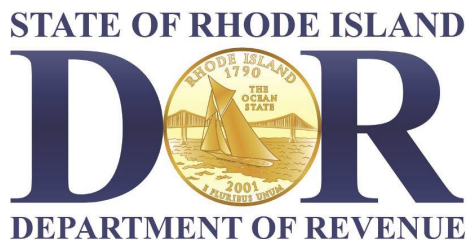


STATE OF RHODE ISLAND
GOVERNOR DANIEL J. MCKEE



Office of Revenue Analysis

State of Rhode Island Revenue Assessment Report
FY 2023 Monthly and Year-to-Date as of November 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 adopted at the November 2022 Revenue Estimating Conference.

Results for FY 2023 Revenues through November

ORA finds that FY 2023 adjusted total general revenues through November trailed the revised FY 2023 expected total general revenues estimate through November by \$19.4 million, a variance of -1.0%.

Some notable variances to expected revenues are as follows:

- Personal income tax adjusted revenues in FY 2023 YTD were \$17.3 million less than expected, a variance of -2.5%.
 - This variance is largely accounted for by withholding payments being down \$18.1 million compared to the estimate. November 2022 had four withholding payment due dates while October 2022 had five, which is the reverse of the pattern seen in the last few years (for example, November had five due dates in both 2021 and 2020). The impact of this shift can be seen by looking at year-over-year growth rates. On a cash basis, October 2022 withholding revenue was 33.3% higher than October 2021, while November 2022 was 16.4% lower than November 2021.

- Business corporation tax adjusted revenues in YTD through November were \$6.4 million less than expected. There were large, unusual pass-through entity tax refund(s) of \$5.0 million posted in November.

Results for Month of November

The table *Monthly Estimate to Actual* gives the results for November 2022. Given that November is the first month of the fiscal year after the adoption of the revised revenue estimates at the November 2022 REC, the differences between the monthly adjusted revenues and expected revenues are the same as the above year-to-date differences. The monthly percentage changes, however, are larger than the fiscal year-to-date percentage changes due to the smaller nominal base that comprises monthly revenues.

In addition, some discrete revenue receipts included in the fiscal year-to-date revenue items are not included in the monthly revenue item counterpart due to the receipt of the revenue in a month prior to November 2022.

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
December 15, 2022

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

	YTD November Adjusted Revenues FY 2023		YTD November Estimate of Revised FY 2023 Revenues †	Difference	Variance
Personal Income Tax	\$ 687,778,106	a, b, c, d	\$ 705,112,786	\$ (17,334,680)	-2.5%
General Business Taxes					
Business Corporation †	58,161,008	a, b, c	64,532,472	(6,371,464)	-9.9%
Public Utilities Gross Earnings	24,434,743		23,252,646	1,182,097	5.1%
Financial Institutions	3,164,839		1,837,435	1,327,403	72.2%
Insurance Company Gross Premiums	43,891,245	c	43,806,715	84,530	0.2%
Bank Deposits	1,343,742		1,276,832	66,910	5.2%
Health Care Provider Assessment	16,326,580		16,463,045	(136,465)	-0.8%
Excise Taxes					
Sales and Use	684,061,682	a	685,063,506	(1,001,824)	-0.1%
Motor Vehicle License and Reg Fees	545,175		532,705	12,470	2.3%
Cigarettes	60,459,612	a	58,986,188	1,473,424	2.5%
Alcohol	9,726,107		10,066,696	(340,588)	-3.4%
Controlled Substances	3,000		3,000	-	0.0%
Other Taxes					
Estate and Transfer	33,629,501	f	30,253,127	3,376,374	11.2%
Racing and Athletics	248,885		235,013	13,872	5.9%
Realty Transfer	8,225,672	g	10,025,082	(1,799,410)	-17.9%
Total Taxes	\$ 1,631,999,896		\$ 1,651,447,247	\$ (19,447,350)	-1.2%
Departmental Receipts †	\$ 88,765,261	h	\$ 89,185,478	\$ (420,217)	-0.5%
Taxes and Departmentals	\$ 1,720,765,157		\$ 1,740,632,725	\$ (19,867,567)	-1.1%
Other General Revenue Sources					
Other Miscellaneous Revenues	1,774,464		1,774,464	-	0.0%
Lottery Transfer	144,741,739	i	144,290,431	451,308	0.3%
Unclaimed Property	-		-	-	n/a
Total Other Sources	\$ 146,516,203		\$ 146,064,895	\$ 451,308	0.3%
Total General Revenues	\$ 1,867,281,360		\$ 1,886,697,619	\$ (19,416,259)	-1.0%

PIT Component	YTD November Adj. Revenues		YTD November Revised Estimates	Difference	Variance
Estimated payments	\$ 97,847,768		\$ 96,218,607	\$ 1,629,161	1.7%
Final payments †	92,026,348	b, c	87,888,630	4,137,719	4.7%
Withholding	598,243,951		616,372,845	(18,128,894)	-2.9%
Refunds and Adjustments	(100,339,961)	a, d	(95,367,296)	(4,972,665)	5.2%
Total	\$ 687,778,106		\$ 705,112,786	\$ (17,334,680)	-2.5%

† 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 \$36,891,856 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 \$(41,636,000) in child tax rebates posted in FY 2023 YTD.
- ^e Includes large pass-through entity payment refund(s) of \$5.0 million
- ^f Includes large, unusual payment(s) of \$13.4 million received year-to-date.
- ^g Subtracts \$850,529 that is designated for transfers to the Housing Resources Commission and Housing Production Fund. The amount reflects the November transfers that will occur in December.
- ^h Subtracts \$168,786,185 of FY 2022 hospital licensing fee payment(s) received in FY 2023 YTD and accrued back to FY 2022.
- ⁱ 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

	November 2022 Adjusted Revenues FY 2023		November 2022 Estimate of FY 2023 Revised Revenues †	Difference	Variance
Personal Income Tax	\$ 114,767,119	a, b, c	\$ 132,101,798	\$ (17,334,680)	-13.1%
General Business Taxes					
Business Corporation †	(3,097,548)	a, b, d	3,273,915	(6,371,463)	-194.6%
Public Utilities Gross Earnings	1,305,238		123,141	1,182,097	960.0%
Financial Institutions	290,000		(1,037,403)	1,327,403	-128.0%
Insurance Company Gross Premiums	1,028,027		943,497	84,530	9.0%
Bank Deposits	50,400		(16,510)	66,910	-405.3%
Health Care Provider Assessment	3,172,775		3,309,240	(136,465)	-4.1%
Excise Taxes					
Sales and Use	128,959,015	a	129,960,839	(1,001,824)	-0.8%
Motor Vehicle License and Reg Fees	87,925		75,455	12,470	16.5%
Cigarettes	13,510,169	a	12,036,745	1,473,424	12.2%
Alcohol	1,789,315		2,129,903	(340,588)	-16.0%
Controlled Substances	1,000		1,000	+	0.0%
Other Taxes					
Estate and Transfer	7,373,636	e	3,997,262	3,376,374	84.5%
Racing and Athletics	53,949		40,077	13,872	34.6%
Realty Transfer	159,832	f	1,959,242	(1,799,410)	-91.8%
Total Taxes	\$ 269,450,851		\$ 288,898,201	\$ (19,447,350)	-6.7%
Departmental Receipts †	\$ 21,154,222	a, g	\$ 21,574,439	\$ (420,217)	-1.9%
Taxes and Departmentals	\$ 290,605,073		\$ 310,472,640	\$ (19,867,567)	-6.4%
Other General Revenue Sources					
Other Miscellaneous Revenues	573,347		573,347	+	0.0%
Lottery Transfer	37,351,057		36,899,749	451,308	1.2%
Unclaimed Property	-		-	+	n/a
Total Other Sources	\$ 37,924,404		\$ 37,473,095	\$ 451,308	1.2%
Total General Revenues	\$ 328,529,477		\$ 347,945,735	\$ (19,416,259)	-5.6%

PIT Component	November 2022 Adj. Revenues		November 2022 Revised Estimates	Difference	Variance
Estimated payments	\$ 6,870,395		\$ 5,241,233	\$ 1,629,161	31.1%
Final payments †	10,324,620	b	6,186,901	4,137,718	66.9%
Withholding	113,063,673		131,192,568	(18,128,894)	-13.8%
Refunds and Adjustments	(15,491,569)	a, c	(10,518,904)	(4,972,665)	47.3%
Total	\$ 114,767,119		\$ 132,101,798	\$ (17,334,680)	-13.1%

† FY 2023 expected revenues are based on the estimates adopted at the November 2022 Revenue Estimating Conference. The estimate for personal income tax final 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.

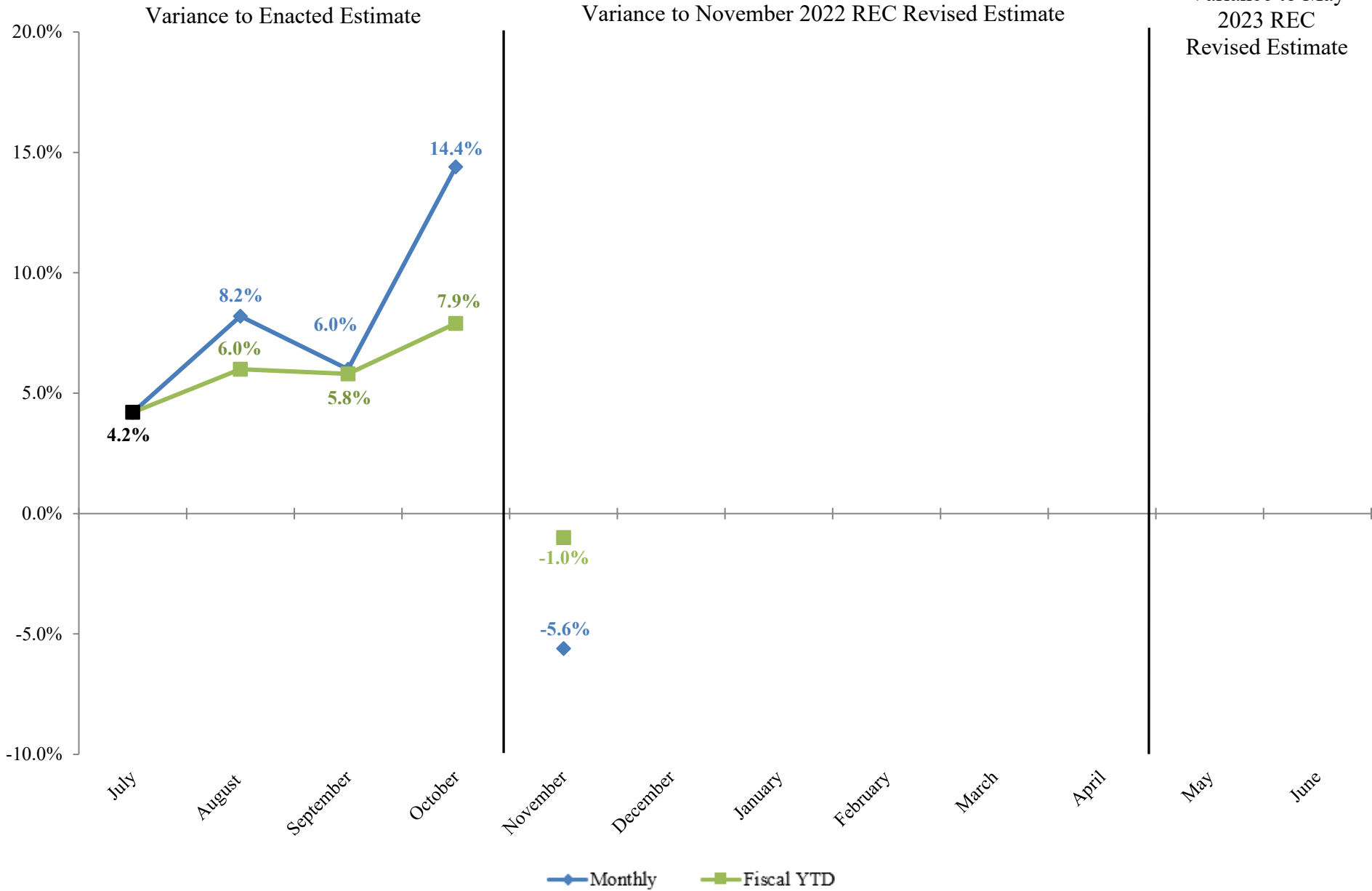
+ Set equal to actual amounts received.

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 - \$111,358
 - business corporation tax - \$(111,358)
 - departmental receipts - \$(561,008)
- ^b Adds to personal income tax final payments \$3,080,378 in net revenues from pass-through entities made on behalf of shareholders received in November 2022 and recorded as business corporation tax payments. The offsetting amount was subtracted from business corporation tax.
- ^c Includes \$(6,000) in child tax rebates posted in November 2022.
- ^d Includes large pass-through entity payment refund(s) of \$5.0 million
- ^e Includes large, unusual payment(s) of \$4.2 million received year-to-date.
- ^f Subtracts \$850,529 that is designated for transfers to the Housing Resources Commission and Housing Production Fund. The amount reflects the November transfers that will occur in December.
- ^g Subtracts \$1,125,189 of FY 2022 hospital licensing fee payment(s) received in November 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 November. 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>	
	Nov.	YTD		Nov.	YTD
Personal Income Taxes			Sales and Use Taxes	8.3%	43.3%
Estimated Payments	1.8%	29.2%	Motor Vehicles Fees	8.4%	47.9%
Final Payments	1.3%	11.8%	Cigarettes Taxes	9.0%	44.1%
Withholding Payments	8.6%	38.8%	Alcohol Excise Taxes	9.2%	43.1%
Refunds/Adjustments	2.3%	21.6%	Estate and Transfer	11.4%	46.0%
Business Corporation Taxes	1.3%	26.9%	Racing and Athletics	8.6%	43.2%
Utilities Gross Earnings Taxes	0.1%	25.2%	Realty Transfer	9.1%	44.8%
Financial Institutions Taxes	-1.8%	35.9%	Departmental Receipts	7.4%	33.2%
Insurance Co. Gross Premiums	0.6%	22.2%	Lottery Transfer	8.8%	34.4%
Bank Deposits	-0.4%	23.7%	Other Misc. Revenues	n/a	n/a
Health Care Provider Assessment	8.2%	42.9%	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 Revised Revenue Estimates

The revised FY 2023 estimates by revenue item as adopted at the November 2022 REC are as follows:

Table B. FY 2023 Revised Revenue Estimates by Major Revenue Item			
Revenue Item	Revised FY 2023 Estimate	Revenue Item	Revised FY 2023 Estimate
Personal Income Taxes		Sales and Use Taxes	\$1,575,000,000
Estimated Payments	\$306,300,000	Motor Vehicles Fees	1,000,000
Final Payments	520,900,000	Cigarettes Taxes	133,900,000
Withholding Payments	1,548,000,000	Alcohol Excise Taxes	23,300,000
Refunds/Adjustments	(455,000,000)	Estate and Transfer	58,800,000
Business Corporation Taxes	252,000,000	Racing and Athletics	500,000
Public Utilities Gross Earnings	101,000,000	Realty Transfer	21,000,000
Financial Institutions Taxes	38,900,000	Departmental Receipts	464,000,000
Insurance Co. Gross Premiums	166,700,000	Lottery	418,700,000
Bank Deposits	4,500,000	Other Misc. Revenues	37,300,000
Health Care Provider Assessment	39,500,000	Unclaimed Property	14,000,000
		Total General Revenues *	\$5,260,400,000
* Total general revenues estimate includes a personal income tax net accrual of \$(9,900,000).			