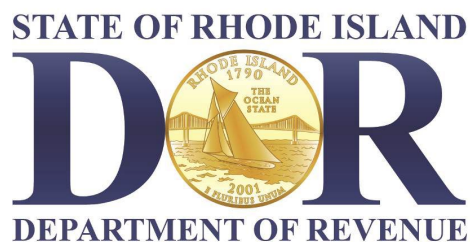


STATE OF RHODE ISLAND
GOVERNOR DANIEL J. MCKEE



Office of Revenue Analysis

State of Rhode Island Revenue Assessment Report
FY 2023 Monthly and Year-to-Date as of August 2022

The monthly revenue assessment report compares adjusted revenues, on a monthly and fiscal year-to-date basis, to the Office of Revenue Analysis' (ORA) monthly and fiscal year-to-date (YTD) estimates of expected revenues based on the current fiscal year revenue estimates. It should be noted that the fiscal year revenue estimates will vary over the course of the fiscal year as the Revenue Estimating Conference (REC) convenes and modifies the fiscal year revenue estimates as enacted by the General Assembly.

This monthly revenue assessment report compares adjusted revenues to expected revenues based on the revenue estimates enacted in the FY 2023 budget, which was signed into law on July 13, 2022.

Results for FY 2023 Revenues through August

ORA finds that FY 2023 adjusted total general revenues through August exceeded the enacted FY 2023 expected total general revenues estimate through August by \$38.7 million, a variance of 6.0%.

Some notable variances to expected revenues are as follows:

- Personal income tax adjusted revenues in FY 2023 YTD were \$14.9 million more than expected, a variance of 6.3%.
 - The positive variance is largely accounted for by stronger than expected income tax withholding, a difference of \$8.9 million compared to the estimate, more than making up for the negative variance in July withholding payments.
 - With a difference compared to the estimate of \$5.7 million and \$2.8 million, estimated payments and final payments were also above the year-to-date estimate by a significant amount. September is the first quarterly payment of the fiscal year, meaning next month's report will be a better gauge for estimated payments.

- Sales and use tax adjusted revenues in YTD through August were \$14.7 million more than expected, a growth rate of 8.1% YTD on a cash basis. This strong performance follows the overall trend in FY 2022 of significant growth in sales and use tax, which grew at 12.7% in FY 2022.

Results for Month of August

ORA finds that August 2022 adjusted total general revenues exceeded the enacted monthly expected total general revenues estimate for August by \$27.9 million, a variance of 8.2%.

Some notable variances to expected revenues are as follows:

- Personal income tax adjusted revenues in August were \$17.3 million more than expected, a variance of 14.3%.
 - The positive variance is primarily accounted for by stronger than expected income tax withholding, a difference of \$13.6 million compared to the estimate. This follows a weaker than expected July.
- Sales and use tax adjusted revenues in August were \$4.9 million more than expected, a growth rate of 7.4% compared to August 2021 on a cash basis. Growth in August was slightly down from year-over-year growth in July of 8.8%. August sales tax receipts represent July sales activity.
- Also above estimate by a significant amount was the lottery transfer, which was \$3.5 million above expected monthly revenues. This variance is primarily due to stronger than expected revenues from traditional games and video lottery terminals.
- Insurance company gross premiums tax adjusted revenues were below estimate by \$5.8 million, or 80.7%, and financial institutions tax adjusted revenues were below the estimate in August by \$4.4 million. These deficits likely represent refund(s) that were issued in August. Financial institutions tax collections, given the small number of taxpayers, can be particularly volatile. Both taxes have quarterly payments due in September, making next month a better indication of revenue performance

How to Read this Report

Following this summary are two tables: one showing the variance for year-to-date by revenue stream and one showing the variance for the month. The next page displays a chart showing the monthly and year-to-date variance as it has evolved over the course of the fiscal year, helping to visualize if revenue has converged or diverged with expectations over time. An appendix to this report contains two sections. One section discusses the expected share of revenue for this month and the next contains the total revenue estimates for this fiscal year.

Jane E. Cole, Acting Director
Department of Revenue
September 30, 2022

FY 2023 STATE OF RHODE ISLAND REVENUE ASSESSMENT REPORT
Year-to-Date Estimate to Actual

	YTD August Adjusted Revenues FY 2023		YTD August Estimate of Enacted FY 2023 Revenues †	Difference	Variance
Personal Income Tax	\$ 252,497,875	a, b, c	\$ 237,582,789	\$ 14,915,086	6.3%
General Business Taxes					
Business Corporation †	16,666,946	a, b	13,926,209	2,740,737	19.7%
Public Utilities Gross Earnings	239,407		260,682	(21,275)	-8.2%
Financial Institutions	(1,360,748)		3,429,596	(4,790,344)	-139.7%
Insurance Company Gross Premiums	8,898,187	c	7,636,124	1,262,063	16.5%
Bank Deposits	75,665		56,408	19,257	34.1%
Health Care Provider Assessment	6,475,253		6,732,135	(256,882)	-3.8%
Excise Taxes					
Sales and Use	283,178,767	a	268,465,851	14,712,916	5.5%
Motor Vehicle License and Reg Fees	271,675		227,965	43,710	19.2%
Cigarettes	23,842,585	a	23,832,732	9,853	0.0%
Alcohol	4,236,525		4,268,193	(31,668)	-0.7%
Controlled Substances	1,000		1,000	-	0.0%
Other Taxes					
Estate and Transfer	11,820,394		7,041,946	4,778,448	67.9%
Racing and Athletics	109,797		136,186	(26,389)	-19.4%
Realty Transfer	3,620,644	d	4,281,454	(660,810)	-15.4%
Total Taxes	\$ 610,573,974		\$ 577,879,271	\$ 32,694,703	5.7%
Departmental Receipts †	\$ 29,944,715	c	\$ 27,449,077	\$ 2,495,639	9.1%
Taxes and Departmentals	\$ 640,518,689		\$ 605,328,347	\$ 35,190,342	5.8%
Other General Revenue Sources					
Other Miscellaneous Revenues	386,010		386,010	-	0.0%
Lottery Transfer	37,081,424		33,610,788	3,470,636	10.3%
Unclaimed Property	-		-	-	n/a
Total Other Sources	\$ 37,467,434		\$ 33,996,798	\$ 3,470,636	10.2%
Total General Revenues	\$ 677,986,123		\$ 639,325,145	\$ 38,660,978	6.0%

PIT Component	YTD August Adj. Revenues		YTD August Enacted Estimates	Difference	Variance
Estimated payments	\$ 17,722,871		\$ 12,053,853	\$ 5,669,018	47.0%
Final payments †	16,573,891	b, c	13,792,027	2,781,864	20.2%
Withholding	240,669,208		231,811,220	8,857,988	3.8%
Refunds and Adjustments	(22,468,095)	a	(20,074,312)	(2,393,784)	11.9%
Total	\$ 252,497,875		\$ 237,582,789	\$ 14,915,086	6.3%

† FY 2023 expected revenues are based on enacted estimates included in the FY 2023 budget. The estimate for personal income tax final payments and refunds and adjustments, insurance company gross premiums tax, health care provider assessment, sales and use tax, and departmental receipts were calculated using modified revenue flows to align expected revenues with the actual realization of revenues.

+ Set equal to actual amounts received.

Detailed notes on the following page

FY 2021 STATE OF RHODE ISLAND REVENUE ASSESSMENT REPORT
Year-to-Date Estimate to Actual

- ^a Included in the revenue items below are the amounts for net transfers between that account and all other accounts. No adjustments were made for these transfers.
 - personal income tax refunds and adjustments - \$(1,119,167)
 - business corporation tax - \$1,119,167
 - sales and use tax - \$139,200
 - cigarette and other tobacco products tax - \$(139,200)
- ^b Adds to personal income tax final payments \$1,679,568 in net revenues from pass-through entities made on behalf of shareholders received in FY 2023 YTD and recorded as business corporation tax payments. The offsetting amount was subtracted from business corporation tax.
- ^c Rebuild RI reimbursements of \$342,780 in personal income tax and \$6,783,208 in insurance company gross premiums tax are included in adjusted revenues.
- ^d Subtracts \$757,134 that is designated for transfers to the Housing Resources Commission and Housing Production Fund. The amount reflects the August transfers that will occur in September.
- ^e Subtracts \$165,433,759 of FY 2022 hospital licensing fee payment(s) received in FY 2023 YTD and accrued back to FY 2022.

FY 2023 STATE OF RHODE ISLAND REVENUE ASSESSMENT REPORT
Monthly Estimate to Actual

	August 2022 Adjusted Revenues FY 2023		August 2022 Estimate of FY 2023 Enacted Revenues †		Difference	Variance
Personal Income Tax	\$ 138,814,388	a, b, c	\$ 121,496,552		\$ 17,317,836	14.3%
General Business Taxes						
Business Corporation †	5,925,810	a, b	3,279,873		2,645,937	80.7%
Public Utilities Gross Earnings	122,163		125,569		(3,405)	-2.7%
Financial Institutions	(1,361,640)		3,059,353		(4,420,993)	-144.5%
Insurance Company Gross Premiums	1,392,417		7,232,620		(5,840,203)	-80.7%
Bank Deposits	(63,990)		23,361		(87,351)	-373.9%
Health Care Provider Assessment	3,048,867		3,386,157		(337,290)	-10.0%
Excise Taxes						
Sales and Use	140,554,081	a	135,604,713		4,949,368	3.6%
Motor Vehicle License and Reg Fees	94,375		56,600		37,775	66.7%
Cigarettes	13,035,579	a	11,960,046		1,075,533	9.0%
Alcohol	1,765,657		1,916,717		(151,060)	-7.9%
Controlled Substances	-		-	+	-	n/a
Other Taxes						
Estate and Transfer	7,719,111		3,360,249		4,358,862	129.7%
Racing and Athletics	65,343		78,777		(13,434)	-17.1%
Realty Transfer	1,938,149	c	2,259,398		(321,249)	-14.2%
Total Taxes	\$ 313,050,310		\$ 293,839,985		\$ 19,210,325	6.5%
Departmental Receipts †	\$ 19,897,943	d	\$ 14,631,675		\$ 5,266,268	36.0%
Taxes and Departmentals	\$ 332,948,253		\$ 308,471,660		\$ 24,476,593	7.9%
Other General Revenue Sources						
Other Miscellaneous Revenues	381,050		381,050	+	-	0.0%
Lottery Transfer	37,081,424		33,610,788		3,470,636	10.3%
Unclaimed Property	-		-	+	-	n/a
Total Other Sources	\$ 37,462,474		\$ 33,991,838		\$ 3,470,636	10.2%
Total General Revenues	\$ 370,410,727		\$ 342,463,498		\$ 27,947,229	8.2%

PIT Component	August 2022 Adj. Revenues		August 2022 Enacted Estimates		Difference	Variance
Estimated payments	\$ 9,487,870		\$ 5,958,400		\$ 3,529,470	59.2%
Final payments †	8,426,472	b, c	5,162,160		3,264,312	63.2%
Withholding	132,719,515		119,152,013		13,567,502	11.4%
Refunds and Adjustments	(11,819,470)	a	(8,776,021)		(3,043,449)	34.7%
Total	\$ 138,814,388		\$ 121,496,552		\$ 17,317,836	14.3%

† FY 2023 expected revenues are based on enacted estimates included in the FY 2023 budget. The estimate for personal income tax final payments and refunds and adjustments, insurance company gross premiums tax, health care provider assessment, sales and use tax, and departmental receipts were calculated using modified revenue flows to align expected revenues with the actual realization of revenues.

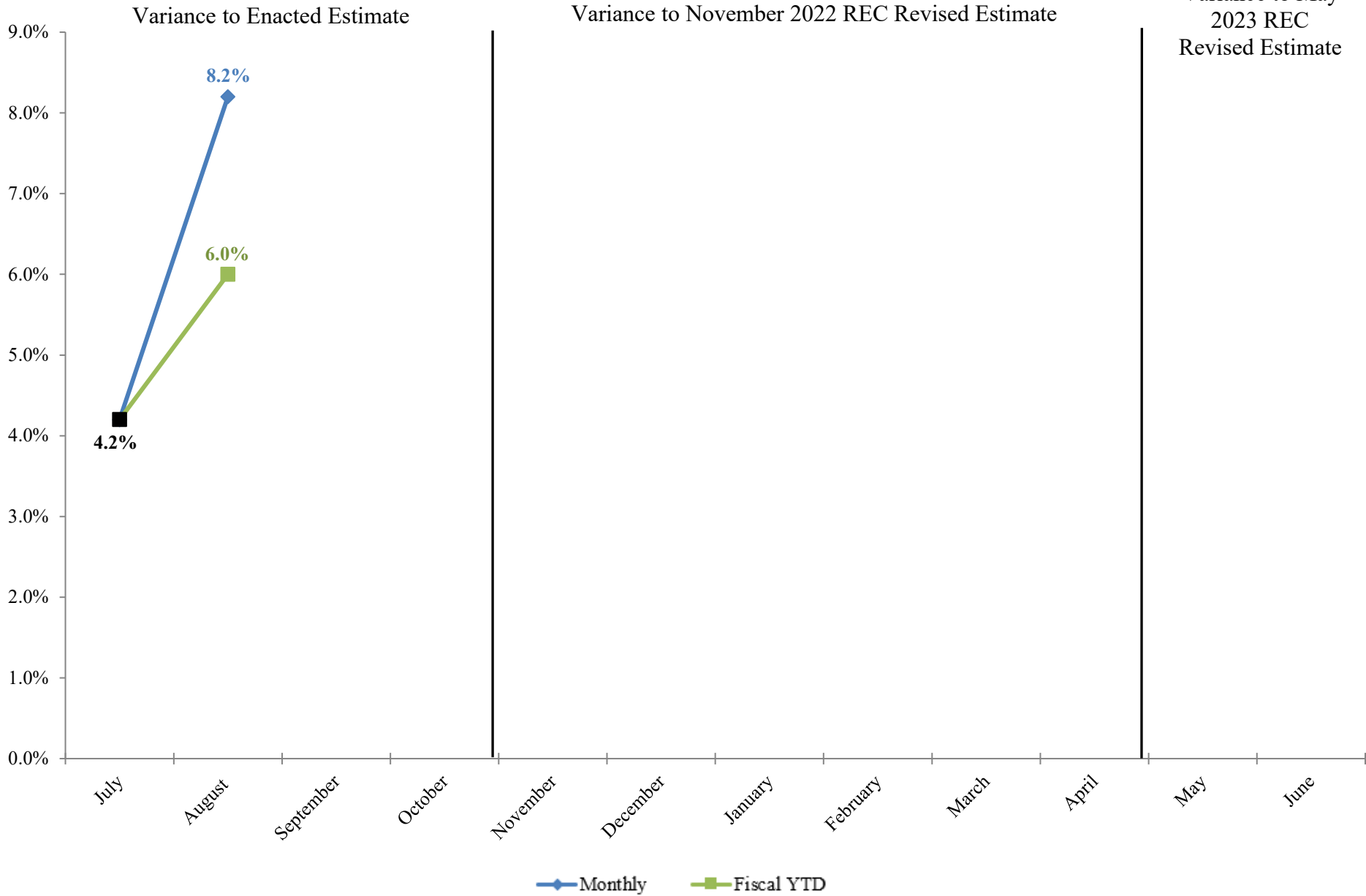
+ Set equal to actual amounts received.

Detailed notes on the following page

FY 2022 STATE OF RHODE ISLAND REVENUE ASSESSMENT REPORT
Monthly Estimate to Actual

- ^a Included in the revenue items below are the amounts for net transfers between that account and all other accounts. No adjustments were made for these transfers.
 - personal income tax refunds and adjustments - \$(205,000)
 - business corporation tax - \$205,000
- ^b Adds to personal income tax final payments \$2,579,207 in net revenues from pass-through entities made on behalf of shareholders received in August 2022 and recorded as business corporation tax payments. The offsetting amount was subtracted from business corporation tax.
- ^c Subtracts \$76,172 that is designated for transfers to the Housing Resources Commission and Housing Production Fund. The amount reflects the difference between the July transfers that occurred in August and the August transfers that will occur in September.
- ^d Subtracts \$1,148,329 of FY 2022 hospital licensing fee payment(s) received in August 2022 and accrued back to FY 2022.

FY 2023 Variance of Adjusted Revenues to Estimate



Appendix

How to Interpret this Report

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 estimates were 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 trails the fiscal year-to-date revenue estimates, it is possible for the fiscal year-end accrual to make up any shortfall.

The complete methodology for determining the monthly revenue flows and law changes that impact general revenues can be found on DOR’s website at <https://dor.ri.gov/revenue-analysis/fiscal-year-2023>.

Expected Monthly Breakdown of Revenue

Table A provides the average percentages used to determine expected monthly and fiscal year-to-date revenues for August. Details on how these monthly and fiscal year-to-date average percentages were calculated are included in the methodology document as noted above.

Revenue Item	<u>Percent Received</u>		Revenue Item	<u>Percent Received</u>	
	Aug.	YTD		Aug.	YTD
Personal Income Taxes			Sales and Use Taxes	9.0%	17.8%
Estimated Payments	2.1%	4.2%	Motor Vehicles Fees	7.4%	20.7%
Final Payments	1.2%	3.2%	Cigarettes Taxes	9.3%	18.5%
Withholding Payments	7.8%	15.3%	Alcohol Excise Taxes	7.9%	17.5%
Refunds/Adjustments	1.9%	4.2%	Estate and Transfer	8.4%	17.6%
Business Corporation Taxes	1.5%	6.5%	Racing and Athletics	9.8%	17.0%
Utilities Gross Earnings Taxes	0.1%	0.3%	Realty Transfer	9.5%	18.0%
Financial Institutions Taxes	9.8%	11.0%	Departmental Receipts	5.7%	10.8%
Insurance Co. Gross Premiums	4.6%	4.8%	Lottery Transfer	8.7%	8.7%
Bank Deposits	0.6%	1.3%	Other Misc. Revenues	n/a	n/a
Health Care Provider Assessment	8.9%	17.7%	Unclaimed Property	0.0%	0.0%

The “Percent Received” for monthly and year-to-date departmental receipts is calculated excluding hospital licensing fee revenues, which are large and generally made only once in the fiscal year.

The lottery transfer does not begin in a given fiscal year until August, and fiscal year-to-date percentages reflect gaming activity from July through the prior month, while monthly percentages reflect the prior month's gaming activity. The unclaimed property transfer occurs only in June of each fiscal year.

Other nuances in monthly revenue flows related to recent law changes are described in the methodology and law change document at <https://dor.ri.gov/revenue-analysis/fiscal-year-2023>.

FY 2023 Enacted Revenue Estimates

The FY 2023 estimates by revenue item as enacted by the General Assembly and signed into law by Governor McKee are as follows:

Table B. FY 2023 Enacted Revenue Estimates by Major Revenue Item			
Revenue Item	Enacted FY 2023 Estimate	Revenue Item	Enacted FY 2023 Estimate
Personal Income Taxes		Sales and Use Taxes	\$1,508,565,666
Estimated Payments	\$ 286,000,000	Motor Vehicles Fees	1,000,000
Final Payments	429,360,809	Cigarettes Taxes	129,000,000
Withholding Payments	1,519,500,000	Alcohol Excise Taxes	24,400,000
Refunds/Adjustments	(473,494,591)	Estate and Transfer	42,300,000
Business Corporation Taxes	214,900,000	Racing and Athletics	800,000
Public Utilities Gross Earnings	90,900,000	Realty Transfer	23,800,000
Financial Institutions Taxes	31,100,000	Departmental Receipts	434,034,620
Insurance Co. Gross Premiums	157,983,465	Lottery	387,788,985
Bank Deposits	4,200,000	Other Misc. Revenues	24,479,637
Health Care Provider Assessment	38,133,314	Unclaimed Property	13,100,000
		Total General Revenues *	\$4,901,451,905
* Total general revenues estimate includes a personal income tax net accrual of \$13,600,000.			