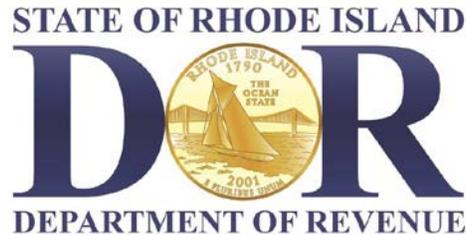


STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS



Office of Revenue Analysis

State of Rhode Island Revenue Assessment Report Monthly and Year-to-Date FY 2015 as of December 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's enacted revenue estimates. It is important to note that any discrepancies between the Comparative Statement of Revenue and the component breakdown for personal income tax, sales and use tax and business corporations tax provided by the Division of Taxation are the result of timing differences in the reporting of revenues. It also should be noted that the fiscal year revenue estimates 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 fiscal year end 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 accrual to make up any shortfall.

The November 2014 Revenue Assessment report was the first monthly report that compared adjusted revenues to the revenue estimates adopted at the November 2014 Revenue Estimating Conference. The Revenue Assessment reports for the months of July through October compared adjusted revenues to the revenue estimates enacted in the FY 2015 budget. The principals at the November 2014 Revenue Estimating Conference revised FY 2015 total general revenues up by \$15,796,612 spread across all general revenue items.

The November 2014 Revenue Estimating Conference incorporated changes to Rhode Island law enacted in the FY 2015 Budget in the adopted revenue estimates that are the basis of this report. Details on the law changes that impact FY 2015 general revenues are contained in the Appendix to this report.

Estimate of Revised FY 2015 Revenues Adopted at the November 2014 REC

In order to determine the expected monthly and fiscal year-to-date revenue estimates based on the revised revenue estimates adopted at the November 2014 Revenue Estimating Conference (REC), 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 2015 adopted revenue estimate for each revenue item. For the fiscal year-to-date estimates, the monthly percentages are summed and then applied to the revised FY 2015 adopted revenue estimate for each revenue item. This methodology is used for all revenue items except personal income tax refunds and adjustments revenues, business corporation tax revenues and estate and transfer tax revenues. For these three revenue items, the monthly percentage, or the sum of the monthly percentages, will be applied to the FY 2015 modified cash revenue flows as estimated by ORA based on revised FY 2015 revenue estimates adopted at the November 2014 REC. 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 in the timing of these receipts.

Table A provides the rounded five-year or ten-year average percentages used to determine expected monthly and fiscal year-to-date revenues for November. It should be noted that ORA has made adjustments to these percentages based on the estimated flow of revenues that result from the changes in law enacted by the 2014 General Assembly (see Appendix) and included as part of the revised FY 2015 revenue estimates adopted at the November 2014 REC.

Revenue Item	<u>Percent Received</u>		Revenue Item	<u>Percent Received</u>	
	Dec.	YTD		Dec.	YTD
Personal Income Taxes			Motor Vehicles Fees	3.4 %	36.8 %
Estimated Payments	11.1 %	40.0 %	Motor Carrier Fuel Use	9.4 %	58.6 %
Final Payments	1.7 %	14.0 %	Cigarettes Taxes	8.5 %	52.7 %
Withholding Payments	9.9 %	48.6 %	Alcohol Excise Taxes	8.9 %	51.8 %
Refunds/Adjustments *	2.6 %	15.8 %	Estate and Transfer *	9.6 %	51.2 %
Business Corporations Taxes *	4.8 %	16.7 %	Racing and Athletics	7.2 %	48.4 %
Utilities Gross Earnings Taxes	0.2 %	2.2 %	Realty Transfer	8.7 %	53.7 %
Financial Institutions Taxes	17.9 %	41.7 %	Departmental Receipts	7.1 %	42.4 %
Insurance Co. Gross Premiums	0.3 %	1.1 %	Lottery Transfer	7.8 %	41.0 %
Bank Deposits	3.2 %	8.1 %	Other Misc. Revenues	n/a	n/a
Health Care Provider Assessment	8.8 %	49.9 %	Unclaimed Property	0.0 %	0.0 %
Sales and Use Taxes †	7.7 %	51.2 %			

* Percentages are a weighted average of the monthly and fiscal year-to-date percentages for the “base” personal income tax refunds and adjustments, business corporations tax, and estate and transfer tax adjusted revenues and the monthly and fiscal year-to-date percentages calculated by ORA incorporating the changes in law affecting these three revenue items effective January 1, 2015. See the body of the report for a more detailed discussion of these methodologies.

† 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 ORA for forgone sales and use tax revenues projected from the extension of the sunset date for the exemption of wine and spirits from the sales and use tax and, effective January 1, 2015 the enhanced sales and use tax revenues projected from the utilization of the safe harbor use tax look-up table. See the body of the report for a more detailed discussion of this methodology.

The health care provider assessment consists only of an assessment on nursing homes. Motor vehicle fees are comprised only of fees paid for operator’s licenses and motor vehicle registrations. Racing and athletics taxes consist of a tax on simulcast wagering. The “Percent Received” for monthly and fiscal 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.

The revised FY 2015 adopted sales and use tax revenue estimate incorporates an enhancement derived from the inclusion of a safe harbor provision for use tax owed on TY 2014 personal income tax returns. In addition, the sunset date for the sales and use tax exemption for wine and spirits sold at package stores was extended from March 31, 2015 to June 30, 2015. ORA has

taken into account the anticipated changes in sales and use tax revenues from the inclusion of the safe harbor sales and use tax look-up table on state personal income tax returns and the extension of the sunset date for the sales and use tax exemption of wine and spirits sold by package stores when determining the average percentages used to calculate expected FY 2015 sales and use tax revenues.

Due to the unusual characteristics of the enacted legislative changes (see Appendix) for the personal income tax refunds and adjustments, the business corporations tax, and the estate and transfer tax revenue streams, ORA had to adjust the revenue bases against which FY 2015 adjusted revenues would be assessed for these revenue items. Specifically, significant impacts on revenue will be realized through the accrual component of these revenue items and thus not recorded until the end of the fiscal year. ORA will use modified cash based revenue flows for expected FY 2015 revenues to gauge the sufficiency of adjusted revenues in meeting estimated revenues. To do otherwise would result in the understatement of expected FY 2015 revenues on a monthly and fiscal year-to-date basis relative to actual FY 2015 adjusted revenues on the same basis. The footnotes in Table B detail the breakdown of cash receipts and accruals for each of these revenue items and indicate the modified cash based revenue flows against which FY 2015 adjusted revenues will be assessed.

The revised FY 2015 estimates adopted at the November 2014 Revenue Estimating Conference by revenue item are as follows:

Table B. Revised FY 2015 Revenue Estimates by Major Revenue Item			
Revenue Item	Nov 2014 Revised FY 2015 Estimate	Revenue Item	Nov 2014 Revised FY 2015 Estimate
Personal Income Taxes		Motor Vehicles	\$ 49,900,000
Estimated Payments	\$ 204,100,000	Motor Carrier Fuel	500,000
Final Payments	175,800,000	Cigarettes Taxes	136,800,000
Withholding Payments	1,057,200,000	Alcohol Excise Taxes	19,000,000
Refunds/Adjustments †	(276,300,000)	Estate and Transfer *	27,000,000
Business Corporations Taxes ^	112,800,000	Racing and Athletics	1,100,000
Public Utilities Gross Earnings	103,600,000	Realty Transfer	8,800,000
Financial Institutions Taxes	16,000,000	Departmental Receipts ‡	349,300,000
Insurance Co. Gross Premiums	113,600,000	Lottery	383,300,000
Bank Deposits	2,500,000	Other Misc. Revenues	7,800,000
Health Care Provider Assessment	43,200,000	Unclaimed Property	11,000,000
Sales and Use Taxes	955,000,000		
		Total General Revenues **	\$ 3,508,900,000
<p>† Personal income tax refunds and adjustments revenues estimate includes an estimated revenue accrual of \$(4,293,291) from the restructured Rhode Island earned income tax credit. The realization of this revenue accrual will not occur until the end of FY 2015. As a result, ORA will assess adjusted FY 2015 personal income tax refunds and adjustments revenues against a “base” FY 2015 revenue estimate of \$(272,006,710), instead of the \$(276,300,000) revised FY 2015 revenue estimate adopted at the November Revenue Estimating Conference (REC).</p> <p>^ Business corporations tax revenues estimate of \$112,800,000 includes an estimated increase in revenue from the implementation of combined reporting and the reduction of the business corporations tax rate of \$2,932,858. The estimated increase includes revenues of \$1,759,716 that will be received in FY 2015 but realized in FY 2016. As a result, ORA will assess adjusted FY 2015 revenues against a “base” FY 2015 revenue estimate of \$114,559,716, instead of the \$112,800,000 revised FY 2015 revenue estimate adopted at the November REC.</p> <p>* Estate and transfer tax revenues estimate of \$27,000,000 includes an estimated accrual impact of \$(9,151,910) to account for the filing behavior of decedents who die on or after January 1, 2015. The estimated accrual will not affect FY 2015 revenues until the end of the fiscal year. As a result, ORA will assess adjusted FY 2015 revenues against a “base” FY 2015 revenue estimate of \$36,151,910, instead of the \$27,000,000 revised FY 2015 revenue estimate adopted at the November REC.</p> <p>‡ Departmental Receipts figure includes estimated hospital licensing fee revenues of \$156,071,602.</p> <p>** Total general revenues estimate includes the personal income tax net accrual estimate of \$6,900,000 as adopted at the November REC.</p>			

The revised FY 2015 adopted revenue estimate for sales and use taxes is \$955.0 million. ORA estimated that this figure is comprised of \$965.5 million of “base” sales and use tax revenues. The calculation of “base” sales and use tax revenues attempts to determine recurring sales and use tax revenues in the absence of current legislative changes. “Base” sales and use tax revenues controls for the \$2.2 million of sales and use tax revenues included in the revised FY 2015 adopted revenue estimate for the provision of a safe harbor use tax look-up table on personal income tax returns and the \$12.7 million in forgone sales and use tax revenues due to the exemption of wine and spirits from the sales and use tax. ORA adjusted the methodology for determining the percentages used to calculate revised FY 2015 revenues as adopted at the November 2014 Revenue Estimating Conference to incorporate the timing of these changes.

The revised FY 2015 adopted revenue estimate for alcohol excise taxes is \$19.0 million. ORA estimated that this figure is comprised of \$13.5 million of “base” alcohol excise tax revenues and \$5.5 million of additional alcohol excise tax revenues generated by the full fiscal year impact of the increase in the excise tax rates on beer and malt, still wine and high proof spirits. ORA adjusted the methodology for determining the percentages used to calculate expected FY 2015 revised revenues to incorporate the timing of this change.

Results for FY 2015 through December

The table, *Year-to-Date Estimate to Actual*, gives the results for FY 2015 through December. As is apparent from the table, the Department of Revenue finds that fiscal year-to-date adjusted total general revenues through December exceed the revised FY 2015 adopted total general revenues estimate through December by \$44.0 million or 3.0 percent. In total taxes, the fiscal year-to-date adjusted revenues through December are greater than the revised FY 2015 adopted total taxes estimate through December by \$42.4 million or 3.4 percent. For departmental receipts, the difference between the fiscal year-to-date adjusted revenues through December and the revised FY 2015 adopted departmental receipts estimate through December is \$1.0 million or 1.2 percent. For other general revenue sources, fiscal year-to-date adjusted revenues through December exceed the revised FY 2015 adopted other general revenue sources estimate through December by \$590,968 or 0.4 percent.

In addition to departmental receipts, four revenue items have fiscal year-to-date adjusted revenues through December that exceed revised FY 2015 adopted revenue estimates through December by \$1.0 million or more.

- Personal income tax adjusted revenues of \$604.4 million are \$27.8 million or 4.8 percent greater than the revised FY 2015 adopted personal income tax estimate of \$576.6 million. Fiscal year-to-date estimated tax payments adjusted revenues are \$15.9 million or 19.4 percent more than the revised FY 2015 adopted estimated tax payments estimate of \$81.6 million. The fiscal year-to-date estimated tax payments adjusted revenues include a large infrequently occurring payment of \$10.0 million. Fiscal year-to-date refunds and adjustments adjusted revenues are less than the revised FY 2015 adopted refunds and adjustments estimate by \$7.8 million or -18.1 percent. In addition, fiscal year-to-date personal income tax final payments adjusted revenues exceed the revised FY 2015 adopted final payments estimate by \$3.1 million or 12.6 percent. Fiscal year-to-date

personal income tax final payments adjusted revenues include \$665,861 of reimbursed Historic Structures Tax Credits (HSTCs), and \$618,094 in anticipated HSTC reimbursements that are expected to be made prior to the end of FY 2015. Fiscal year-to-date withholding tax adjusted revenues are also ahead of the revised FY 2015 adopted withholding tax estimate by \$1.1 million or 0.2 percent.

- Business corporations tax adjusted revenues for FY 2015 through December are \$13.0 million or 67.7 percent more than the revised FY 2015 business corporations tax estimate of \$19.1 million adopted at the November 2014 Revenue Estimating Conference. FY 2015 business corporations tax adjusted revenues through December include \$823,225 of reimbursed Historic Structures Tax Credits (HSTCs).
- Sales and use tax adjusted revenues for FY 2015 through December are \$4.9 million or 1.0 percent more than the revised FY 2015 adopted revenue estimate of \$488.7 million.
- Insurance companies gross premiums tax adjusted revenues for FY 2015 through December are \$3.2 million or 148.8 percent more than the revised FY 2015 adopted revenue estimate of \$1.3 million. FY 2015 insurance companies gross premiums tax adjusted revenues through December include \$830,611 of reimbursed Historic Structures Tax Credits (HSTCs).

Fiscal year-to-date cigarette excise tax, the lottery transfer, estate and transfer tax, the health care provider assessment, public utilities gross earnings tax, realty transfer tax and racing and athletics tax adjusted revenues through December are greater than the revised FY 2015 adopted revenue estimates through December, but by less than \$1.0 million.

On the negative side, one revenue item's fiscal year-to-date adjusted revenues through December fell short of the revised FY 2015 adopted revenue estimates through December by \$1.0 million or more.

- Financial institutions tax adjusted revenues through December are \$4.9 million or 73.1 percent less than the revised FY 2015 adopted revenue estimate through December of \$6.7 million.

Fiscal year-to-date alcohol excise tax, motor carrier fuel use tax, motor vehicle operator's license and vehicle registration fee, and bank deposits tax adjusted revenues are below the revised FY 2015 adopted revenue estimates through December, but by less than \$1.0 million.

Results for the Month of December 2014

The table, *Monthly Estimate to Actual*, gives the results for December 2014. As is apparent from the table, the Department of Revenue finds that December adjusted total general revenues exceed the revised FY 2015 adopted total general revenues estimate for December by \$29.4 million or 10.8 percent. In total taxes, December adjusted revenues are more than the revised FY 2015 adopted total taxes estimate for December by \$30.3 million or 13.2 percent. For departmental receipts, December adjusted revenues trail the revised FY 2015 adopted departmental receipts estimate for December by \$1.4 million or -10.1 percent. For other general revenue sources,

December adjusted revenues exceed the revised FY 2015 adopted other general revenue sources estimate for December by \$483,913 or 1.6 percent.

Four revenue items have adjusted revenues in December that exceed the revised FY 2015 adopted estimates for December by \$1.0 million or more.

- Personal income tax adjusted revenues for December are \$24.5 million or 19.8 percent more than the revised FY 2015 adopted monthly revenue estimate of \$123.5 million. This increase is attributable to December estimated tax payments adjusted revenues coming in \$15.4 million or 68.0 percent above the revised FY 2015 adopted monthly estimated tax payments estimate of \$22.7 million. The December estimated tax payments adjusted revenues amount includes a large infrequently occurring tax payment of \$10.0 million. December refunds and adjustments adjusted revenues are \$4.3 million or 59.8 percent less than the revised FY 2015 adopted refunds and adjustments monthly revenue estimate of \$(7.2 million). December withholding tax adjusted revenues are \$2.5 million or 2.4 percent greater than the revised FY 2015 adopted monthly revenue estimate for withholding tax payments of \$105.1 million. Further, final payments adjusted revenues exceed the revised FY 2015 adopted final payments monthly revenue estimate of \$2.9 million by \$2.2 million or 76.5 percent. Final payments adjusted revenues do not include any reimbursed Historic Structures Tax Credits (HSTCs) received in December. It should be noted, however, that the Office of Revenue Analysis (ORA) added \$163,155 to final payments adjusted revenues for the month of December to account for HSTC usage that will be reimbursed prior to the end of FY 2015.
- Business corporations tax adjusted revenues for December are \$3.7 million or 67.3 percent more than the revised FY 2015 adopted monthly revenue estimate of \$5.5 million.
- Estate and transfer tax adjusted revenues for December are \$2.8 million or 79.7 percent more than the revised FY 2015 adopted monthly revenue estimate of \$3.5 million. Estate and transfer tax adjusted revenues for the month of December include a large infrequently occurring tax payment of \$3.9 million.
- Sales and use tax adjusted revenues for the month of December are \$2.5 million or 3.4 percent more than the revised FY 2015 adopted monthly revenue estimate of \$73.8 million.

December adjusted revenues for the lottery transfer, cigarette excise taxes, insurance companies gross premiums taxes, motor vehicle operator's license and vehicle registration fees and racing and athletics taxes are greater than the revised FY 2015 adopted monthly revenue estimates for December, but by less than \$1.0 million.

In addition to departmental receipts on the negative side, one revenue item has adjusted revenues for December that fall short of the revised FY 2015 adopted monthly revenue estimate by \$1.0 million or more.

- Financial institutions tax adjusted revenues for December are \$2.1 million or 71.6 percent less than the revised FY 2015 adopted monthly revenue estimate of \$2.9 million.

December adjusted revenues for alcohol excise taxes, the health care provider assessment, realty transfer taxes, motor carrier fuel use taxes, bank deposits taxes and public utilities gross earnings taxes are below the revised FY 2015 adopted revenue estimates for December, but by less than \$1.0 million.



Rosemary Booth Gallogly, Director
Department of Revenue

January 14, 2015

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

	YTD December Estimate of Revised FY 2015 Revenues †	YTD December Adjusted Revenues FY 2015	Difference	Variance
Personal Income Tax	\$ 576,647,938	\$ 604,439,170 ^{a, b, c}	\$ 27,791,232	4.8%
General Business Taxes				
Business Corporations	19,141,901	32,094,624 ^d	12,952,723	67.7%
Public Utilities Gross Earnings	2,265,944	2,302,717	36,773	1.6%
Financial Institutions	6,669,712	1,796,372	(4,873,340)	-73.1%
Insurance Companies	1,294,066	3,219,808	1,925,742	148.8%
Bank Deposits	201,969	-	(201,969)	-100.0%
Health Care Provider Assessment	21,569,220	21,737,050	167,830	0.8%
Excise Taxes				
Sales and Use	488,723,187	493,650,492	4,927,305	1.0%
Motor Vehicle	18,378,101	18,105,558 ^e	(272,543)	-1.5%
Motor Carrier Fuel Use	293,002	(182,244)	(475,246)	-162.2%
Cigarettes	72,068,702	72,736,761	668,059	0.9%
Alcohol	9,849,649	9,317,946 ^f	(531,703)	-5.4%
Controlled Substances				
Other Taxes				
Estate and Transfer	18,510,042	18,766,824	256,782	1.4%
Racing and Athletics	532,647	543,927	11,280	2.1%
Realty Transfer	4,726,490	4,759,388	32,898	0.7%
Total Taxes	\$ 1,240,872,569	\$ 1,283,288,393	\$ 42,415,824	3.4%
Departmental Receipts	\$ 81,982,721	\$ 82,983,357 ^g	\$ 1,000,636	1.2%
Taxes and Departmentals	\$ 1,322,855,290	\$ 1,366,271,750	\$ 43,416,460	3.3%
Other General Revenue Sources				
Other Miscellaneous Revenues	311,708 ⁺	311,708	-	0.0%
Lottery Transfer *	157,181,001	157,771,969 ^h	590,968	0.4%
Unclaimed Property	- ⁺	-	-	n/a
Total Other Sources	\$ 157,492,709	\$ 158,083,677	\$ 590,968	0.4%
Total General Revenues	\$ 1,480,347,999	\$ 1,524,355,427	\$ 44,007,428	3.0%

PIT Component	YTD Dec. Estimates	YTD Dec. Adj. Revenues	Difference	Variance
Estimated payments	\$ 81,620,076	\$ 97,475,011 ^a	\$ 15,854,936	19.4%
Final payments	24,531,943	27,616,179 ^b	3,084,236	12.6%
Withholding	513,466,673	514,555,878 ^c	1,089,205	0.2%
Refunds †	(42,970,753)	(35,207,898)	7,762,856	-18.1%
Total	\$ 576,647,938	\$ 604,439,170	\$ 27,791,232	4.8%

† Revised FY 2015 adopted revenues for personal income tax refunds and adjustments, business corporation taxes and estate and transfer taxes are calculated using modified cash based revenue flows to align expected revenues with the actual realization of revenues.

* Revised FY 2015 adopted lottery transfer revenues are based on the State receiving 16.0 percent of Net Table Game Revenue generated at Twin River.

+ Set equal to actual amounts received.

^a Includes a large infrequently occurring estimated tax payment of \$10.0 million that was received in December 2014.

^b Adds \$618,094 in personal income tax revenues for unreimbursed Historic Structure Tax Credits that will be reimbursed prospectively.

^c Adds \$2,949 from a withholding tax adjustment in December 2014 that was included in the Division of Taxation's monthly personal income tax component report but was not reflected in Accounts and Controls' monthly Comparative Statement of Revenue.

^d Adds \$5,121,199 for business corporations tax refunds payable that were disbursed in August and accrued back to FY 2014.

^e Deducts \$755,850 for rental vehicle surcharge receipts received in July of FY 2015 that accrued back to FY 2014.

^f An unknown amount of revenues were not recorded in a timely manner by the Division of Taxation in December 2014.

^g Deducts \$144.5 million for Hospital Licensing Fees, \$1.1 million for a pharmaceutical settlement, and \$281,280 for emissions control inspection sticker fees that were all received in FY 2015 and accrued back to FY 2014. The fines and penalties component of departmental receipts includes remittances for red light camera violations of \$328,980 from participating municipalities to the state's general fund.

^h Deducts \$270,580 for the lottery transfer received in October that accrued back to FY 2014.

STATE OF RHODE ISLAND REVENUE ASSESSMENT REPORT
Monthly Estimate to Actual

	December Estimate of Revised FY 2015 Revenues †	December Adjusted Revenues FY 2015	Difference	Variance
Personal Income Tax	\$ 123,481,247	\$ 147,968,947 ^{a, b, c}	\$ 24,487,700	19.8%
General Business Taxes				
Business Corporations	5,461,848	9,139,148	3,677,300	67.3%
Public Utilities Gross Earnings	253,295	246,752	(6,543)	-2.6%
Financial Institutions	2,866,342	813,513	(2,052,829)	-71.6%
Insurance Companies	355,045	385,924	30,879	8.7%
Bank Deposits	79,331	-	(79,331)	-100.0%
Health Care Provider Assessment	3,814,016	3,437,461	(376,555)	-9.9%
Excise Taxes				
Sales and Use	73,847,884	76,339,119	2,491,235	3.4%
Motor Vehicle	1,676,145	1,700,412	24,267	1.4%
Motor Carrier Fuel Use	46,813	(84,550)	(131,363)	-280.6%
Cigarettes	11,644,874	12,095,476	450,602	3.9%
Alcohol	1,682,421	832,416 ^d	(850,005)	-50.5%
Controlled Substances				
Other Taxes				
Estate and Transfer	3,485,941	6,262,615 ^e	2,776,674	79.7%
Racing and Athletics	78,889	90,016	11,127	14.1%
Realty Transfer	763,168	588,650	(174,518)	-22.9%
Total Taxes	\$ 229,537,260	\$ 259,815,899	\$ 30,278,639	13.2%
Departmental Receipts	\$ 13,639,931	\$ 12,258,837 ^f	\$ (1,381,094)	-10.1%
Taxes and Departmentals	\$ 243,177,192	\$ 272,074,736	\$ 28,897,544	11.9%
Other General Revenue Sources				
Other Miscellaneous Revenues	252 ⁺	252	-	0.0%
Lottery Transfer *	29,914,231	30,398,144	483,913	1.6%
Unclaimed Property	-	-	-	n/a
Total Other Sources	\$ 29,914,483	\$ 30,398,396	\$ 483,913	1.6%
Total General Revenues	\$ 273,091,675	\$ 302,473,132	\$ 29,381,457	10.8%

PIT Component	December Estimates	December Adj. Revenues	Difference	Variance
Estimated payments	\$ 22,692,203	\$ 38,113,699 ^a	\$ 15,421,496	68.0%
Final payments	2,914,831	5,143,517 ^b	2,228,686	76.5%
Withholding	105,079,826	107,606,888 ^c	2,527,063	2.4%
Refunds †	(7,205,613)	(2,895,158)	4,310,455	-59.8%
Total	\$ 123,481,247	\$ 147,968,947	\$ 24,487,700	19.8%

† Revised FY 2015 adopted revenues for personal income tax refunds and adjustments, business corporation taxes and estate and transfer taxes are calculated using modified cash based revenue flows to align expected revenues with the actual realization of revenues.

* Revised FY 2015 adopted lottery transfer revenues are based on the State receiving 16.0 percent of Net Table Game Revenue generated at Twin River.

+ Set equal to actual amounts received.

^a Includes a large infrequently occurring estimated tax payment of \$10.0 million that was received in December 2014.

^b Adds \$163,155 in personal income tax revenues for unreimbursed Historic Structure Tax Credits that will be reimbursed prospectively.

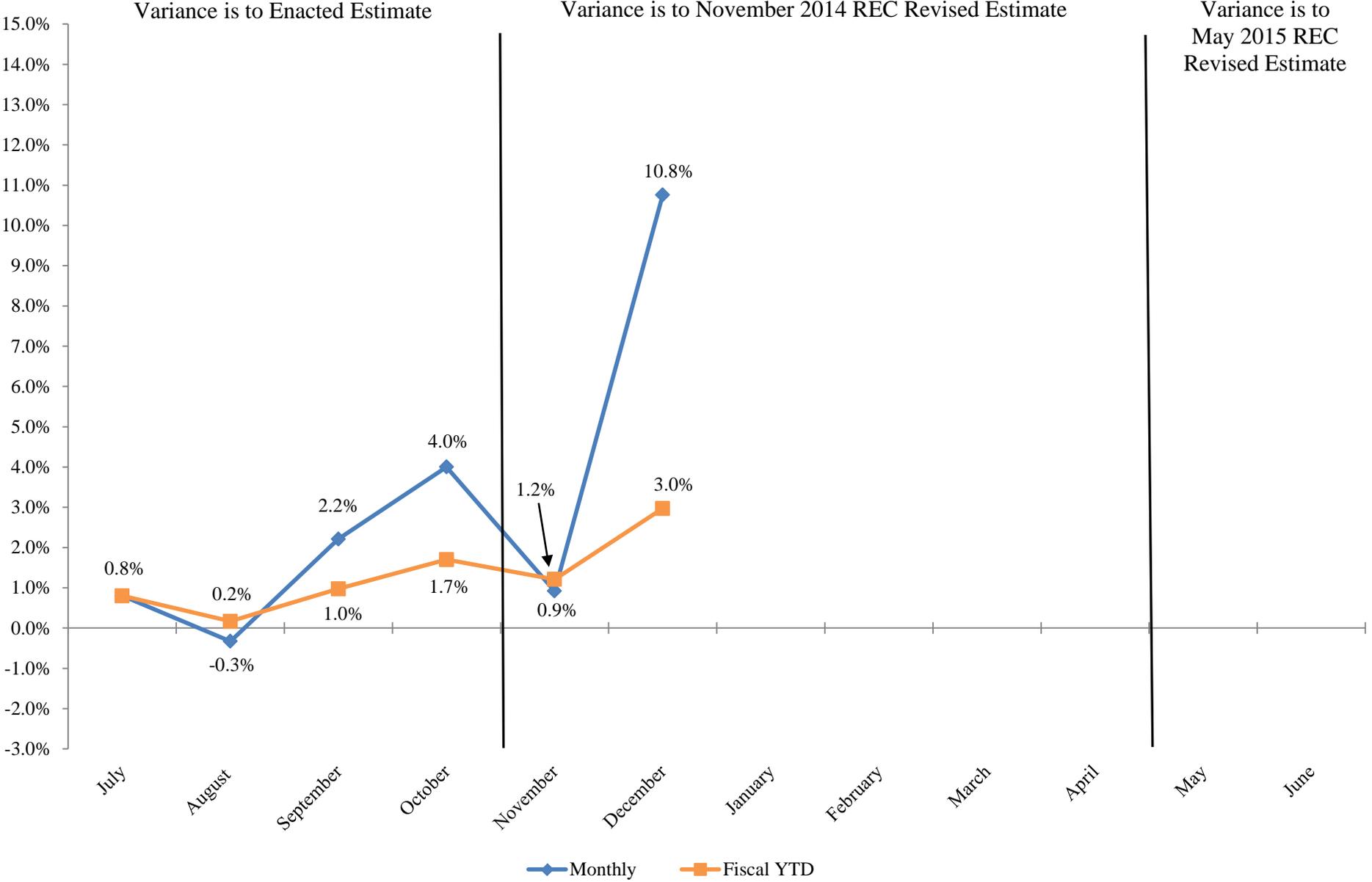
^c Adds \$2,949 from a withholding tax adjustment in December 2014 that was included in the Division of Taxation's monthly personal income tax component report but was not reflected in Accounts and Controls' monthly Comparative Statement of Revenue.

^d An unknown amount of revenues were not recorded in a timely manner by the Division of Taxation in December 2014.

^e Includes a large infrequent estate and transfer tax payment of \$3,919,845 received in December 2014.

^f Deducts \$248,729 for Hospital Licensing Fees received in December from a delinquent taxpayer on a payment plan that accrued back to FY 2014. Also deducts \$33,385 in license fees - securities that were posted in December 2014 for July 2014 activity.

FY 2015 Variance of Adjusted Revenues to Estimate



Appendix

Law Changes Enacted in the 2014 Session That Impact General Revenues

In the 2014 session, the General Assembly enacted several changes to the state's general laws that impact general revenues. These changes can be categorized as follows: (1) changes that reclassify revenues that were previously considered to be general revenues to other funds; (2) changes that impact FY 2015 general revenues that will be realized through cash receipts; and (3) changes that impact FY 2015 general revenues that will be realized through fiscal year end accruals. A more specific discussion of each of these items is provided in the paragraphs that follow.

The 2014 General Assembly reclassified three general revenue items to other funds. These general revenue items were the rental vehicle surcharge, emissions control inspection sticker fees, and motor vehicle title fees, each of which were transferred from general revenues to the Rhode Island Highway Maintenance Account in the Intermodal Surface Transportation Fund. The impact of this reclassification on general revenues was effective July 1, 2014. The reclassification of these general revenue items will not have any impact on expected FY 2015 revised general revenues as these revenues are not included in either the adjusted revenue calculations contained in this report or the revised FY 2015 general revenue estimates adopted at the November 2014 Revenue Estimating Conference.

In the 2014 session, the General Assembly approved the Governor's recommendation to include a safe harbor use tax look-up table on TY 2014 Rhode Island personal income tax returns. TY 2014 personal income tax returns will begin to be filed after January 1, 2015 so the expected increase in FY 2015 sales and use tax revenues from the utilization of the safe harbor use tax look-up table by taxpayers will not occur until after January 1, 2015. The revenues generated from the utilization of the safe harbor use tax look-up table will be reflected in increased sales and use tax cash receipts that will also be realized primarily in the months of February through June of 2015.

In addition, the 2014 General Assembly enacted legislation to limit eligibility for the property tax relief credit, which can be taken against personal income tax liabilities and is fully refundable, to only those residents that are age 65 and older and/or disabled. This change is effective for tax years beginning on or after January 1, 2014. The expected reduction in personal income tax refund revenues that result from this change will be reflected in reduced personal income tax refund cash receipts and will be realized primarily in the months of February through June of 2015.

Further, the 2014 General Assembly extended the sunset date for increased excise taxes on beer and malt, still wine, and high proof spirits and the exemption of wine and spirits from the sales and use tax from March 31, 2015 to June 30, 2015. In the 2013 session, the General Assembly had enacted legislation that increased the excise tax rates on beer and malt, still wine, and high proof spirits for the period July 1, 2013 through March 31, 2015. Simultaneously, the 2013 General Assembly exempted all wine and spirits from the state sales and use tax for the period

December 1, 2013 through March 31, 2015. The expected FY 2015 revenues generated from the extension of the sunset date for the increased alcohol excise tax rates will be reflected in alcohol tax cash receipts in April, May and June of 2015. The expected FY 2015 forgone revenues from the extension of the sunset date for the sales and use tax exemption for all wine and spirits will be reflected in sales and use tax revenues cash receipts and will also be realized in the second quarter of 2015.

The 2014 General Assembly enacted new legislation that impacts FY 2015 general revenues primarily through the fiscal year end accrual process. The new legislation enacted during the 2014 session impacts the personal income tax, the business corporation tax, and the estate and transfer tax. The effective date of the new legislation is January 1, 2015. With respect to the personal income tax, the General Assembly enacted legislation that restructured the state's earned income credit (EIC). For tax years beginning on or after January 1, 2015, the state EIC will be equal to 10.0 percent of the federal EIC claimed by a taxpayer with the amount of the state EIC greater than the taxpayer's state personal income tax liability fully refundable. This change in the state EIC is expected to increase FY 2015 personal income tax refund revenues. Since TY 2015 personal income tax returns will not be filed until after January 1, 2016, which is in FY 2016, little or no impact on FY 2015 personal income tax refund cash receipts is expected. There is expected, however, an increase in the refunds payable portion of the FY 2015 personal income tax accrual to align anticipated future refunds with the time period in which the income was earned that generated these refunds. As a result, personal income tax refund cash receipts will be lower than final personal income tax refund revenues until the close of the fiscal year.

In addition, during the 2014 session, the General Assembly passed legislation that requires C-corporations that operate as a unitary business to file their business corporation tax return under combined reporting. The 2014 General Assembly also enacted legislation that reduces the business corporation tax rate from 9.0 percent to 7.0 percent for all C-corporations. These changes commence with tax years beginning on or after January 1, 2015 and are expected to increase FY 2015 business corporation tax revenues. For calendar year business corporation tax filers, final TY 2015 returns are not due until March 15, 2016, which is in FY 2016. State law requires, however, that business corporation tax filers pay 40 percent of their estimated tax year liability in March and pay 60 percent of their estimated tax year liability in June. Due to this requirement, business corporation tax filers generally pay 50.0 percent of their tax liability before the underlying business activity that generates the liability occurs. To account for this, at the fiscal year end close, 50.0 percent of the March and June business corporation tax estimated payment receipts are deferred to the subsequent fiscal year, in this case FY 2016. As a result, business corporation tax cash receipts will be higher than final business corporation tax revenues until the deferred revenues are recorded.

Finally, the 2014 General Assembly enacted a restructuring of the estate and transfer tax that will lower FY 2015 estate and transfer tax revenues. The restructuring involved replacing the estate and transfer tax threshold exemption amount with a credit against estate and transfer taxes owed. Under a threshold exemption amount structure, any estate with a gross taxable estate value greater than the threshold exemption amount was subject to tax on the full taxable value of the estate while an estate with a gross taxable estate value less than the threshold exemption amount

was exempt from the estate tax. Under a credit amount structure, all estates regardless of their gross taxable estate value must compute the estate tax owed on the estate and then subtract the credit amount from the tax owed. If the credit amount exceeds the tax owed, then no estate tax is due. If the estate tax owed exceeds the credit amount, then the difference is the estate tax due. This change applies to the estates of decedents who die on or after January 1, 2015 and is expected to decrease FY 2015 estate and transfer tax revenues. By law, the tax due on the estate of a decedent is not payable until nine months after the decedent's date of death, which is in FY 2016 for decedents who die between January 1, 2015 and September 30, 2015. To account for this filing provision, at the fiscal year end close, 75.0 percent of the estimated FY 2016 estate and transfer tax revenues are clawed back to FY 2015. As a result, estate and transfer tax cash receipts will be higher than final estate and transfer tax revenues until the close of the fiscal year.

Due to these revenue changes, the methodology used in the *Revenue Assessment Report* for FY 2015 will differ from that used in prior fiscal year reports. For most revenue items, the assessment of FY 2015 adjusted revenues will be made vis-à-vis the revised FY 2015 revenue estimates adopted at the November 2014 Revenue Estimating Conference. For some revenue items, however, the assessment of FY 2015 adjusted revenues will be made vis-à-vis revised FY 2015 cash receipts as estimated by the Office of Revenue Analysis.