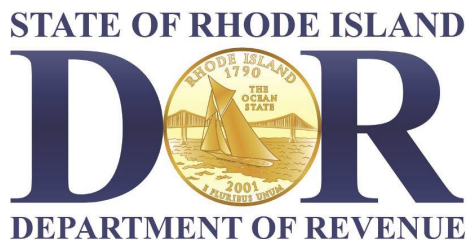


STATE OF RHODE ISLAND
GOVERNOR DANIEL J. MCKEE



Office of Revenue Analysis

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

ORA finds that FY 2023 adjusted total general revenues through December trailed the revised FY 2023 expected total general revenues estimates through December by \$46.1 million, a variance of -1.9%.

Some notable variances to expected revenues are as follows:

- Personal income tax revenues in FY 2023 YTD were \$63.9 million less than expected, a variance of -6.8%.
 - Withholding payments, down \$26.6 million compared to the estimate, accounted for approximately 40% of the negative difference.
 - The three other components were also less than the estimate by a significant amount.

Results for Month of December

ORA finds that December adjusted total general revenues trailed the revised FY 2023 expected total general revenues estimates for the month by \$28.6 million, a variance of -5.5%.

Some notable variances to expected revenues are as follows:

- Personal income tax revenues in December 2022 were \$46.5 million less than expected, a variance of -20.3%.
 - Final payments, down \$17.5 million compared to the estimate, accounted for nearly 40% of the negative difference. Final payments include all payments under the elective pass-through entity tax (the majority of which are actually estimated payments).
 - Withholding payments, on a cash basis, decreased by 2.6% compared to December 2021.
 - The other components were also less than the estimate by a significant amount.
- Sales and use tax revenues were \$3.4 million more than estimated in December (a 2.8% variance), with December revenue representing November sales activity.
- Business corporation tax was up \$10.4 million compared to the revised monthly estimate, a variance of 29.3%. December is the last quarterly estimated payment of tax year 2022 for calendar year businesses.

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
January 26, 2023

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

	YTD December Adjusted Revenues FY 2023		YTD December Estimate of Revised FY 2023 Revenues †	Difference	Variance
Personal Income Tax	\$ 870,878,141	a, b, c, d	\$ 934,744,848	\$ (63,866,707)	-6.8%
General Business Taxes					
Business Corporation †	103,919,952	a, b, c	99,910,301	4,009,651	4.0%
Public Utilities Gross Earnings	46,656,200		46,896,779	(240,578)	-0.5%
Financial Institutions	9,904,858		5,677,729	4,227,129	74.5%
Insurance Company Gross Premiums	77,623,622	c	74,667,185	2,956,437	4.0%
Bank Deposits	2,434,115		2,257,507	176,607	7.8%
Health Care Provider Assessment	19,766,185		19,486,414	279,770	1.4%
Excise Taxes					
Sales and Use	809,090,036	a	806,677,076	2,412,961	0.3%
Motor Vehicle License and Reg Fees	631,700		602,314	29,386	4.9%
Cigarettes	69,585,795	a	70,808,854	(1,223,059)	-1.7%
Alcohol	11,905,087		10,066,696	1,838,392	18.3%
Controlled Substances	3,000		3,000	+	0.0%
Other Taxes					
Estate and Transfer	39,063,424	f	34,748,697	4,314,728	12.4%
Racing and Athletics	283,431		267,150	16,281	6.1%
Realty Transfer	9,562,602	g	11,932,668	(2,370,066)	-19.9%
Total Taxes	\$ 2,071,308,149		\$ 2,118,747,218	\$ (47,439,069)	-2.2%
Departmental Receipts †	\$ 107,674,120	h	\$ 107,439,239	\$ 234,880	0.2%
Taxes and Departmentals	\$ 2,178,982,269		\$ 2,226,186,458	\$ (47,204,189)	-2.1%
Other General Revenue Sources					
Other Miscellaneous Revenues	1,779,676		1,779,676	+	0.0%
Lottery Transfer	180,255,442	i	179,162,515	1,092,927	0.6%
Unclaimed Property	-		-	+	n/a
Total Other Sources	\$ 182,035,118		\$ 180,942,191	\$ 1,092,927	0.6%
Total General Revenues	\$ 2,361,017,387		\$ 2,407,128,649	\$ (46,111,262)	-1.9%

PIT Component	YTD December Adj. Revenues		YTD December Revised Estimates	Difference	Variance
Estimated payments	\$ 114,735,556		\$ 122,927,260	\$ (8,191,704)	-6.7%
Final payments †	143,787,236	b, c	157,146,584	(13,359,348)	-8.5%
Withholding	733,449,585		760,046,614	(26,597,029)	-3.5%
Refunds and Adjustments	(121,094,236)	a, d	(105,375,610)	(15,718,626)	14.9%
Total	\$ 870,878,141		\$ 934,744,848	\$ (63,866,707)	-6.8%

† 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 - \$5,506,286
 - business corporation tax - \$(5,506,286)
 - sales and use tax - \$139,200
 - cigarette and other tobacco products tax - \$(139,200)
- ^b Adds to personal income tax final payments \$80,974,057 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 \$(43,182,750) 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 \$539,609 that is designated for transfers to the Housing Resources Commission and Housing Production Fund. The amount reflects the December transfers that will occur in January.
- ^h Subtracts \$169,911,374 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

	December 2022 Adjusted Revenues FY 2023		December 2022 Estimate of FY 2023 Revised Revenues †	Difference	Variance
Personal Income Tax	\$ 183,100,035	a, b, c	\$ 229,610,036	\$ (46,510,002)	-20.3%
General Business Taxes					
Business Corporation †	45,758,944	a, b, d	35,377,829	10,381,114	29.3%
Public Utilities Gross Earnings	22,221,458		23,644,133	(1,422,675)	-6.0%
Financial Institutions	6,740,020		3,840,294	2,899,726	75.5%
Insurance Company Gross Premiums	33,732,377		30,860,471	2,871,906	9.3%
Bank Deposits	1,090,373		980,675	109,697	11.2%
Health Care Provider Assessment	3,439,605		3,023,370	416,235	13.8%
Excise Taxes					
Sales and Use	125,028,354	a	121,613,569	3,414,784	2.8%
Motor Vehicle License and Reg Fees	86,525		69,608	16,917	24.3%
Cigarettes	9,126,183	a	11,822,666	(2,696,483)	-22.8%
Alcohol	2,178,980		1,940,570	238,410	12.3%
Controlled Substances	-		-	-	n/a
Other Taxes					
Estate and Transfer	5,433,924		4,495,570	938,354	20.9%
Racing and Athletics	34,546		32,138	2,409	7.5%
Realty Transfer	1,336,931	d	1,907,587	(570,656)	-29.9%
Total Taxes	\$ 439,308,253		\$ 469,218,515	\$ (29,910,263)	-6.4%
Departmental Receipts †	\$ 18,908,859	e	\$ 18,253,762	\$ 655,097	3.6%
Taxes and Departmentals	\$ 458,217,112		\$ 487,472,277	\$ (29,255,166)	-6.0%
Other General Revenue Sources					
Other Miscellaneous Revenues	5,212		5,212	-	0.0%
Lottery Transfer	35,513,703		34,872,084	641,619	1.8%
Unclaimed Property	-		-	-	n/a
Total Other Sources	\$ 35,518,915		\$ 34,877,296	\$ 641,619	1.8%
Total General Revenues	\$ 493,736,027		\$ 522,349,573	\$ (28,613,547)	-5.5%

PIT Component	December 2022 Adj. Revenues		December 2022 Revised Estimates	Difference	Variance
Estimated payments	\$ 16,887,788		\$ 26,708,653	\$ (9,820,866)	-36.8%
Final payments †	51,760,888	b	69,257,708	(17,496,820)	-25.3%
Withholding	135,205,634		143,651,989	(8,446,355)	-5.9%
Refunds and Adjustments	(20,754,274)	a, c	(10,008,314)	(10,745,960)	107.4%
Total	\$ 183,100,035		\$ 229,610,036	\$ (46,510,002)	-20.3%

† 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.

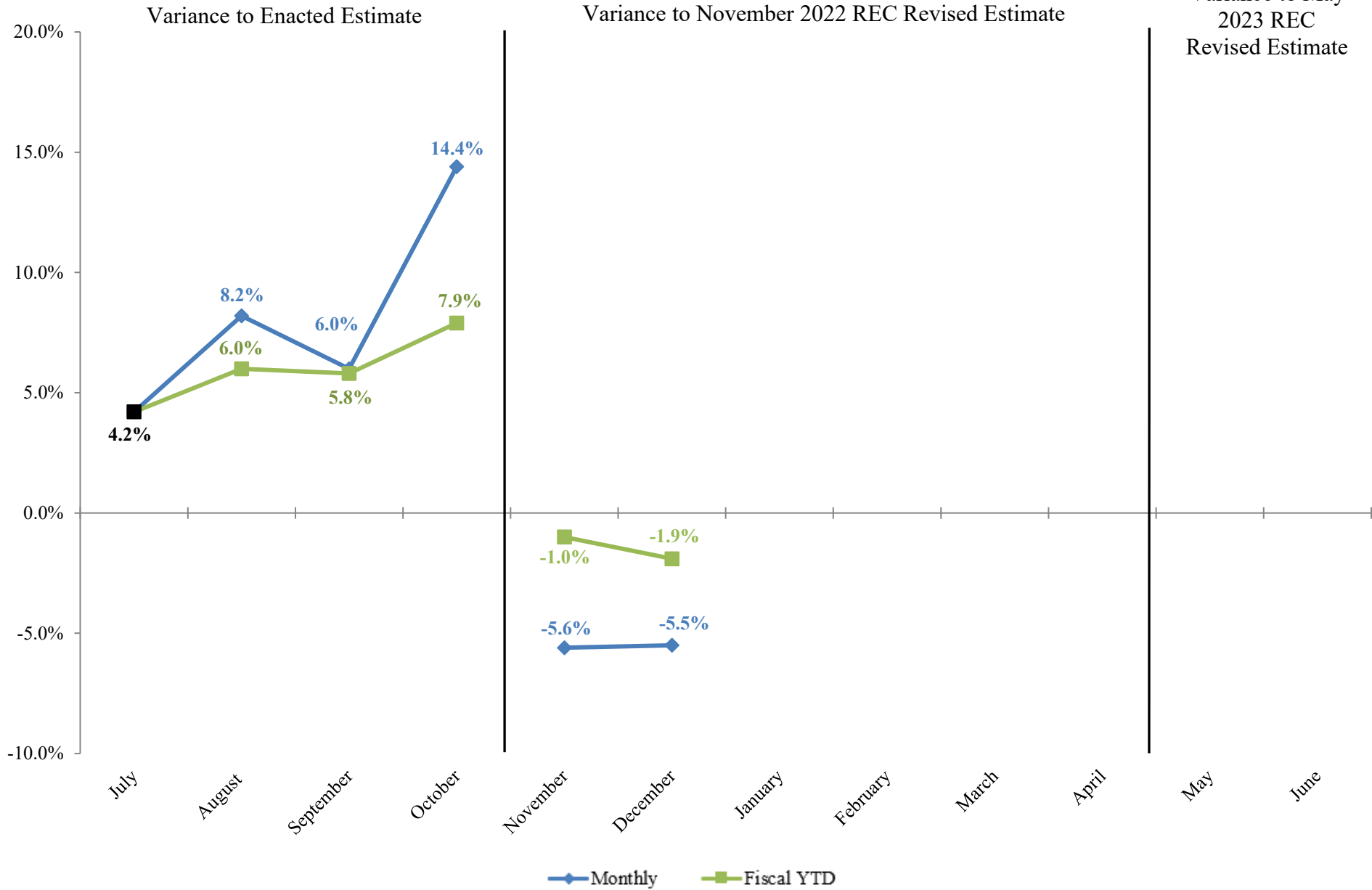
+ Set equal to actual amounts received.

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 - \$(934,510)
 - business corporation tax - \$934,510
 - sales and use tax - \$139,200
 - cigarette and OTP tax - \$(139,200)
- ^b Adds to personal income tax final payments \$44,082,201 in net revenues from pass-through entities made on behalf of shareholders received in December 2022 and recorded as business corporation tax payments. The offsetting amount was subtracted from business corporation tax.
- ^c Includes \$(1,546,750) in child tax rebates posted in December 2022.
- ^d Adds \$310,920 that is designated for transfers to the Housing Resources Commission and Housing Production Fund. The amount reflects the difference between the November transfers that occurred in December and the December transfers that will occur in January.
- ^e Subtracts \$1,125,189 of FY 2022 hospital licensing fee payment(s) received in December 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 December. 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>	
	Dec.	YTD		Dec.	YTD
Personal Income Taxes			Sales and Use Taxes	7.7%	51.1%
Estimated Payments	9.0%	38.2%	Motor Vehicles Fees	7.8%	55.7%
Final Payments	13.7%	25.5%	Cigarettes Taxes	8.8%	52.9%
Withholding Payments	9.4%	48.3%	Alcohol Excise Taxes	8.3%	51.5%
Refunds/Adjustments	2.2%	23.8%	Estate and Transfer	12.8%	58.8%
Business Corporation Taxes	13.8%	40.7%	Racing and Athletics	6.9%	50.1%
Utilities Gross Earnings Taxes	22.8%	47.9%	Realty Transfer	8.9%	53.7%
Financial Institutions Taxes	6.6%	42.6%	Departmental Receipts	6.2%	39.5%
Insurance Co. Gross Premiums	19.5%	41.8%	Lottery Transfer	8.4%	42.8%
Bank Deposits	23.2%	46.9%	Other Misc. Revenues	n/a	n/a
Health Care Provider Assessment	7.5%	50.4%	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).			