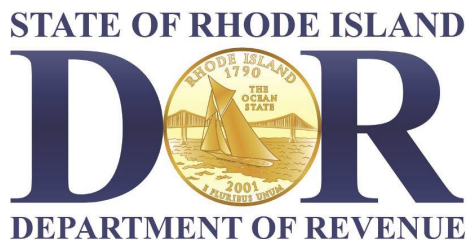


STATE OF RHODE ISLAND
GOVERNOR DANIEL J. MCKEE



Office of Revenue Analysis

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

ORA finds that FY 2023 adjusted total general revenues through September exceeded the enacted FY 2023 expected total general revenues estimate through September by \$65.0 million, a variance of 5.8%.

Some notable variances to expected revenues are as follows:

- Sales and use tax adjusted revenues in YTD through September were \$21.8 million more than expected, a growth rate of 8.3% 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.
- Personal income tax adjusted revenues in FY 2023 YTD were \$21.7 million more than expected, a variance of 5.2%.
 - This variance is largely accounted for by final payments being up \$24.7 million compared to the estimate. Final payments include \$31.1 million in pass-through

entity (PTE) payments vs. the \$14.7 million included in the estimate. Estimated and withholding payments were also up significantly compared to their estimates.

- Refunds and adjustments were up \$15.8 million, or 57.4%, compared to the estimate. The year-to-date adjusted revenues include \$(12.3 million) in child tax rebates that were posted in September. These rebates were not expected to be issued until starting in mid-October and were not thus included in the estimate.

Results for Month of September

ORA finds that September 2022 adjusted total general revenues exceeded the enacted monthly expected total general revenues estimate for September by \$28.5 million, a variance of 6.0%.

Some notable variances to expected revenues are as follows:

- Business corporation tax was \$10.2 million above estimate for the month. September had the first quarterly estimated payment due date for the fiscal year (third for tax year 2022).
- Sales and use tax adjusted revenues in September were \$7.1 million more than expected, a growth rate of 8.6% compared to September 2021 on a cash basis. Growth in September was slightly up from year-over-year growth in August collections of 7.4%. September sales tax receipts generally represent August sales activity.
- Personal income tax adjusted revenues in September were \$6.8 million more than expected, a variance of 3.7%. This is despite the early posting of some child tax rebates, mentioned above.
 - The positive variance is primarily accounted for by stronger than expected income tax final payments, a difference of \$21.9 million compared to the estimate. This figure includes \$26.9 million in PTE payments vs. the \$10.0 million in the estimate. September PTE payments generally represent estimated payments made by entities for tax year 2022 but are allocated to income tax final payments per state accounting practices.
 - Withholding was \$5.6 million, or 4.9%, below estimates. A weaker July and September is being offset by a strong August to keep the YTD variance positive. August did have five withholding due dates, while most months have four.

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
October 19, 2022

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

	YTD September Adjusted Revenues FY 2023		YTD September Estimate of Enacted FY 2023 Revenues †	Difference	Variance
Personal Income Tax	\$ 440,391,769	a, b, c, d	\$ 418,738,058	\$ 21,653,711	5.2%
General Business Taxes					
Business Corporation †	60,408,013	a, b	47,415,825	12,992,188	27.4%
Public Utilities Gross Earnings	22,935,719		22,731,412	204,308	0.9%
Financial Institutions	2,594,227		10,969,149	(8,374,922)	-76.3%
Insurance Company Gross Premiums	43,530,395	c	38,365,390	5,165,004	13.5%
Bank Deposits	1,092,462		978,854	113,608	11.6%
Health Care Provider Assessment	9,961,898		9,985,167	(23,269)	-0.2%
Excise Taxes					
Sales and Use	420,695,564	a	398,894,095	21,801,469	5.5%
Motor Vehicle License and Reg Fees	368,225		322,890	45,335	14.0%
Cigarettes	36,134,092	a	35,144,182	989,910	2.8%
Alcohol	6,185,867		6,344,502	(158,634)	-2.5%
Controlled Substances	1,500		1,500	-	0.0%
Other Taxes					
Estate and Transfer	13,378,875		10,541,459	2,837,416	26.9%
Racing and Athletics	150,652		205,930	(55,278)	-26.8%
Realty Transfer	5,257,947	c	6,418,924	(1,160,977)	-18.1%
Total Taxes	\$ 1,063,087,207		\$ 1,007,057,336	\$ 56,029,870	5.6%
Departmental Receipts †	\$ 46,080,802	f	\$ 43,518,108	\$ 2,562,693	5.9%
Taxes and Departmentals	\$ 1,109,168,008		\$ 1,050,575,445	\$ 58,592,564	5.6%
Other General Revenue Sources					
Other Miscellaneous Revenues	387,376		387,376	-	0.0%
Lottery Transfer	72,285,047		65,860,853	6,424,194	9.8%
Unclaimed Property	-		-	-	n/a
Total Other Sources	\$ 72,672,423		\$ 66,248,229	\$ 6,424,194	9.7%
Total General Revenues	\$ 1,181,840,432		\$ 1,116,823,674	\$ 65,016,757	5.8%

PIT Component	YTD September Adj. Revenues		YTD September Enacted Estimates	Difference	Variance
Estimated payments	\$ 78,684,466		\$ 69,167,802	\$ 9,516,663	13.8%
Final payments †	55,081,099	b, c	30,384,235	24,696,864	81.3%
Withholding	349,983,368		346,732,916	3,250,452	0.9%
Refunds and Adjustments	(43,357,164)	a, d	(27,546,896)	(15,810,268)	57.4%
Total	\$ 440,391,769		\$ 418,738,058	\$ 21,653,711	5.2%

† 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 - \$(592,817)
 - business corporation tax - \$592,817
 - sales and use tax - \$139,200
 - cigarette and other tobacco products tax - \$(139,200)
- ^b Adds to personal income tax final payments \$31,113,442 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 Includes \$(12,340,750) in child tax rebates posted in September 2022. The first child tax rebates were expected to be issued starting in mid-October and were thus not included in the personal income tax refunds and adjustments year-to-date estimate.
- ^e Subtracts \$1,360,765 that is designated for transfers to the Housing Resources Commission and Housing Production Fund. The amount reflects the September transfers that will occur in October.
- ^f Subtracts \$166,535,808 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

	September 2022 Adjusted Revenues FY 2023		September 2022 Estimate of FY 2023 Enacted Revenues †	Difference	Variance
Personal Income Tax	\$ 187,893,894	a, b, c	\$ 181,138,989	\$ 6,754,905	3.7%
General Business Taxes					
Business Corporation †	43,741,067	a, b	33,532,196	10,208,871	30.4%
Public Utilities Gross Earnings	22,696,312		22,470,729	225,583	1.0%
Financial Institutions	3,954,975		7,539,553	(3,584,578)	-47.5%
Insurance Company Gross Premiums	34,632,207		30,729,266	3,902,941	12.7%
Bank Deposits	1,016,797		922,446	94,351	10.2%
Health Care Provider Assessment	3,486,645		3,253,032	233,613	7.2%
Excise Taxes					
Sales and Use	137,516,797	a	130,428,245	7,088,553	5.4%
Motor Vehicle License and Reg Fees	96,550		94,925	1,625	1.7%
Cigarettes	12,291,507	a	11,311,450	980,057	8.7%
Alcohol	1,949,343		2,076,309	(126,966)	-6.1%
Controlled Substances	500		500	+	0.0%
Other Taxes					
Estate and Transfer	1,558,481		3,499,512	(1,941,032)	-55.5%
Racing and Athletics	40,855		69,744	(28,890)	-41.4%
Realty Transfer	1,637,303	c	2,137,470	(500,167)	-23.4%
Total Taxes	\$ 452,513,233		\$ 429,204,365	\$ 23,308,867	5.4%
Departmental Receipts †	\$ 18,340,184	d	\$ 16,069,032	\$ 2,271,152	14.1%
Taxes and Departmentals	\$ 470,853,417		\$ 445,273,397	\$ 25,580,020	5.7%
Other General Revenue Sources					
Other Miscellaneous Revenues	1,366		1,366	+	0.0%
Lottery Transfer	35,203,623		32,250,065	2,953,558	9.2%
Unclaimed Property	-		-	+	n/a
Total Other Sources	\$ 35,204,989		\$ 32,251,431	\$ 2,953,558	9.2%
Total General Revenues	\$ 506,058,406		\$ 477,524,828	\$ 28,533,577	6.0%

PIT Component	September 2022 Adj. Revenues		September 2022 Enacted Estimates	Difference	Variance
Estimated payments	\$ 60,961,594		\$ 57,114,879	\$ 3,846,715	6.7%
Final payments †	38,507,208	b, c	16,574,998	21,932,210	132.3%
Withholding	109,314,160		114,921,696	(5,607,536)	-4.9%
Refunds and Adjustments	(20,889,069)	a	(7,472,585)	(13,416,484)	179.5%
Total	\$ 187,893,894		\$ 181,138,989	\$ 6,754,905	3.7%

† 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.

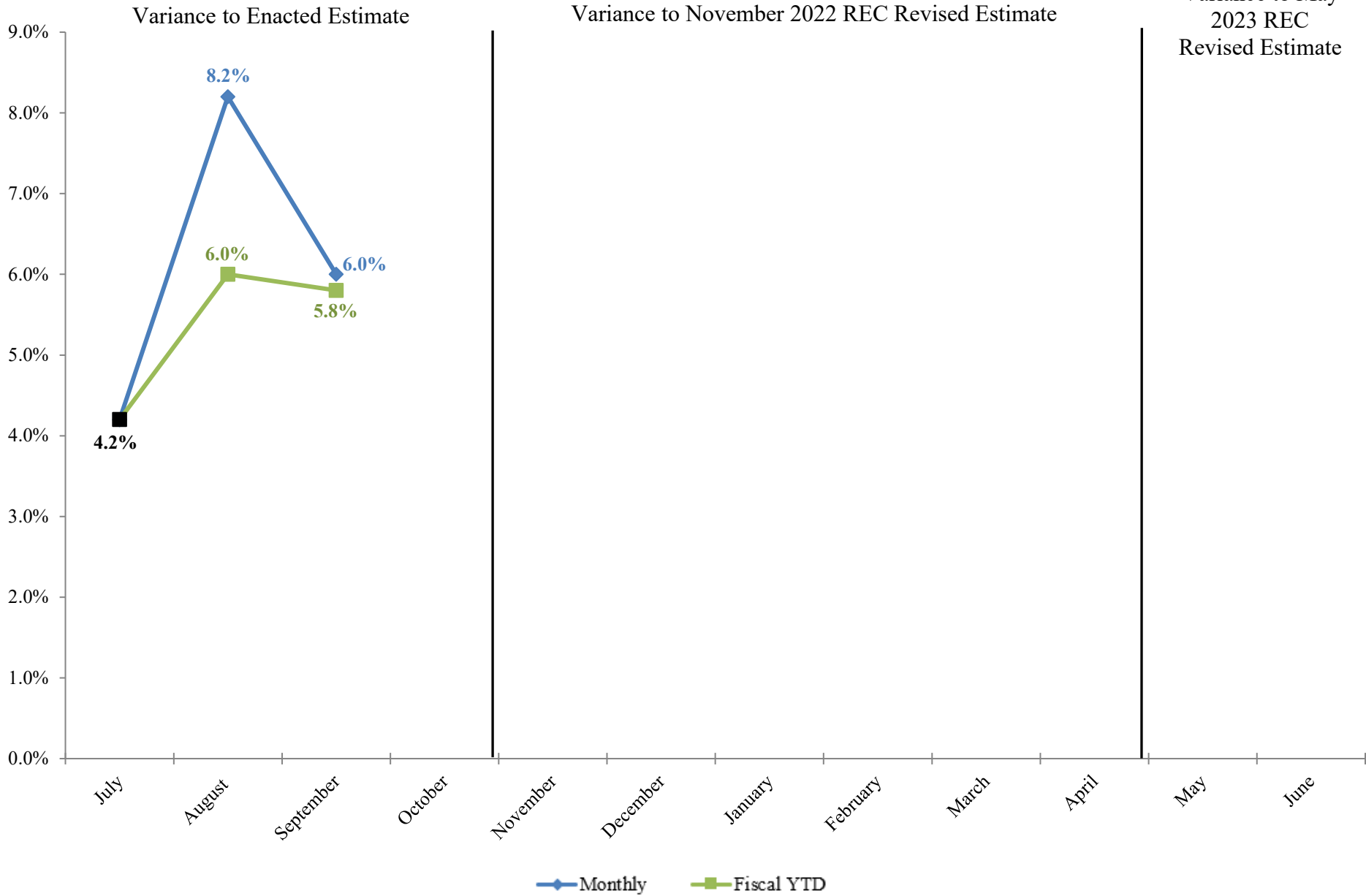
+ Set equal to actual amounts received.

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 - \$526,350
 - business corporation tax - \$(526,350)
 - sales and use tax - \$417,600
 - cigarette and other tobacco products tax - \$(417,600)
- ^b Adds to personal income tax final payments \$26,854,667 in net revenues from pass-through entities made on behalf of shareholders received in September 2022 and recorded as business corporation tax payments. The offsetting amount was subtracted from business corporation tax.
- ^c Includes \$(12,340,750) in child tax rebates posted in September 2022. The first child tax rebates were expected to be issued starting in mid-October and were thus not included in the personal income tax refunds and adjustments monthly estimate.
- ^d Subtracts \$603,632 that is designated for transfers to the Housing Resources Commission and Housing Production Fund. The amount reflects the difference between the August transfers that occurred in September and the September transfers that will occur in October.
- ^e Subtracts \$1,102,049 of FY 2022 hospital licensing fee payment(s) received in September 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 September. 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>	
	Sept.	YTD		Sept.	YTD
Personal Income Taxes			Sales and Use Taxes	8.6%	26.4%
Estimated Payments	20.0%	24.2%	Motor Vehicles Fees	9.2%	30.0%
Final Payments	3.8%	7.0%	Cigarettes Taxes	8.8%	27.2%
Withholding Payments	7.6%	22.8%	Alcohol Excise Taxes	8.5%	26.0%
Refunds/Adjustments	1.6%	5.8%	Estate and Transfer	8.7%	26.4%
Business Corporation Taxes	15.6%	22.1%	Racing and Athletics	8.7%	25.7%
Utilities Gross Earnings Taxes	24.7%	25.0%	Realty Transfer	9.0%	27.0%
Financial Institutions Taxes	24.2%	35.3%	Departmental Receipts	6.3%	17.1%
Insurance Co. Gross Premiums	19.5%	24.3%	Lottery Transfer	8.3%	17.0%
Bank Deposits	22.0%	23.3%	Other Misc. Revenues	n/a	n/a
Health Care Provider Assessment	8.5%	26.2%	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.			