FY 2014 May revised transfer from video lottery terminals estimate by \$1.5 million or -5.5 percent.
- Motor vehicle operator's license and vehicle registration fees adjusted revenues for May are \$1.2 million less than the expected FY 2014 May revised monthly Motor vehicle operator's license and vehicle registration fees tax estimate of \$5.7 million.

In May, cigarettes and other tobacco products excise tax, public utilities gross earnings tax, health care provider assessment, realty transfer tax, bank deposits tax, and motor carrier fuel use tax adjusted revenues are below the expected FY 2014 May revised revenue estimates for May, but by less than \$1.0 million.



Rosemary Booth Gallogly, Director
Department of Revenue
June 12, 2014

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

	YTD May Estimate of May Rev FY 2014 Revenues	YTD May Adjusted Revenues FY 2014	Difference	Variance
Personal Income Tax	\$ 986,868,051	\$ 988,437,644	\$ 1,569,593	0.2%
General Business Taxes				
Business Corporations	83,616,051	86,538,302	2,922,251	3.5%
Public Utilities Gross Earnings	48,334,426	49,207,712	873,286	1.8%
Financial Institutions	10,830,475	8,634,380 ^a	(2,196,095)	-20.3%
Insurance Companies	46,346,059	48,960,810	2,614,751	5.6%
Bank Deposits	1,096,613	1,043,342	(53,271)	-4.9%
Health Care Provider Assessment	38,227,451	37,995,852	(231,599)	-0.6%
Excise Taxes				
Sales and Use	830,734,918	830,732,775 ^b	(2,143)	0.0%
Motor Vehicle	48,009,577	47,311,295	(698,282)	-1.5%
Motor Carrier Fuel Use	444,220	416,695	(27,525)	-6.2%
Cigarettes	126,473,844	125,682,630	(791,214)	-0.6%
Alcohol	15,725,480	16,026,409	300,929	1.9%
Controlled Substances	-	-	-	
Other Taxes				
Estate and Transfer	35,020,600	33,973,974	(1,046,626)	-3.0%
Racing and Athletics	1,093,088	1,081,922	(11,166)	-1.0%
Realty Transfer	7,301,428	7,200,261	(101,167)	-1.4%
Total Taxes	\$ 2,280,122,281	\$ 2,283,244,003	\$ 3,121,722	0.1%
Departmental Receipts	\$ 174,200,260	\$ 173,791,197^c	\$ (409,062)	-0.2%
Taxes and Departmentals	\$ 2,454,322,541	\$ 2,457,035,200	\$ 2,712,659	0.1%
Other General Revenue Sources				
Other Miscellaneous Revenues	582,934 ⁺	582,934 ^d	-	0.0%
Lottery Transfer	315,125,617	312,992,070 ^e	(2,133,547)	-0.7%
Unclaimed Property	-	-	-	n/a
Total Other Sources	\$ 315,708,551	\$ 313,575,004	\$ (2,133,547)	-0.7%
Total General Revenues	\$ 2,770,031,092	\$ 2,770,610,204	\$ 579,112	0.0%

+ Set equal to actual amounts received.

^a Includes \$3,933,567 of revenues received from amended prior year returns.

^b Includes \$944,845 received from a field audit recovery received in November. Adds back \$4,259,185 for refunds processed in May that were accrued back to FY 2013.

^c Deducts \$137,196,803 in Hospital Licensing Fees and \$30,738 in Interim Medicaid Hospital Rate settlements. Deducts \$2,563,132 for a pharmaceutical settlement received in December. Each of these revenues were received in FY 2014, but were accrued back to FY 2013.

^d Deducts \$159,971 for a Medicaid fraud drug settlement received in FY 2014 that was accrued back to the prior fiscal year.

^e Deducts \$847,359 for the lottery transfer that accrues back to FY 2013 received in November.

PIT Component	YTD May Estimates	YTD May Adj Revs	Difference	Variance
Estimated payments	\$ 154,946,067	154,118,661	\$ (827,406)	-0.5%
Final payments	167,658,276	166,266,550	(1,391,726)	-0.8%
Withholding	929,524,988	930,404,797	879,810	0.1%
Refunds	(265,261,279)	(262,352,364)	2,908,915	-1.1%
Net Accrual			-	
Total	\$ 986,868,051	\$ 988,437,644	\$ 1,569,593	0.2%

STATE OF RHODE ISLAND REVENUE ASSESSMENT REPORT
Monthly Estimate to Actual

	May Estimate of May Rev FY 2014 Revenues	May Adjusted Revenues FY 2014	Difference	Variance
Personal Income Tax	\$ 67,469,705	\$ 76,508,488	\$ 9,038,783	13.4%
General Business Taxes				
Business Corporations	250,139	1,969,048	1,718,909	687.2%
Public Utilities Gross Earnings	799,675	332,345	(467,330)	-58.4%
Financial Institutions	2,119	16,498	14,379	678.6%
Insurance Companies	822,895	1,247,741	424,846	51.6%
Bank Deposits	19,387	(16,498)	(35,885)	-185.1%
Health Care Provider Assessment	3,601,993	3,347,755	(254,238)	-7.1%
Excise Taxes				
Sales and Use	72,754,547	75,751,354 ^a	2,996,807	4.1%
Motor Vehicle	5,734,298	4,492,088	(1,242,210)	-21.7%
Motor Carrier Fuel Use	51,161	30,439	(20,722)	-40.5%
Cigarettes	11,523,103	10,607,787	(915,316)	-7.9%
Alcohol	1,537,053	1,695,326	158,273	10.3%
Controlled Substances	-	-	-	
Other Taxes				
Estate and Transfer	3,411,694	2,049,095	(1,362,599)	-39.9%
Racing and Athletics	125,382	128,430	3,048	2.4%
Realty Transfer	620,120	570,752	(49,368)	-8.0%
Total Taxes	\$ 168,723,270	\$ 178,730,648	\$ 10,007,378	5.9%
Departmental Receipts	\$ 15,210,487	\$ 13,497,027 ^b	\$ (1,713,460)	-11.3%
Taxes and Departmentals	\$ 183,933,757	\$ 192,227,675	\$ 8,293,919	4.5%
Other General Revenue Sources				
Other Miscellaneous Revenues	28,464 +	28,464	-	0.0%
Lottery Transfer	33,349,719	32,051,970	(1,297,749)	-3.9%
Unclaimed Property	- +	-	-	n/a
Total Other Sources	\$ 33,378,183	\$ 32,080,434	\$ (1,297,749)	-3.9%
Total General Revenues	\$ 217,311,940	\$ 224,308,109	\$ 6,996,169	3.2%

+ Set equal to actual amounts received.

^a Adds back \$4,259,185 for refunds processed in May that were accrued back to FY 2013.

^b Deducts \$372,404 for Hospital Licensing Fees received in FY 2014, but were accrued back to FY 2013.

PIT Component	May Estimates	May Adj Revs	Difference	Variance
Estimated payments	\$ 2,384,636	2,911,825	\$ 527,189	22.1%
Final payments	4,011,133	4,283,938	272,805	6.8%
Withholding	82,104,529	83,052,183	947,654	1.2%
Refunds	(21,030,593)	(13,739,458)	7,291,136	-34.7%
Total	\$ 67,469,705	\$ 76,508,488	\$ 9,038,783	13.4%

FY 2014 Variance of Adjusted Revenues to Estimate

