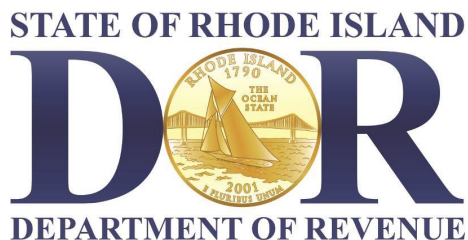


STATE OF RHODE ISLAND
GOVERNOR DANIEL J. MCKEE



Office of Revenue Analysis

State of Rhode Island Revenue Assessment Report
FY 2024 Monthly and Year-to-Date as of January 2024

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 revised revenue estimates adopted at the November REC, held on November 10, 2023.

Results for FY 2024 Revenues through January

ORA finds that FY 2024 adjusted total general revenues through January led the revised FY 2024 expected total general revenue estimates through January by \$4.5 million, a variance of 0.2%.

Some notable variances to expected revenues are as follows:

- Personal income tax revenue was \$21.4 million less than expected, a variance of -1.9%. All personal income tax components were down greater than \$1 million, with final payments being the largest difference at \$(8.2 million).
- Revenue from business corporation tax was above the estimate by \$18.2 million or 12.8%.
- Cigarettes and other tobacco tax revenues continued to be below estimates, with a negative difference of \$4.6 million or 6.1%.
- Revenues from departmental receipts were above estimates by \$14.4 million, largely driven by strength in interest payments on the state's general fund balance.

Results for Month of January

ORA finds that January adjusted total general revenues led the revised monthly expected total general revenues estimate for January by \$17.7 million, a variance of 3.8%. January includes sales and use tax payments for December activity and is typically the largest month of sales tax collections.

Some notable variances to expected revenues are as follows:

- Personal income tax revenue was \$3.4 million more than expected, a variance of 1.6%. Withholding payments were above estimate by \$13.0 million. All other personal income tax components were below estimates by more than \$1 million, with final payments having the largest negative difference at \$4.7 million. On a cash basis, withholding payments grew by 7.9% in January 2024 compared to January 2023.
- Revenue from business corporation tax was above estimates by \$9.8 million or 95.2%.
- Sales and use tax revenue was below estimates by \$5.6 million, with a variance of -3.7%. On a cash basis, sales and use tax collections in January 2024 were just slightly behind collections in January 2023 (a 0.1% decline).

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.



Thomas A. Verdi

Director

Department of Revenue

February 21, 2024

FY 2024 STATE OF RHODE ISLAND REVENUE ASSESSMENT REPORT
Year-to-Date Estimate to Actual

| | YTD January Adjusted Revenues FY 2024 | | YTD January Estimate of Revised FY 2024 Revenues † | | Difference | Variance |
|--------------------------------------|---------------------------------------------|------------|----------------------------------------------------------|---|-----------------|----------|
| Personal Income Tax | \$ 1,106,212,175 | a, b, c, d | \$ 1,127,602,565 | | \$ (21,390,391) | -1.9% |
| General Business Taxes | | | | | | |
| Business Corporation † | 160,939,398 | a, b, c, d | 142,718,141 | | 18,221,257 | 12.8% |
| Public Utilities Gross Earnings | 50,230,324 | | 50,097,381 | | 132,942 | 0.3% |
| Financial Institutions | 13,523,410 | a | 12,523,594 | | 999,816 | 8.0% |
| Insurance Company Gross Premiums | 83,653,420 | c, d | 79,480,844 | | 4,172,576 | 5.2% |
| Bank Deposits | 2,415,660 | | 2,281,580 | | 134,081 | 5.9% |
| Health Care Provider Assessment | 22,913,412 | | 22,693,849 | | 219,563 | 1.0% |
| Excise Taxes | | | | | | |
| Sales and Use | 986,393,523 | a, c | 988,014,025 | | (1,620,502) | -0.2% |
| Cigarettes | 72,022,224 | a | 76,664,944 | | (4,642,720) | -6.1% |
| Alcohol | 12,570,406 | | 13,804,571 | | (1,234,165) | -8.9% |
| Controlled Substances | 4,800 | | 4,800 | + | - | 0.0% |
| Other Taxes | | | | | | |
| Estate and Transfer | 23,835,382 | c | 26,790,405 | | (2,955,023) | -11.0% |
| Racing and Athletics | 372,868 | | 357,191 | | 15,677 | 4.4% |
| Realty Transfer | 9,312,833 | f | 10,424,996 | | (1,112,163) | -10.7% |
| Total Taxes | \$ 2,544,399,833 | | \$ 2,553,458,887 | | \$ (9,059,053) | -0.4% |
| Departmental Receipts † | \$ 178,846,957 | g | \$ 164,459,382 | | \$ 14,387,575 | 8.7% |
| Taxes and Departmentals | \$ 2,723,246,790 | | \$ 2,717,918,269 | | \$ 5,328,521 | 0.2% |
| Other General Revenue Sources | | | | | | |
| Other Miscellaneous Revenues | 2,250,294 | | 2,250,294 | + | - | 0.0% |
| Lottery Transfer | 212,194,018 | h | 213,067,606 | | (873,588) | -0.4% |
| Unclaimed Property | - | | - | + | - | n/a |
| Total Other Sources | \$ 214,444,312 | | \$ 215,317,900 | | \$ (873,588) | -0.4% |
| Total General Revenues | \$ 2,937,691,102 | | \$ 2,933,236,169 | | \$ 4,454,933 | 0.2% |

| PIT Component | YTD January Adj. Revenues | | YTD January Revised Estimates | | Difference | Variance |
|-------------------------|------------------------------|---------|----------------------------------|--|-----------------|----------|
| Estimated payments | \$ 139,785,677 | | \$ 145,609,883 | | \$ (5,824,206) | -4.0% |
| Final payments † | 167,160,513 | b, d, c | 175,333,104 | | (8,172,591) | -4.7% |
| Withholding | 907,539,318 | | 912,764,639 | | (5,225,321) | -0.6% |
| Refunds and Adjustments | (108,273,333) | a | (106,105,061) | | (2,168,272) | 2.0% |
| Total | \$ 1,106,212,175 | | \$ 1,127,602,565 | | \$ (21,390,391) | -1.9% |

† FY 2024 expected revenues are based on the estimates adopted at the November 2023 Revenue Estimating Conference. The estimate for public utilities gross earnings tax, insurance company gross premiums tax, departmental receipts, and the lottery transfer 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 2024 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 - \$2,281,294
 - business corporation tax - \$(3,521,294)
 - financial institutions tax - \$1,240,000
 - sales and use tax - \$139,200
 - cigarette and other tobacco products tax - \$(139,200)
- ^b Adds to personal income tax final payments \$98,166,525 in net revenues from pass-through entities made on behalf of shareholders received in FY 2024 YTD. and recorded as business corporation tax payments. The offsetting amount was subtracted from business corporation tax.
- ^c Rebuild Rhode Island reimbursements included in year-to-date adjusted revenues are as follows:
 - personal income tax final payments - \$1,720,108
 - business corporation tax - \$126,103
 - insurance premiums gross earnings tax - \$7,036,709
 - sales and use tax refunds - \$4,613,455
- ^d Includes returned refund(s) of \$1,807,210 and historic structures tax credits reimbursements of \$2.5 million.
- ^e Includes large, unusual estate tax payment(s) of \$4.6 million received in July 2023.
- ^f Subtracts \$600,827 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.
- ^g Subtracts \$10,972,711 of FY 2023 hospital licensing fee payment(s) received in FY 2024 YTD and accrued back to FY 2023.
- ^h Subtracts \$5,236,556 of revenues that were transferred in October 2023 but accrued back to FY 2023.

FY 2024 STATE OF RHODE ISLAND REVENUE ASSESSMENT REPORT
Monthly Estimate to Actual

| | January 2024 Adjusted Revenues FY 2024 | | January 2024 Estimate of FY 2024 Revised Revenues † | | Difference | Variance |
|--------------------------------------|----------------------------------------------|---------|-----------------------------------------------------------|---|---------------|----------|
| Personal Income Tax | \$ 210,699,536 | a, b, c | \$ 207,282,239 | | \$ 3,417,297 | 1.6% |
| General Business Taxes | | | | | | |
| Business Corporation † | 20,090,705 | a, b, c | 10,294,338 | | 9,796,367 | 95.2% |
| Public Utilities Gross Earnings | 251,255 | | 346,397 | | (95,143) | -27.5% |
| Financial Institutions | 51,027 | | (60,067) | | 111,094 | -185.0% |
| Insurance Company Gross Premiums | 459,446 | | 452,436 | | 7,010 | 1.5% |
| Bank Deposits | 106,569 | | 22,372 | | 84,197 | 376.4% |
| Health Care Provider Assessment | 3,361,648 | | 3,332,473 | | 29,176 | 0.9% |
| Excise Taxes | | | | | | |
| Sales and Use | 145,567,536 | a, c | 151,190,826 | | (5,623,290) | -3.7% |
| Cigarettes | 9,923,202 | a | 9,679,274 | | 243,928 | 2.5% |
| Alcohol | 1,615,628 | | 2,291,666 | | (676,039) | -29.5% |
| Controlled Substances | 4,800 | | 4,800 | + | - | 0.0% |
| Other Taxes | | | | | | |
| Estate and Transfer | 326,462 | a | 2,307,781 | | (1,981,318) | -85.9% |
| Racing and Athletics | 52,952 | | 47,465 | | 5,486 | 11.6% |
| Realty Transfer | 1,159,129 | d | 1,526,651 | | (367,522) | -24.1% |
| Total Taxes | \$ 393,669,894 | | \$ 388,718,650 | | \$ 4,951,244 | 1.3% |
| Departmental Receipts † | \$ 56,719,541 | c | \$ 46,332,160 | | \$ 10,387,381 | 22.4% |
| Taxes and Departmentals | \$ 450,389,435 | | \$ 435,050,810 | | \$ 15,338,625 | 3.5% |
| Other General Revenue Sources | | | | | | |
| Other Miscellaneous Revenues | 279,337 | | 279,337 | + | - | 0.0% |
| Lottery Transfer | 36,961,010 | | 34,603,664 | | 2,357,346 | 6.8% |
| Unclaimed Property | - | | - | + | - | n/a |
| Total Other Sources | \$ 37,240,347 | | \$ 34,883,001 | | \$ 2,357,346 | 6.8% |
| Total General Revenues | \$ 487,629,782 | | \$ 469,933,811 | | \$ 17,695,971 | 3.8% |

| PIT Component | January 2024 Adj. Revenues | | January 2024 Revised Estimates | | Difference | Variance |
|-------------------------|-------------------------------|------|-----------------------------------|--|----------------|----------|
| Estimated payments | \$ 53,471,866 | | \$ 55,736,668 | | \$ (2,264,801) | -4.1% |
| Final payments † | 28,038,253 | b, c | 32,737,203 | | (4,698,950) | -14.4% |
| Withholding | 152,646,468 | | 139,663,138 | | 12,983,330 | 9.3% |
| Refunds and Adjustments | (23,457,052) | a | (20,854,770) | | (2,602,282) | 12.5% |
| Total | \$ 210,699,536 | | \$ 207,282,239 | | \$ 3,417,297 | 1.6% |

† FY 2024 expected revenues are based on the estimates adopted at the November 2023 Revenue Estimating Conference. The estimate for public utilities gross earnings tax, insurance company gross premiums tax, departmental receipts, and the lottery transfer were calculated using modified revenue flows to align expected revenues with the actual realization of revenues.

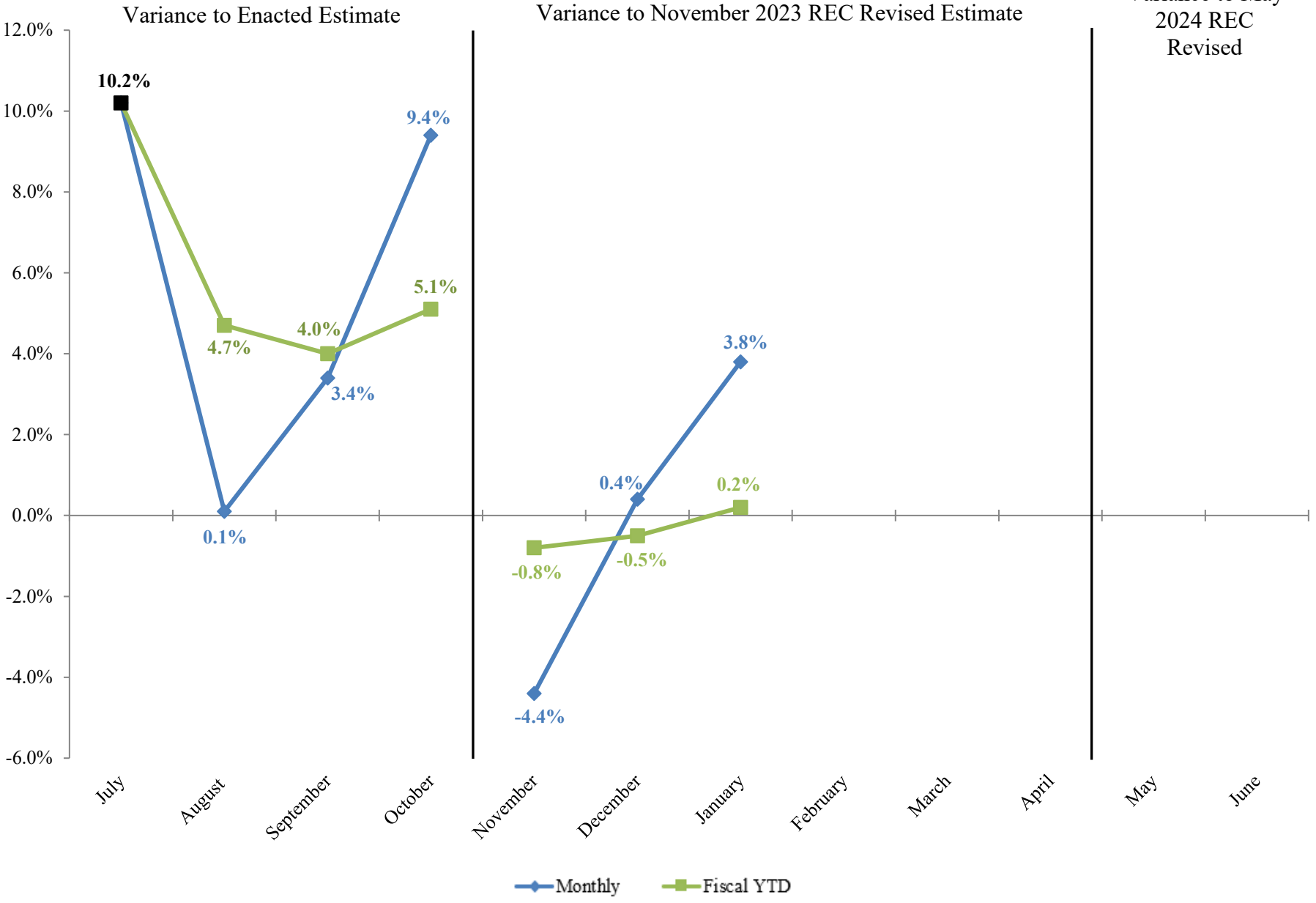
+ Set equal to actual amounts received.

Detailed notes on the following page

FY 2024 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 - \$(2,031,170)
 - business corporation tax - \$2,031,170
- ^b Adds to personal income tax final payments \$19,951,973 in net revenues from pass-through entities made on behalf of shareholders received in January 2024 and recorded as business corporation tax payments. The offsetting amount was subtracted from business corporation tax.
- ^c Rebuild Rhode Island reimbursements included in January adjusted revenues are as follows:
 - personal income tax final payments - \$309,476
 - business corporation tax- \$25,677
 - sales and use tax refunds - \$422,650
- ^d Adds \$164,471 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.
- ^e Adds \$15.6 million for early payment(s) posted to securities license fees that were expected to have been posted in January 2024 but were posted in December.

FY 2024 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-2024>.

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% | 60.5% |
| Estimated Payments | 23.9% | 62.4% | Cigarettes Taxes | 7.7% | 61.0% |
| Final Payments | 1.9% | 16.1% | Alcohol Excise Taxes | 10.1% | 61.8% |
| Withholding Payments | 9.0% | 57.3% | Estate and Transfer | 4.3% | 62.9% |
| Refunds/Adjustments | 4.6% | 22.7% | Racing and Athletics | 8.1% | 58.5% |
| Business Corporation Taxes | 3.5% | 43.3% | Realty Transfer | 9.6% | 65.7% |
| Utilities Gross Earnings Taxes | 0.5% | 72.8% | Departmental Receipts | 14.7% | 51.2% |
| Financial Institutions Taxes | -0.3% | 39.8% | Lottery Transfer | 7.9% | 48.3% |
| Insurance Co. Gross Premiums | 0.3% | 43.3% | Other Misc. Revenues | n/a | n/a |
| Bank Deposits | 0.5% | 51.6% | Unclaimed Property | 0.0% | 0.0% |
| Health Care Provider Assessment | 8.1% | 58.8% | | | |

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 in the adjustment period after the end 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-2024>.

FY 2024 Revised Revenue Estimates

The FY 2024 estimates by revenue item as revised at the November 2023 REC are as follows:

| Table B. FY 2024 Revised Revenue Estimates by Major Revenue Item | | | |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------|---------------------------------|---------------------------------|
| Revenue Item | Revised FY 2024 Estimate | Revenue Item | Revised FY 2024 Estimate |
| Personal Income Taxes | | Sales and Use Taxes | \$1,628,600,000 |
| Estimated Payments | \$231,800,000 | Cigarettes Taxes | 125,600,000 |
| Final Payments | 510,800,000 | Alcohol Excise Taxes | 22,500,000 |
| Withholding Payments | 1,574,600,000 | Estate and Transfer | 42,400,000 |
| Refunds/Adjustments | (459,200,000) | Racing and Athletics | 600,000 |
| Business Corporation Taxes | 310,900,000 | Realty Transfer | 14,900,000 |
| Public Utilities Gross Earnings | 67,800,000 | Departmental Receipts | 531,100,000 |
| Financial Institutions Taxes | 26,900,000 | Lottery | 436,800,000 |
| Insurance Co. Gross Premiums | 163,300,000 | Other Misc. Revenues | 30,200,000 |
| Bank Deposits | 4,600,000 | Unclaimed Property | 18,700,000 |
| Health Care Provider Assessment | 39,600,000 | | |
| | | Total General Revenues * | \$5,318,400,000 |
| * The total general revenues estimate includes a personal income tax net accrual of \$(4,100,000). Estimates include any general revenue changes enacted after the passage of the FY 2024 budget and included in the revised estimates adopted at the November 2023 REC. Most notably, the total estimate includes \$4.9 million of revenue from iGaming, which was passed after the budget and updated at the REC. | | | |