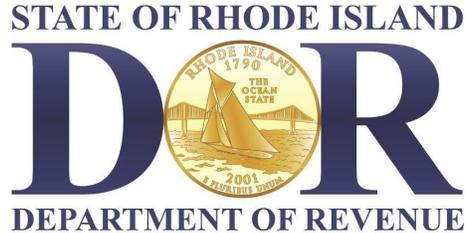


STATE OF RHODE ISLAND
GOVERNOR DANIEL J. MCKEE



Office of Revenue Analysis

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

ORA finds that FY 2023 adjusted total general revenues through October exceeded the enacted FY 2023 expected total general revenues estimate through October by \$113.1 million, a variance of 7.9%.

Some notable variances to expected revenues are as follows:

- Personal income tax adjusted revenues in FY 2023 YTD were \$58.1 million more than expected, a variance of 11.3%.
 - This variance is largely accounted for by final payments being up \$36.9 million compared to the estimate. Final payments include \$33.8 million in pass-through entity (PTE) payments vs. the \$15.8 million included in the estimate. Withholding and estimated payments were also up significantly compared to their estimates.
 - Refunds and adjustments were up \$17.3 million, or 25.7%, compared to the estimate. The year-to-date adjusted revenues include \$(41.6 million) in child tax rebates that were posted in year-to-date. These rebates were not expected to be

issued until starting in mid-October and thus only two weeks of rebates were included in the estimate, a total of \$(19.0 million).

- Sales and use tax adjusted revenues in YTD through October were \$26.6 million more than expected, a growth rate of 7.2% 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 October

ORA finds that October 2022 adjusted total general revenues exceeded the enacted monthly expected total general revenues estimate for October by \$45.2 million, a variance of 14.4%.

Some notable variances to expected revenues are as follows:

- Personal income tax adjusted revenues in October were \$36.4 million more than expected, a variance of 37.9%. This is despite the early posting of some child tax rebates, mentioned above.
 - The positive variance is primarily accounted for by stronger than expected withholding payments, a difference of \$22.8 million compared to the estimate. October had five withholding due dates, while most months have four.
 - Final payments were \$12.2 million, or 84.0%, above estimates. This figure includes \$2.7 million in PTE payments vs. the \$1.2 million in the estimate.
- Estate and transfer tax was \$9.6 million above estimate for the month. October had large, unusual payment(s) of \$9.2 million.
- Sales and use tax adjusted revenues in October were \$4.8 million more than expected, a growth rate of 3.9% compared to October 2021 on a cash basis. Growth in October was down from year-over-year growth in August collections of 8.6%. October sales tax receipts generally represent September sales activity.
- A transfer of \$7.2 million was made from business corporation tax and into personal income tax. This transfer corrects for an FY 2022 payment that was paid to the incorrect tax type. This does not impact total variance but will impact variance in those two taxes.

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
November 9, 2022

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

	YTD October Adjusted Revenues FY 2023		YTD October Estimate of Enacted FY 2023 Revenues †	Difference	Variance
Personal Income Tax	\$ 573,010,987	a, b, c, d	\$ 514,914,700	\$ 58,096,287	11.3%
General Business Taxes					
Business Corporation †	61,258,557	a, b	54,981,030	6,277,527	11.4%
Public Utilities Gross Earnings	23,129,505		22,776,362	353,142	1.6%
Financial Institutions	2,874,839		11,734,541	(8,859,702)	-75.5%
Insurance Company Gross Premiums	42,863,218	c	34,192,810	8,670,408	25.4%
Bank Deposits	1,293,342		1,012,813	280,529	27.7%
Health Care Provider Assessment	13,153,805		13,233,786	(79,981)	-0.6%
Excise Taxes					
Sales and Use	555,102,668	a	528,466,228	26,636,439	5.0%
Motor Vehicle License and Reg Fees	457,250		413,765	43,485	10.5%
Cigarettes	46,949,443	a	45,330,836	1,618,607	3.6%
Alcohol	7,936,792		8,286,334	(349,541)	-4.2%
Controlled Substances	2,000		2,000	+	0.0%
Other Taxes					
Estate and Transfer	26,255,865	c	13,833,937	12,421,927	89.8%
Racing and Athletics	194,936		277,161	(82,225)	-29.7%
Realty Transfer	7,164,460	f	8,506,372	(1,341,912)	-15.8%
Total Taxes	\$ 1,361,647,665		\$ 1,257,962,675	\$ 103,684,990	8.2%
Departmental Receipts †	\$ 67,611,038	g	\$ 66,453,286	\$ 1,157,752	1.7%
Taxes and Departmentals	\$ 1,429,258,704		\$ 1,324,415,962	\$ 104,842,742	7.9%
Other General Revenue Sources					
Other Miscellaneous Revenues	1,201,117		1,201,117	+	0.0%
Lottery Transfer	107,390,682	h	99,163,020	8,227,662	8.3%
Unclaimed Property	-		-	+	n/a
Total Other Sources	\$ 108,591,799		\$ 100,364,138	\$ 8,227,662	8.2%
Total General Revenues	\$ 1,537,850,503		\$ 1,424,780,099	\$ 113,070,404	7.9%

PIT Component	YTD October Adj. Revenues		YTD October Enacted Estimates	Difference	Variance
Estimated payments	\$ 90,977,374		\$ 78,441,359	\$ 12,536,015	16.0%
Final payments †	81,701,728	b, c	44,848,917	36,852,811	82.2%
Withholding	485,180,277		459,126,311	26,053,966	5.7%
Refunds and Adjustments	(84,848,392)	a, d	(67,501,887)	(17,346,505)	25.7%
Total	\$ 573,010,987		\$ 514,914,700	\$ 58,096,287	11.3%

† 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 - \$6,333,971
 - business corporation tax - \$(6,333,971)
 - sales and use tax - \$139,200
 - cigarette and other tobacco products tax - \$(139,200)
- ^b Adds to personal income tax final payments \$33,811,478 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 \$(41,630,000) in child tax rebates posted in FY 2023 YTD. The first child tax rebates were expected to be issued starting in mid-October and thus the refunds and adjustments year-to-date estimate only included two week's worth of child tax rebates.
- ^e Includes large, unusual payment(s) of \$9.2 million received year-to-date.
- ^f Subtracts \$901,381 that is designated for transfers to the Housing Resources Commission and Housing Production Fund. The amount reflects the October transfers that will occur in November.
- ^g Subtracts \$167,660,996 of FY 2022 hospital licensing fee payment(s) received in FY 2023 YTD and accrued back to FY 2022.
- ^h Subtracts \$3,307,843 of revenues that were transferred in October 2022 but accrued back to FY 2022.

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

	October 2022 Adjusted Revenues FY 2023		October 2022 Estimate of FY 2023 Enacted Revenues †		Difference	Variance
Personal Income Tax	\$ 132,619,218	a, b, c	\$ 96,177,599		\$ 36,441,620	37.9%
General Business Taxes						
Business Corporation †	850,544	a, b	7,563,825		(6,713,282)	-88.8%
Public Utilities Gross Earnings	193,786		44,951		148,835	331.1%
Financial Institutions	280,611		765,392		(484,781)	-63.3%
Insurance Company Gross Premiums	(667,177)		981,720		(1,648,897)	-168.0%
Bank Deposits	200,880		33,959		166,921	491.5%
Health Care Provider Assessment	3,191,907		3,248,619		(56,713)	-1.7%
Excise Taxes						
Sales and Use	134,407,104	a	129,572,133		4,834,970	3.7%
Motor Vehicle License and Reg Fees	89,025		90,875		(1,850)	-2.0%
Cigarettes	10,815,351	a	10,186,654		628,697	6.2%
Alcohol	1,750,925		1,941,832		(190,907)	-9.8%
Controlled Substances	500		500	+	-	0.0%
Other Taxes						
Estate and Transfer	12,876,990	d	3,292,479		9,584,511	291.1%
Racing and Athletics	44,284		71,230		(26,946)	-37.8%
Realty Transfer	1,906,513	e	2,087,448		(180,936)	-8.7%
Total Taxes	\$ 298,560,459		\$ 256,059,215		\$ 42,501,243	16.6%
Departmental Receipts †	\$ 23,780,614	a, f	\$ 22,935,178		\$ 845,436	3.7%
Taxes and Departmentals	\$ 322,341,073		\$ 278,994,393		\$ 43,346,679	15.5%
Other General Revenue Sources						
Other Miscellaneous Revenues	813,741		813,741	+	-	0.0%
Lottery Transfer	35,105,635	g	33,302,167		1,803,468	5.4%
Unclaimed Property	-		-	+	-	n/a
Total Other Sources	\$ 35,919,376		\$ 34,115,908		\$ 1,803,468	5.3%
Total General Revenues	\$ 358,260,449		\$ 313,110,301		\$ 45,150,147	14.4%

PIT Component	October 2022 Adj. Revenues		October 2022 Enacted Estimates		Difference	Variance
Estimated payments	\$ 12,292,908		\$ 9,263,902		\$ 3,029,006	32.7%
Final payments †	26,620,629	b	14,466,772		12,153,857	84.0%
Withholding	135,196,909		112,401,915		22,794,994	20.3%
Refunds and Adjustments	(41,491,228)	a, c	(39,954,990)		(1,536,237)	3.8%
Total	\$ 132,619,218		\$ 96,177,599		\$ 36,441,620	37.9%

† 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

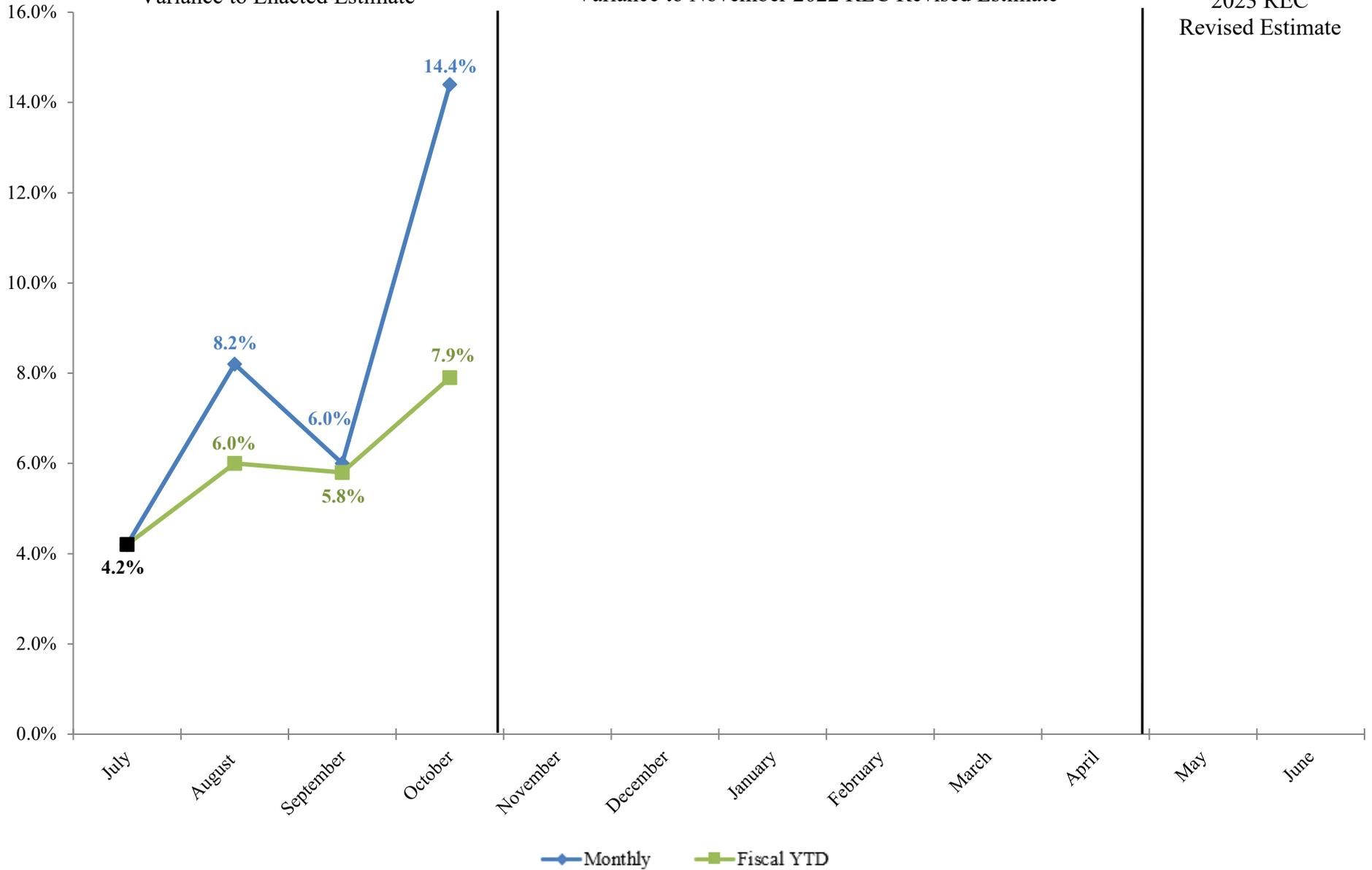
- ^a Included in the revenue items below are the amounts for net transfers between that account and all other accounts. No adjustments were made for these transfers.
- personal income tax refunds and adjustments - \$7,172,815
 - business corporation tax - \$(7,172,815)
 - sales and use tax - \$417,600
 - cigarette and other tobacco products tax - \$(417,600)
 - departmental receipts - \$(302,621)
- ^b Adds to personal income tax final payments \$2,698,036 in net revenues from pass-through entities made on behalf of shareholders received in October 2022 and recorded as business corporation tax payments. The offsetting amount was subtracted from business corporation tax.
- ^c Includes \$(29,289,250) in child tax rebates posted in October 2022. The first child tax rebates were expected to be issued starting in mid-October and thus the personal income tax refunds and adjustments monthly estimate only included two week's worth of child tax rebates.
- ^d Includes large, unusual payment(s) of \$9.2 million received year-to-date.
- ^e Adds \$459,385 that is designated for transfers to the Housing Resources Commission and Housing Production Fund. The amount reflects the difference between the September transfers that occurred in October and the October transfers that will occur in November.
- ^f Subtracts \$1,125,189 of FY 2022 hospital licensing fee payment(s) received in October 2022 and accrued back to FY 2022.
- ^g Subtracts \$3,307,843 of revenues that were transferred in October 2022 but accrued back to FY 2022.

FY 2023 Variance of Adjusted Revenues to Estimate

Variance to Enacted Estimate

Variance to November 2022 REC Revised Estimate

Variance to May 2023 REC Revised 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 October. 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>	
	Oct.	YTD		Oct.	YTD
Personal Income Taxes			Sales and Use Taxes	8.6%	35.0%
Estimated Payments	3.2%	27.4%	Motor Vehicles Fees	9.6%	39.5%
Final Payments	3.3%	10.3%	Cigarettes Taxes	7.9%	35.1%
Withholding Payments	7.4%	30.2%	Alcohol Excise Taxes	8.0%	34.0%
Refunds/Adjustments	8.4%	14.3%	Estate and Transfer	8.2%	34.6%
Business Corporation Taxes	3.5%	25.6%	Racing and Athletics	8.9%	34.6%
Utilities Gross Earnings Taxes	0.0%	25.1%	Realty Transfer	8.8%	35.7%
Financial Institutions Taxes	2.5%	37.7%	Departmental Receipts	9.0%	26.1%
Insurance Co. Gross Premiums	0.6%	21.6%	Lottery Transfer	8.6%	25.6%
Bank Deposits	0.8%	24.1%	Other Misc. Revenues	n/a	n/a
Health Care Provider Assessment	8.5%	34.7%	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.			