

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 September 2013

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 Enacted FY 2014 Revenues

In order to determine the expected monthly and fiscal year-to-date estimates based on the enacted FY 2014 budget signed into law by Governor Chafee on July 3, 2013, 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 enacted 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

enacted FY 2014 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 September:

Revenue Item	<u>Percent Received</u>		Revenue Item	<u>Percent Received</u>	
	September	YTD		September	YTD
Personal Income Taxes			Motor Vehicles Fees	6.6 %	19.6 %
Estimated Payments	21.5 %	24.8 %	Motor Carrier Fuel Use	6.3 %	22.0 %
Final Payments	2.3 %	5.8 %	Cigarettes Taxes	9.4 %	27.2 %
Withholding Payments	7.6 %	22.9 %	Alcohol Excise Taxes	7.7 %	23.4 %
Refunds/Adjustments	1.6 %	5.7 %	Estate and Transfer	8.8 %	25.2 %
Business Corporations Taxes	10.6 %	15.3 %	Racing and Athletics	8.1 %	25.3 %
Utilities Gross Earnings Taxes	0.3 %	1.3 %	Realty Transfer	8.9 %	29.5 %
Financial Institutions Taxes	10.7 %	2.2 %	Departmental Receipts	6.6 %	19.0 %
Insurance Co. Gross Premiums	-1.1 %	-0.3 %	Lottery Transfer	8.5 %	17.1 %
Bank Deposits	1.9 %	3.8 %	Other Misc. Revenues	n/a	n/a
Health Care Provider Assessment	8.5 %	24.7 %	Unclaimed Property	0.0 %	0.0 %
Sales and Use Taxes+	8.8 %	27.4 %			

+ 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, the 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.

It should also be noted that it is the Office of Revenue Analysis' understanding that the State will 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 is that the State will no longer receive voluntary remittances of sales and use tax revenues from remote sellers that are parties to the SSUTA. The principals of the May 2013 Revenue Estimating Conference (REC) assumed no further receipts of voluntary sales and use tax payments after October 2013 and ORA has adjusted the revenue percentages to reflect this for November 2013 through June 2014. In addition, 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.

The FY 2014 estimates by revenue item as enacted by the General Assembly and signed into law by Governor Chafee are as follows:

Revenue Item	Enacted FY 2014 Estimate	Revenue Item	Enacted FY 2014 Estimate
Personal Income Taxes ^		Motor Vehicles	\$ 51,800,000
Estimated Payments	\$ 197,700,000	Motor Carrier Fuel	1,000,000
Final Payments	202,054,500	Cigarettes Taxes	130,700,000
Withholding Payments	1,015,300,000	Alcohol Excise Taxes	18,173,328
Refunds/Adjustments	(298,900,000)	Estate and Transfer	31,800,000
Business Corporations Taxes	141,300,000	Racing and Athletics	1,200,000
Public Utilities Gross Earnings	94,900,000	Realty Transfer	7,500,000
Financial Institutions Taxes	4,300,000	Departmental Receipts ‡	348,707,542
Insurance Co. Gross Premiums	98,815,832	Lottery	394,100,000
Bank Deposits	2,500,000	Other Misc. Revenues	5,545,000
Health Care Provider Assessment	42,610,544	Unclaimed Property	9,700,000
Sales and Use Taxes	887,201,672		
		Total General Revenues ^	\$ 3,381,008,418
^ Total General Revenues include a net accrual for personal income taxes estimated to be \$(7,000,000) in the enacted FY 2014 budget.			
‡ The Departmental Receipts figure includes an estimate of hospital licensing fee revenues of \$141,257,582.			

As the table indicates, the enacted FY 2014 estimate for sales and use taxes is \$887.2 million. The Office of Revenue Analysis (ORA) has estimated that this figure is comprised of \$897.0 million of “base” sales and use tax revenues and \$(9.8 million) of foregone sales and use tax revenues as a result of narrowing the State’s sales and use tax base. Sales and use tax revenues relating to non-compliance with SSUTA are estimated at \$(1.8 million). The sales tax exemption on wine and spirits and original creative works is estimated at \$(8.0 million). ORA adjusted the methodology used for determining the enacted FY 2014 expected revenue estimate for sales and use taxes to account for the onset of the changes noted above.

The enacted FY 2014 estimate for alcohol excise taxes is \$18.2 million. ORA has determined that this figure is comprised of \$12.2 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 effective July 1, 2013. ORA adjusted the methodology used for determining the enacted FY 2014 expected revenue estimate for alcohol excise taxes to account for the one month delay in revenues received as noted above.

Results for FY 2014 through September

The table, *Year-to-Date Estimate to Actual*, gives the fiscal year-to-date results for FY 2014 through September. As is apparent from the table, the Department of Revenue finds that fiscal year-to-date adjusted total general revenues through September exceed the enacted FY 2014 expected total general revenues estimate through September by \$8.5 million or 1.2 percent. In total taxes, the fiscal year-to-date adjusted revenues through September are more than the enacted FY 2014 expected total taxes estimate by \$6.4 million or 1.0 percent. For departmental receipts, the difference in the fiscal year-to-date adjusted revenues through September and the enacted FY 2014 expected departmental receipts estimate totaled \$2.8 million or 7.1 percent. For other general revenue sources, fiscal year-to-date adjusted revenues through September are less than the enacted FY 2014 expected other general revenue sources estimate by \$741,938 or -1.1 percent.

In addition to departmental receipts, five revenue items have fiscal year-to-date adjusted revenues through September that exceed the enacted FY 2014 expected revenue estimates through September by \$1.0 million or more.

- Estate and transfer tax adjusted revenues of \$11.4 million are \$3.4 million or 42.2 percent more than the enacted FY 2014 expected estate and transfer tax estimate of \$8.0 million.
- Cigarette and other tobacco product excise tax adjusted revenues of \$37.5 million are \$2.0 million or 5.6 percent higher than the enacted FY 2014 expected revenue estimate of \$35.5 million.
- Personal income tax adjusted revenues of \$278.3 million are \$1.8 million or 0.6 percent greater than the enacted FY 2014 expected personal income tax estimate of \$276.5 million. This increase is attributed to fiscal year-to-date withholding tax adjusted revenues coming in less than the enacted FY 2014 expected withholding tax estimate by \$4.4 million or -1.9 percent. In addition, fiscal year-to-date final payments adjusted revenues trail the enacted FY 2014 expected final payments estimate by \$1.3 million or -11.0 percent. Fiscal year-to-date personal income tax final payments adjusted revenues include \$637,404 of reimbursed Historic Structures Tax Credits (HSTCs). More than offsetting this shortage are estimated tax payments and refunds and adjustments adjusted revenues. Fiscal year-to-date refunds and adjustments adjusted revenues are less than the enacted FY 2014 expected refunds and adjustments estimate by \$7.0 million or -41.2 percent and fiscal year-to-date estimated tax payments adjusted revenues are ahead of the enacted FY 2014 expected estimated tax payments estimate by \$482,225 or 1.0 percent.
- Sales and use tax adjusted revenues of \$244.7 million are \$1.6 million or 0.7 percent higher than the enacted FY 2014 expected sales and use tax estimate of \$243.1 million.
- Motor vehicle operator's license and vehicle registration fee adjusted revenues of \$11.2 million are \$1.1 million or 10.4 percent greater than the enacted FY 2014 expected revenue estimate of \$10.1 million.

Fiscal year-to-date insurance companies gross premiums tax, financial institutions tax, alcohol excise tax, realty transfer tax and health care provider assessment adjusted revenues through

September are greater than the enacted FY 2014 expected revenue estimates through September, but by less than \$1.0 million.

On the negative side, two revenue items have fiscal year-to-date adjusted revenues through September that fall short of the enacted FY 2014 expected revenue estimates through September by \$1.0 million or more.

- Business corporations tax adjusted revenues of \$18.2 million are \$3.4 million or -15.7 percent less than the enacted FY 2014 expected business corporations tax estimate of \$21.6 million.
- Public utilities gross earnings tax adjusted revenues are \$1.4 million or -111.3 percent less than the enacted FY 2014 expected revenue estimate of \$1.2 million.

Fiscal year-to-date lottery transfer, bank deposits tax, racing and athletics tax and motor carrier fuel use tax adjusted revenues through September are below the enacted FY 2014 expected revenue estimates through September, but by less than \$1.0 million.

Results for the Month of September 2013

The table, *Monthly Estimate to Actual*, gives the results for September 2013. As is apparent from the table, the Department of Revenue finds that September adjusted total general revenues exceed the enacted FY 2014 expected total general revenues estimate for September by \$8.9 million or 3.2 percent. In total taxes, September adjusted revenues are more than the enacted FY 2014 expected total taxes estimate for September by \$7.2 million or 3.0 percent. For departmental receipts, September adjusted revenues are greater than the enacted FY 2014 expected departmental receipts estimate for September by \$1.6 million or 11.5 percent. For other general revenue sources, September adjusted revenues surpass the enacted FY 2014 expected other general revenue sources estimate for September by \$184,391 or 0.6 percent.

In addition to departmental receipts, three revenue items have September adjusted revenues that exceed the enacted FY 2014 expected revenue estimates for September by \$1.0 million or more.

- Personal income tax adjusted revenues for September are \$4.6 million or 3.8 percent more than the enacted FY 2014 expected monthly personal income tax estimate of \$119.3 million. This difference is attributed to September final payments adjusted revenues exceeding the monthly enacted FY 2014 expected final payments revenue estimate by \$250,705 or 5.3 percent, September refunds and adjustments adjusted revenues less than the monthly enacted FY 2014 expected refunds and adjustments tax estimate by \$3.5 million or 73.8 percent, and September estimated tax payments adjusted revenues greater than the monthly expected FY 2014 estimated tax payments estimate by \$1.1 million or 2.5 percent. September personal income tax final payments adjusted revenues include \$608,758 of reimbursed Historic Structures Tax Credits (HSTCs). These positive differences are offset in part by September withholding tax adjusted revenues coming in less than the monthly enacted FY 2014 expected withholding tax revenues by \$189,847 or -0.2 percent.


- Sales and use tax adjusted revenues for September of \$81.1 million are \$3.2 million or 4.1 percent greater than the enacted FY 2014 expected monthly sales and use tax estimate of \$77.9 million.
- Insurance companies gross premiums tax adjusted revenues for September are \$1.0 million higher than the enacted FY 2014 expected revenue estimate of \$(1.1 million) for September.

In September, the cigarette and other tobacco product excise tax, motor vehicle operator's license and vehicle registration fee, the lottery transfer, realty transfer tax, health care provider assessment, financial institutions income tax and alcohol excise tax adjusted revenues are greater than the enacted FY 2014 expected monthly revenue estimates for September, but by less than \$1.0 million.

On the negative side, one revenue item has adjusted revenues in September that fall short of the enacted FY 2014 expected monthly revenue estimate by \$1.0 million or more.

- Business corporations tax adjusted revenues for September of \$13.1 million are \$2.0 million or -13.1 percent less than the enacted FY 2014 expected business corporations tax estimate for September of \$15.0 million.

In September, the estate and transfer tax, public utilities gross earnings tax, bank deposits tax, motor carrier fuel use tax and racing and athletics tax adjusted revenues are below the enacted FY 2014 expected revenue estimates for September, but by less than \$1.0 million.


Rosemary Booth Gallogly, Director
Department of Revenue

October 15, 2013

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

	YTD September Estimate of Enacted FY 2014 Revenues		YTD September Adjusted Revenues FY 2014		Difference	Variance
Personal Income Tax	\$ 276,541,041		\$ 278,329,146		\$ 1,788,104	0.6%
General Business Taxes						
Business Corporations	21,580,538		18,194,789		(3,385,749)	-15.7%
Public Utilities Gross Earnings	1,249,085		(141,187)		(1,390,272)	-111.3%
Financial Institutions	93,803		505,748		411,945	439.2%
Insurance Companies	(314,701)		414,712		729,413	-231.8%
Bank Deposits	95,040		-		(95,040)	
Health Care Provider Assessment	10,542,246		10,604,745		62,499	0.6%
Excise Taxes						
Sales and Use	243,112,963		244,746,962		1,633,999	0.7%
Motor Vehicle	10,141,309		11,197,458		1,056,149	10.4%
Motor Carrier Fuel Use	220,100		215,131		(4,969)	-2.3%
Cigarettes	35,535,949		37,540,574		2,004,625	5.6%
Alcohol	4,255,527		4,404,359		148,832	3.5%
Controlled Substances	-		-		-	
Other Taxes						
Estate and Transfer	8,021,719		11,408,159		3,386,440	42.2%
Racing and Athletics	303,843		284,062		(19,781)	-6.5%
Realty Transfer	2,211,324		2,275,926		64,602	2.9%
Total Taxes	\$ 613,589,786		\$ 619,980,584		\$ 6,390,798	1.0%
Departmental Receipts	\$ 39,361,048		\$ 42,168,139	^a	\$ 2,807,091	7.1%
Taxes and Departmentals	\$ 652,950,833		\$ 662,148,723		\$ 9,197,889	1.4%
Other General Revenue Sources						
Other Miscellaneous Revenues	114,342	+	114,342	^b	-	0.0%
Lottery Transfer	67,278,888		66,536,950		(741,938)	-1.1%
Unclaimed Property	-	+	-		-	n/a
Total Other Sources	\$ 67,393,230		\$ 66,651,292		\$ (741,938)	-1.1%
Total General Revenues	\$ 720,344,063		\$ 728,800,015		\$ 8,455,951	1.2%

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

^a Deducts \$128,391,112 in Hospital Licensing Fees and \$30,738 in Interim Medicaid Hospital Rate settlements. Each of these revenues were received in FY 2014, but were accrued back to FY 2013.

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

PIT Component	YTD Estimates		YTD Actuals		Difference	Variance
Estimated payments	\$ 49,052,542		49,534,767		\$ 482,225	1.0%
Final payments	11,689,194		10,398,262		(1,290,932)	-11.0%
Withholding	232,829,859		228,409,287		(4,420,572)	-1.9%
Refunds	(17,030,553)		(10,013,170)		7,017,383	-41.2%
Net Accrual					-	
Total	\$ 276,541,041		\$ 278,329,146		\$ 1,788,104	0.6%

STATE OF RHODE ISLAND REVENUE ASSESSMENT REPORT
Monthly Estimate to Actual

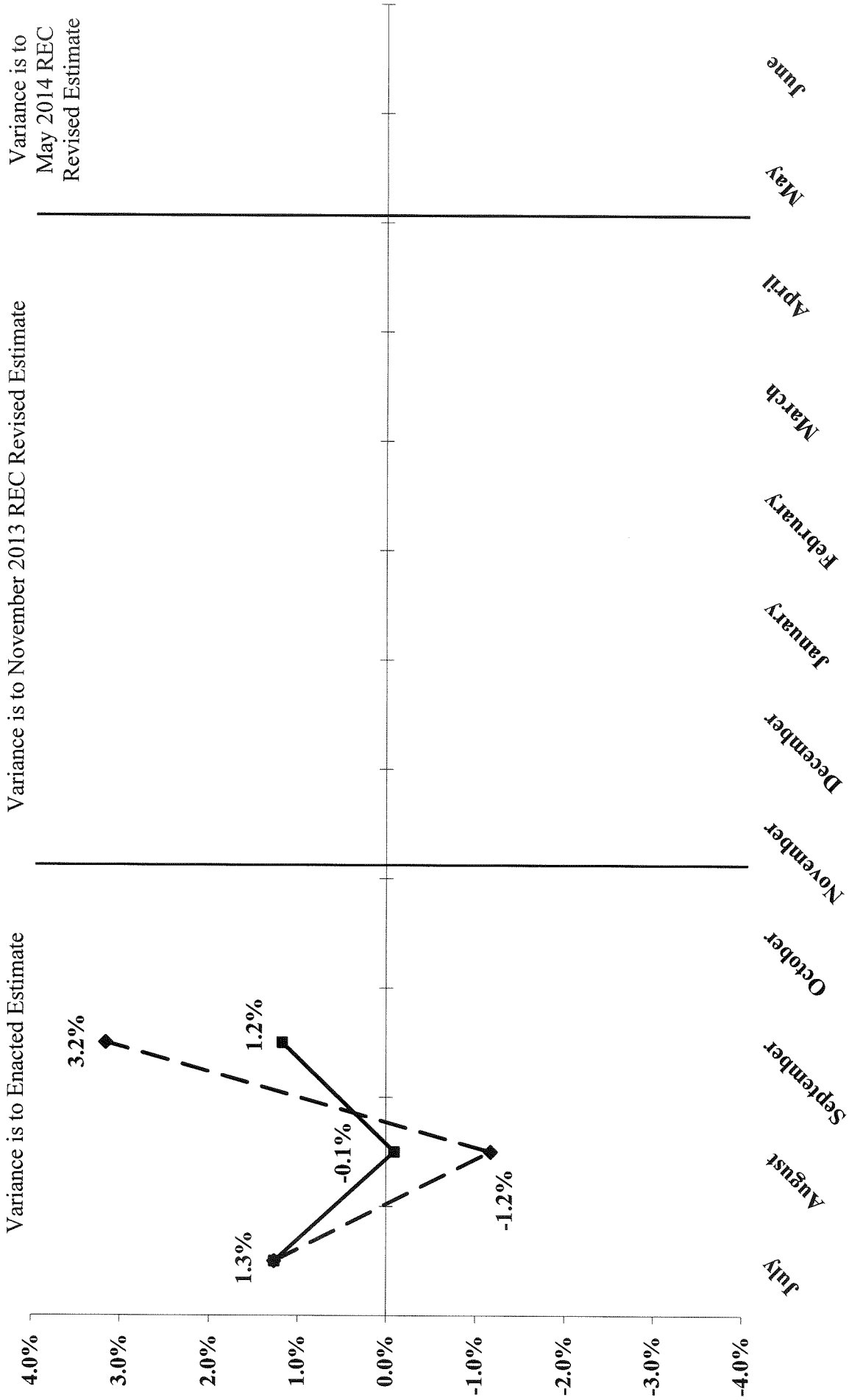
	September Estimate of Enacted FY 2014 Revenues		September Adjusted Revenues FY 2014		Difference	Variance
Personal Income Tax	\$ 119,305,749		\$ 123,896,438		\$ 4,590,689	3.8%
General Business Taxes						
Business Corporations	15,027,514		13,053,136		(1,974,378)	-13.1%
Public Utilities Gross Earnings	327,073		88,065		(239,008)	-73.1%
Financial Institutions	461,360		505,748		44,388	9.6%
Insurance Companies	(1,102,469)		(71,626)		1,030,843	-93.5%
Bank Deposits	48,254		-		(48,254)	
Health Care Provider Assessment	3,609,631		3,664,215		54,584	1.5%
Excise Taxes						
Sales and Use	77,915,102		81,101,140		3,186,038	4.1%
Motor Vehicle	3,410,069		3,780,236		370,167	10.9%
Motor Carrier Fuel Use	63,489		44,083		(19,406)	-30.6%
Cigarettes	12,296,587		12,980,411		683,824	5.6%
Alcohol	1,391,266		1,426,388		35,122	2.5%
Controlled Substances	-		-		-	
Other Taxes						
Estate and Transfer	2,787,702		2,197,584		(590,118)	-21.2%
Racing and Athletics	96,729		84,557		(12,172)	-12.6%
Realty Transfer	669,895		738,435		68,540	10.2%
Total Taxes	\$ 236,307,948		\$ 243,488,810		\$ 7,180,862	3.0%
Departmental Receipts	\$ 13,740,931		\$ 15,321,769	^a	\$ 1,580,838	11.5%
Taxes and Departmentals	\$ 250,048,879		\$ 258,810,579		\$ 8,761,700	3.5%
Other General Revenue Sources						
Other Miscellaneous Revenues	90,668	+	90,668		-	0.0%
Lottery Transfer	33,428,326		33,612,717		184,391	0.6%
Unclaimed Property	-	+	-		-	n/a
Total Other Sources	\$ 33,518,994		\$ 33,703,385		\$ 184,391	0.6%
Total General Revenues	\$ 283,567,873		\$ 292,513,964		\$ 8,946,091	3.2%

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

^a Deduct \$392,609 in Hospital Licensing Fees received in FY 2014 that were accrued back to FY 2013

PIT Component	Estimates		Actuals		Difference	Variance
Estimated payments	\$ 42,426,918		43,487,627		\$ 1,060,709	2.5%
Final payments	4,731,534		4,982,239		250,705	5.3%
Withholding	76,851,132		76,661,285		(189,847)	-0.2%
Refunds	(4,703,835)		(1,234,713)		3,469,122	-73.8%
Total	\$ 119,305,749		\$ 123,896,438		\$ 4,590,689	3.8%

FY 2014 Variance of Adjusted Revenues to Estimate



◆ - Monthly ■ - Fiscal YTD