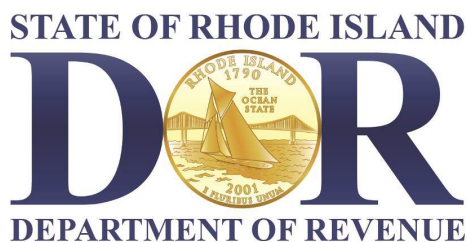


STATE OF RHODE ISLAND
GOVERNOR DANIEL J. MCKEE



Office of Revenue Analysis

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

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 January

ORA finds that FY 2023 adjusted total general revenues through January trailed the revised FY 2023 expected total general revenues estimates through January by \$62.7 million, a variance of -2.2%.

Some notable variances to expected revenues are as follows:

- Personal income tax revenue in FY 2023 YTD was \$92.0 million less than expected, a variance of -7.8%. All components of income tax trailed the estimates.
- Business corporation tax revenue exceeded estimates by \$6.6 million, or 6.1%, through January.
- This report corrects an error in the estimated cash collections for estate and transfer tax, reducing the YTD surplus by several million dollars. Estate and transfer tax is still exceeding estimates by \$2.6 million, or 6.8%.

Results for Month of January

ORA finds that January adjusted total general revenues trailed the revised FY 2023 expected total general revenues estimates for the month by \$10.6 million, a variance of -2.2%.

Some notable variances to expected revenues are as follows:

- Personal income tax revenues in January 2023 were \$28.1 million less than expected, a variance of -11.8%.
 - Final payments, down \$17.8 million compared to the estimate, accounted for over half of the negative difference. Final payments include all payments under the elective pass-through entity (PTE) tax (the majority of which are actually estimated payments).
 - Estimated payments (other than those paid under the elective PTE tax) were \$5.5 million less than expected, a variance of -7.8%. January represents the final estimated payment due date for tax year 2022 and is the single largest month for estimated payments.
 - Refunds and adjustments were 82.3% greater than the monthly estimate. Greater than expected refunds leads to less revenue.
 - Withholding payments had a positive variance at 4.8%.
- Sales and use tax collections tracked closely to the estimate, with a positive variance of 0.1%. January collections represent December sales activity. January is the single largest month for sales and use tax collections, presumably due to the holiday shopping season.
- Both departmental receipts and the lottery transfer had large positive differences at \$7.8 million and \$5.3 million, respectively. More than half of the difference in the lottery transfer is from video-lottery terminals, revenues of which were up \$3.7 million compared to the monthly estimate.

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
February 21, 2023

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

	YTD January Adjusted Revenues FY 2023		YTD January Estimate of Revised FY 2023 Revenues †	Difference	Variance
Personal Income Tax	\$ 1,080,210,106	a, b, c, d	\$ 1,172,197,144	\$ (91,987,038)	-7.8%
General Business Taxes					
Business Corporation †	114,819,358	a, b, c	108,213,536	6,605,822	6.1%
Public Utilities Gross Earnings	46,942,659		47,888,495	(945,836)	-2.0%
Financial Institutions	9,913,113		4,775,125	5,137,988	107.6%
Insurance Company Gross Premiums	78,367,818	c	75,036,316	3,331,502	4.4%
Bank Deposits	2,456,891		2,254,464	202,428	9.0%
Health Care Provider Assessment	23,053,371		22,881,364	172,008	0.8%
Excise Taxes					
Sales and Use	954,738,057	a	952,117,823	2,620,234	0.3%
Motor Vehicle License and Reg Fees	712,450		679,403	33,047	4.9%
Cigarettes	81,940,712	a	81,010,665	930,047	1.1%
Alcohol	13,616,844		14,361,488	(744,644)	-5.2%
Controlled Substances	3,000		3,000	-	0.0%
Other Taxes					
Estate and Transfer	41,058,609	f	38,436,962	2,621,647	6.8%
Racing and Athletics	321,259		306,216	15,043	4.9%
Realty Transfer	11,261,305	g	14,163,100	(2,901,795)	-20.5%
Total Taxes	\$ 2,459,415,553		\$ 2,534,325,101	\$ (74,909,548)	-3.0%
Departmental Receipts †	\$ 155,207,397	h	\$ 149,400,825	\$ 5,806,572	3.9%
Taxes and Departmentals	\$ 2,614,622,950		\$ 2,683,725,926	\$ (69,102,976)	-2.6%
Other General Revenue Sources					
Other Miscellaneous Revenues	2,497,805		2,497,805	-	0.0%
Lottery Transfer	217,406,708	i	210,989,512	6,417,196	3.0%
Unclaimed Property	-		-	-	n/a
Total Other Sources	\$ 219,904,513		\$ 213,487,318	\$ 6,417,196	3.0%
Total General Revenues	\$ 2,834,527,464		\$ 2,897,213,244	\$ (62,685,780)	-2.2%

PIT Component	YTD January Adj. Revenues		YTD January Revised Estimates	Difference	Variance
Estimated payments	\$ 179,916,621		\$ 193,654,601	\$ (13,737,980)	-7.1%
Final payments †	171,376,377	b, c	202,515,308	(31,138,932)	-15.4%
Withholding	874,870,513		895,039,968	(20,169,454)	-2.3%
Refunds and Adjustments	(145,953,405)	a, d	(119,012,733)	(26,940,672)	22.6%
Total	\$ 1,080,210,106		\$ 1,172,197,144	\$ (91,987,038)	-7.8%

† FY 2023 expected revenues are based on the estimates adopted at the November 2022 Revenue Estimating Conference. 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 2023 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 \$98,401,153 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 \$1,017,628 in personal income tax and \$6,783,208 in insurance company gross premiums tax are included in adjusted revenues.
- ^d Includes \$(43,184,500) 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 \$834,910 that is designated for transfers to the Housing Resources Commission and Housing Production Fund. The amount reflects the January transfers that will occur in February.
- ^h Subtracts \$171,036,562 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

	January 2023 Adjusted Revenues FY 2023		January 2023 Estimate of FY 2023 Revised Revenues †	Difference	Variance
Personal Income Tax	\$ 209,331,965	b, c, d	\$ 237,452,297	\$ (28,120,331)	-11.8%
General Business Taxes					
Business Corporation †	10,899,406	b	8,303,235	2,596,171	31.3%
Public Utilities Gross Earnings	286,459		991,716	(705,257)	-71.1%
Financial Institutions	8,255		(902,604)	910,859	-100.9%
Insurance Company Gross Premiums	744,196		369,131	375,065	101.6%
Bank Deposits	22,777		(3,044)	25,820	-848.3%
Health Care Provider Assessment	3,287,187		3,394,949	(107,762)	-3.2%
Excise Taxes					
Sales and Use	145,648,021		145,440,748	207,273	0.1%
Motor Vehicle License and Reg Fees	80,750		77,089	3,661	4.7%
Cigarettes	12,354,917		10,201,811	2,153,106	21.1%
Alcohol	1,711,756		2,354,223	(642,466)	-27.3%
Controlled Substances	-		-	-	n/a
Other Taxes					
Estate and Transfer	1,995,185		1,874,518	120,667	6.4%
Racing and Athletics	37,828		39,066	(1,238)	-3.2%
Realty Transfer	1,698,703	c	2,230,432	(531,729)	-23.8%
Total Taxes	\$ 388,107,404		\$ 411,823,565	\$ (23,716,161)	-5.8%
Departmental Receipts †	\$ 49,783,655	a, f	\$ 41,961,585	\$ 7,822,069	18.6%
Taxes and Departmentals	\$ 437,891,059		\$ 453,785,151	\$ (15,894,092)	-3.5%
Other General Revenue Sources					
Other Miscellaneous Revenues	718,129		718,129	-	0.0%
Lottery Transfer	37,151,266		31,826,998	5,324,268	16.7%
Unclaimed Property	-		-	-	n/a
Total Other Sources	\$ 37,869,395		\$ 32,545,127	\$ 5,324,268	16.4%
Total General Revenues	\$ 475,760,454		\$ 486,330,278	\$ (10,569,824)	-2.2%

PIT Component	January 2023 Adj. Revenues		January 2023 Revised Estimates	Difference	Variance
Estimated payments	\$ 65,181,065		\$ 70,727,341	\$ (5,546,275)	-7.8%
Final payments †	27,589,141	b, d	45,368,725	(17,779,584)	-39.2%
Withholding	141,420,929		134,993,354	6,427,575	4.8%
Refunds and Adjustments	(24,859,169)	c	(13,637,123)	(11,222,047)	82.3%
Total	\$ 209,331,965		\$ 237,452,297	\$ (28,120,331)	-11.8%

† FY 2023 expected revenues are based on the estimates adopted at the November 2022 Revenue Estimating Conference. 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.

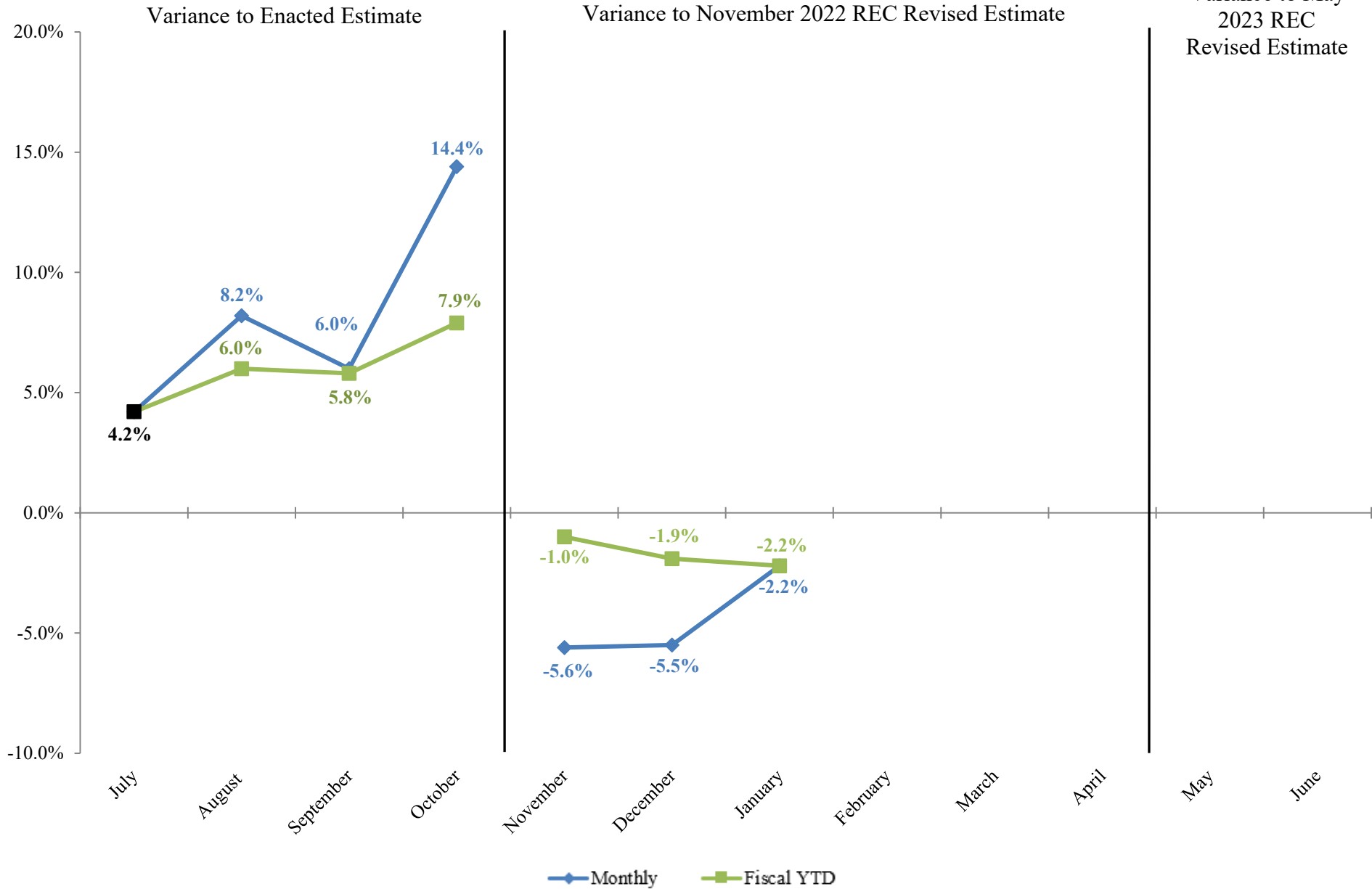
+ Set equal to actual amounts received.

Detailed notes on the following page

FY 2023 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.
- departmental receipts - \$(136,817)
- ^b Adds to personal income tax final payments \$17,427,096 in net revenues from pass-through entities made on behalf of shareholders received in January 2023 and recorded as business corporation tax payments. The offsetting amount was subtracted from business corporation tax.
- ^c Includes \$(1,750) in child tax rebates posted in January 2023.
- ^d Rebuild RI reimbursements of \$671,847 in personal income tax are included in adjusted revenues.
- ^e Subtracts \$295,301 that is designated for transfers to the Housing Resources Commission and Housing Production Fund. The amount reflects the difference between the December transfers that occurred in January and the January transfers that will occur in February.
- ^f 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 January. 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>	
	Jan.	YTD		Jan.	YTD
Personal Income Taxes			Sales and Use Taxes	9.3%	60.3%
Estimated Payments	23.8%	62.0%	Motor Vehicles Fees	8.6%	64.3%
Final Payments	9.0%	34.5%	Cigarettes Taxes	7.6%	60.5%
Withholding Payments	8.9%	57.1%	Alcohol Excise Taxes	10.1%	61.6%
Refunds/Adjustments	3.0%	26.8%	Estate and Transfer	4.4%	63.2%
Business Corporation Taxes	3.2%	43.9%	Racing and Athletics	8.4%	58.5%
Utilities Gross Earnings Taxes	1.0%	48.9%	Realty Transfer	10.4%	64.1%
Financial Institutions Taxes	-1.6%	41.0%	Departmental Receipts	14.3%	53.8%
Insurance Co. Gross Premiums	0.2%	42.0%	Lottery Transfer	7.6%	50.4%
Bank Deposits	-0.1%	46.9%	Other Misc. Revenues	n/a	n/a
Health Care Provider Assessment	8.4%	58.8%	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).			