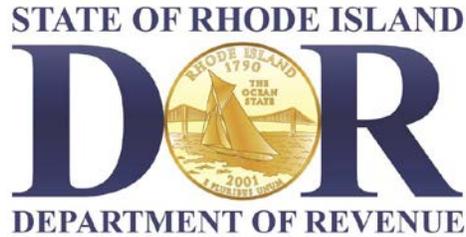


STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
GOVERNOR GINA M. RAIMONDO



Office of Revenue Analysis

State of Rhode Island Revenue Assessment Report
Monthly and Year-to-Date FY 2018 as of April 2018

The monthly revenue assessment report compares adjusted revenues, on a monthly and fiscal year-to-date basis, to the Office of Revenue Analysis' monthly and fiscal year-to-date 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) (see Rhode Island General Laws § 35-16-1 et seq.) convenes and modifies the fiscal year revenue estimates as enacted by the General Assembly.

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.

This monthly Revenue Assessment Report compares adjusted revenues to expected revenues based on the revenue estimates adopted at the November 2017 Revenue Estimating Conference. The revised revenue estimates will remain the basis of comparison for all Revenue Assessment Reports through the April 2017 report. For the May 2018 Revenue Assessment Report, the basis of comparison will be revenue estimates adopted at the May 2018 Revenue Estimating Conference.

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

	YTD April Adjusted Revenues FY 2018		YTD April Estimate of Revised FY 2018 Revenues †		Difference	Variance
Personal Income Tax †, Δ	\$ 1,111,696,059	a, b, c, d	\$ 1,063,951,589		\$ 47,744,470	4.5%
General Business Taxes						
Business Corporation †, Δ	82,169,331	a, d, e	101,121,303		(18,951,971)	-18.7%
Public Utilities Gross Earnings Δ	31,403,474	f	28,524,730		2,878,744	10.1%
Financial Institutions Δ	13,366,981	e	8,151,503		5,215,478	64.0%
Insurance Company Δ	49,017,604	f, g	38,792,128		10,225,476	26.4%
Bank Deposits	814,448	f	752,568		61,880	8.2%
Health Care Provider Assessment Δ	36,822,435		37,026,318		(203,883)	-0.6%
Excise Taxes						
Sales and Use †, Δ	869,983,247	d, h	873,003,615		(3,020,368)	-0.3%
Motor Vehicle License and Reg Fees	8,253,597		8,248,639		4,958	0.0%
Motor Carrier Fuel Use	-		-		-	n/a
Cigarettes †, Δ	118,366,032		117,793,854		572,178	0.5%
Alcohol	16,232,151		16,517,506		(285,355)	-1.7%
Controlled Substances						
Other Taxes						
Estate and Transfer Δ	41,303,377	i	30,046,717		11,256,660	37.5%
Racing and Athletics	835,178		881,178		(46,000)	-5.2%
Realty Transfer	10,742,345	j	11,172,049		(429,703)	-3.8%
Total Taxes	\$ 2,391,006,260		\$ 2,335,983,696		\$ 55,022,563	2.4%
Departmental Receipts Δ	\$ 168,482,164	c, k, l	\$ 160,652,591		\$ 7,829,573	4.9%
Taxes and Departmentals	\$ 2,559,488,424		\$ 2,496,636,287		\$ 62,852,136	2.5%
Other General Revenue Sources						
Other Miscellaneous Revenues	2,139,290		2,139,290	+	-	0.0%
Lottery Transfer	270,324,320	m	270,827,072		(502,752)	-0.2%
Unclaimed Property	-		-	+	-	n/a
Total Other Sources	\$ 272,463,610		\$ 272,966,362		\$ (502,752)	-0.2%
Total General Revenues	\$ 2,831,952,034		\$ 2,769,602,649		\$ 62,349,384	2.3%

PIT Component	YTD April Adj. Revenues		YTD April Revised Estimates		Difference	Variance
Estimated payments	\$ 212,852,277	b	\$ 190,995,156		\$ 21,857,120	11.4%
Final payments †, Δ	201,097,654	c, d	180,578,201		20,519,452	11.4%
Withholding	990,186,802	c, d	992,319,510		(2,132,709)	-0.2%
Refunds and Adjustments †	(292,440,673)	a, c	(299,941,279)		7,500,606	-2.5%
Total	\$ 1,111,696,059		\$ 1,063,951,589		\$ 47,744,470	4.5%

† Revised FY 2018 adopted revenues for personal income tax final payments and refunds and adjustments, business corporation taxes, sales and use taxes, and cigarettes taxes are calculated using modified cash based revenue flows to align expected revenues with the actual realization of revenues.

Δ Revised FY 2018 revenues for these revenue items are calculated using modified revenues flows to align expected revenues from the 2017 Tax Amnesty with the actual realization of these revenues.

+ Set equal to actual amounts received.

Detailed notes on the following page

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

- ^a Subtracts a net \$3,224,873 from personal income tax for transfers from business corporation tax to personal income tax in July, August, and November 2017 and a transfer from personal income tax to business corporation tax in January 2018 to correct for payments received in prior periods. Adds a net \$3,224,873 to business corporation tax for the offsetting transfers also completed in FY 2018.
- ^b Includes large estimated payment(s) of \$2.5 million received in September 2017.
- ^c Subtracts \$3,841,055 from personal income tax final payments and \$203,977 from personal income tax withholding payments for interest received from the 2017 Tax Amnesty deposits in December 2017 through March 2018. Adds back \$4,045,033 to personal income tax refunds and adjustments for the transfers of interest received from 2017 Tax Amnesty deposits in December 2017 through March 2018 to departmental receipts in January and April 2018. Departmental receipts includes \$6.6 million in 2017 Tax Amnesty interest collected from deposits in December 2017 through March 2018 and transferred in January and April 2018.
- ^d Subtracts \$12,263 from personal income tax final payments, \$628 from personal income tax withholding payments, \$2,256 from business corporation tax, and \$69 from sales and use tax for interest received from 2017 Tax Amnesty deposits in April 2018. Interest received in April 2018 from these deposits will be transferred to departmental receipts in June 2018.
- ^e Adds \$1,085,000 to business corporation tax for transfers from business corporation tax to financial institutions tax in November and December 2017 and March 2018. Subtracts \$1,085,000 from financial institutions tax for the offsetting transfers also completed in November and December 2017 and March 2018.
- ^f Subtracts \$982,471 from public utilities gross earnings tax, \$3,851,593 from insurance company gross premiums tax, and \$101,994 from bank deposits tax for overpayments of estimated payments that were made in March 2018 but should have been made in April 2018. Also, subtracts \$221,043 from public utilities gross earnings tax and \$706,992 from insurance company gross premiums tax for overpayments of estimated payments made in April 2018. These subtractions adjust actual estimated payments receipts to reflect the new quarterly estimated payments schedule that commenced in TY 2018. Under this schedule, estimated payments of 25 percent of expected tax liability are due in April, June, September, and December. For tax years prior to January 1, 2018, the estimated payments schedule was 40 percent of expected tax liability in March and 60 percent in June.
- ^g Subtracts \$1,297,387 for a reimbursed Historic Structures Tax Credit (HSTC) that was received in July 2017 and accrued back to FY 2017. Also, adds \$3,550,000 to insurance company gross premiums tax for HSTCs that were paid in April 2018 but not reimbursed.
- ^h Includes a \$500,000 audit recovery of prior year sales and use tax revenues received in September 2017.
- ⁱ Subtracts \$57,989,738 of large payment(s) received in July 2017 and accrued back to FY 2017. Includes \$14,299,841 in large payment(s) received in October 2017 and April 2018.
- ^j Adds \$82,858 in realty transfer tax revenues that are designated for the Housing Resources Commission. The amount reflects the difference between the June 2017 transfer that occurred in July 2017 and the April 2018 transfer that will occur in May 2018.
- ^k Subtracts \$160,081,690 in departmental receipts for hospital licensing fees received year-to-date that accrued back to FY 2017.
- ^l Subtracts \$330,239 for an early payment for board and support for the Rhode Island Veterans Home received in April 2018 instead of May 2018.
- ^m Subtracts \$1,910,826 in lottery transfer revenues that were received in October 2017 that were accrued back to FY 2017.

STATE OF RHODE ISLAND REVENUE ASSESSMENT REPORT
Monthly Estimate to Actual

	April Adjusted Revenues FY 2018		April Estimate of Revised FY 2018 Revenues †		Difference	Variance
Personal Income Tax †, Δ	\$ 178,879,892	a	\$ 174,696,238		\$ 4,183,653	2.4%
General Business Taxes						
Business Corporation †, Δ	7,232,324	a, b	20,151,221		(12,918,897)	-64.1%
Public Utilities Gross Earnings Δ	21,028,846	c	23,573,345		(2,544,499)	-10.8%
Financial Institutions Δ	8,267,331	b	3,425,930		4,841,401	141.3%
Insurance Company Δ	40,525,254	c, d	29,320,897		11,204,357	38.2%
Bank Deposits	466,383	c	593,287		(126,904)	-21.4%
Health Care Provider Assessment Δ	3,812,575		3,762,770		49,805	1.3%
Excise Taxes						
Sales and Use †, Δ	85,650,138	a, b	85,328,772		321,366	0.4%
Motor Vehicle License and Reg Fees	1,183,351		1,123,089		60,262	0.0%
Motor Carrier Fuel Use	-		-		-	n/a
Cigarettes †, Δ	11,494,660		10,956,643		538,017	4.9%
Alcohol	1,721,587		1,694,888		26,699	1.6%
Controlled Substances						
Other Taxes						
Estate and Transfer Δ	7,980,677	b, e	2,053,252		5,927,424	288.7%
Racing and Athletics	85,543		91,332		(5,789)	-6.3%
Realty Transfer	797,937	f	933,612		(135,675)	-14.5%
Total Taxes	\$ 369,126,497		\$ 357,705,276		\$ 11,421,221	3.2%
Departmental Receipts Δ	\$ 25,788,460	g, h	\$ 22,445,159		\$ 3,343,300	14.9%
Taxes and Departmentals	\$ 394,914,957		\$ 380,150,435		\$ 14,764,521	3.9%
Other General Revenue Sources						
Other Miscellaneous Revenues	134,807	+	134,807	+	-	0.0%
Lottery Transfer	34,851,111	i	33,766,993		1,084,118	3.2%
Unclaimed Property	-	+	-	+	-	n/a
Total Other Sources	\$ 34,985,918		\$ 33,901,800		\$ 1,084,118	3.2%
Total General Revenues	\$ 429,900,875		\$ 414,052,235		\$ 15,848,640	3.8%

PIT Component	April Adj. Revenues		April Revised Estimates		Difference	Variance
Estimated payments	\$ 31,122,538		\$ 31,588,504		\$ (465,965)	-1.5%
Final payments †, Δ	137,644,695	a	128,346,345		9,298,350	7.2%
Withholding	94,151,412	a	93,990,116		161,296	0.2%
Refunds and Adjustments †	(84,038,754)	b	(79,228,727)		(4,810,027)	6.1%
Total	\$ 178,879,892		\$ 174,696,238		\$ 4,183,653	2.4%

† Revised FY 2018 adopted revenues for personal income tax final payments and refunds and adjustments, business corporation taxes, sales and use taxes, and cigarettes taxes are calculated using modified revenue flows to align expected revenues with the actual realization of revenues.

Δ Revised FY 2018 revenues for these revenue items are calculated using modified revenues flows to align expected revenues from the 2017 Tax Amnesty with the actual realization of these revenues.

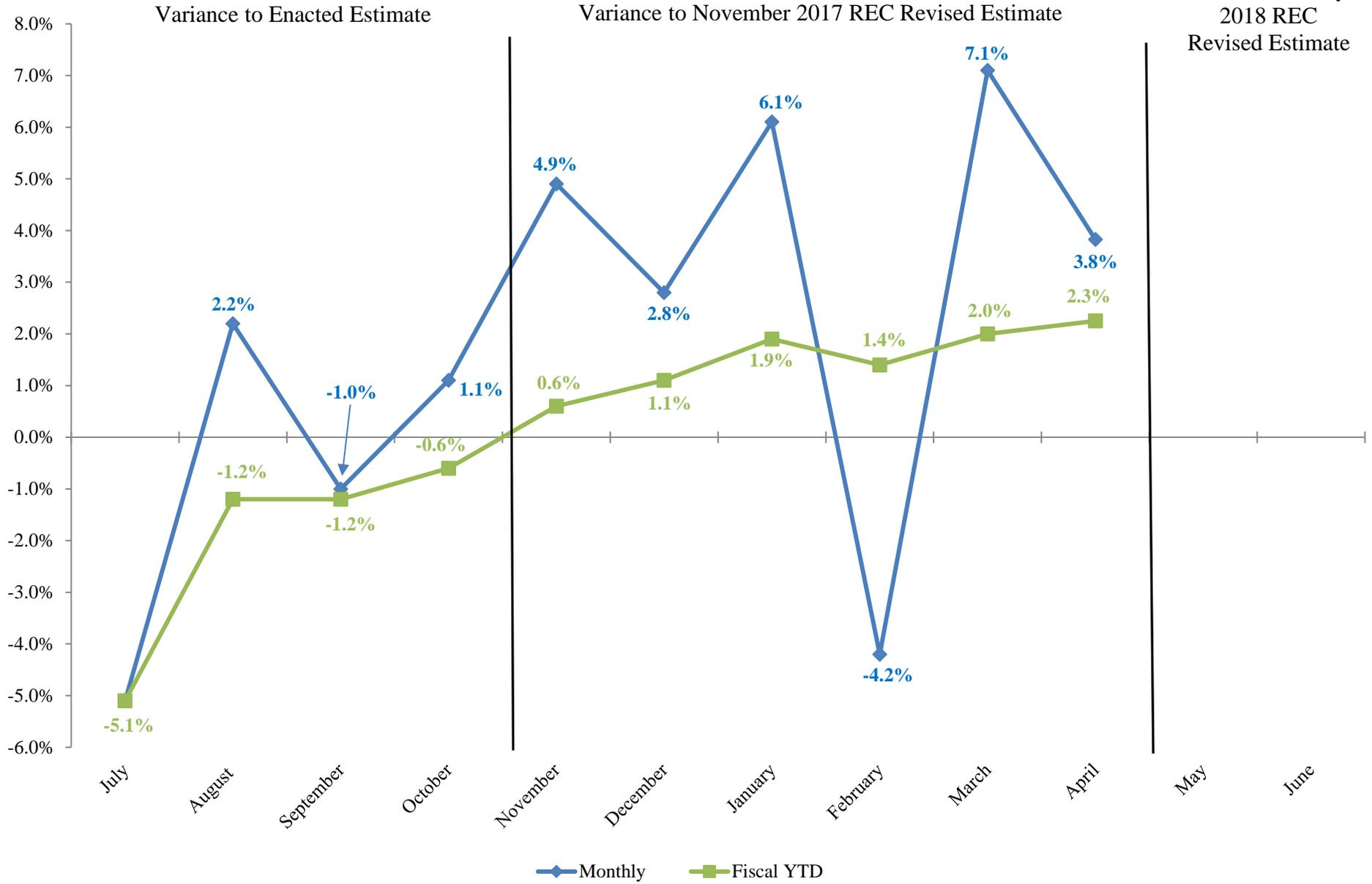
+ Set equal to actual amounts received.

Detailed notes on the following page

STATE OF RHODE ISLAND REVENUE ASSESSMENT REPORT
Monthly Estimate to Actual

- ^a Subtracts \$12,263 from personal income tax final payments, \$628 from personal income tax withholding payments, \$2,256 from business corporation tax, and \$69 from sales and use tax for interest received from 2017 Tax Amnesty deposits in April 2018. Interest received in April 2018 from these deposits will be transferred to departmental receipts in June 2018.
- ^b Adds back \$3,043,354 to personal income tax refunds and adjustments, \$572,309 to business corporation tax, \$923,288 to sales and use tax, and \$669,212 to estate and transfer tax for the the transfer of interest received from 2017 Tax Amnesty deposits in January through March 2018 to departmental receipts in April 2018. Departmental receipts includes \$5.2 million in 2017 Tax Amnesty interest collected from deposits in January 2018 through March 2018 and transferred in April 2018.
- ^c Adds \$777,666 to public utilities gross earnings tax, \$6,815,697 to insurance company gross premiums tax, and \$170,406 to bank deposits tax for payments that were made in March 2018 but should have been made in April 2018. Subtracts \$706,992 from insurance company gross premiums tax and \$221,043 from public utilities gross earnings tax for overpayments of estimated payments received in April 2018. These additions and subtractions adjust actual estimated payments receipts to reflect the new quarterly estimated payments schedule that commenced in TY 2018. Under this schedule, estimated payments of 25 percent of expected tax liability are due in April, June, September, and December. For tax years prior to January 1, 2018, the estimated payments schedule was 40 percent of expected tax liability in March and 60 percent in June.
- ^d Adds \$3,550,000 to insurance company gross premiums tax for Historic Structures Tax Credits that were paid in April 2018 but not reimbursed.
- ^e Includes \$5,068,504 in large payment(s) received in April 2018.
- ^f Subtracts \$15,663 in realty transfer tax revenues that are designated for the Housing Resources Commission. The amount reflects the difference between the March 2018 transfer that occurred in April 2018 and the April 2018 transfer that will occur in May 2018.
- ^g Subtracts \$1,090,393 of hospital licensing fee payments received in April 2018 but accrued back to FY 2017.
- ^h Subtracts \$330,239 for an early payment for board and support for the Rhode Island Veterans Home received in April 2018 instead of May 2018.
- ⁱ Adds \$20,100,000 of advance payments transferred from the Rhode Island Lottery that were included in March 2018.

FY 2018 Variance of Adjusted Revenues to Estimate



Law Changes Enacted in the 2017 Session That Impact General Revenues

In the 2017 session, and earlier sessions, the General Assembly enacted several changes to the state's general laws that impact general revenues. These changes can be categorized as follows: (1) changes that reclassify revenues that were previously considered to be general revenues to other funds; and (2) changes that impact FY 2018 general revenues that will be realized through monthly revenue flows. Those changes in state law that impact monthly revenue flows will generally exhibit seasonality in the receipt of the revenue. The Office of Revenue Analysis (ORA) attempts to model the seasonality in such revenue flows in order to better align the expected receipt of revenues with the actual receipt of revenues. A more specific discussion of these items is provided in Appendix B of this report.

Estimate of Revised FY 2018 Revenues

In order to determine the expected monthly and fiscal year-to-date revenue estimates based on the revised revenue estimates adopted at the November 2017 Revenue Estimating Conference, ORA first calculates the average percentage of total adjusted revenues that occurred in a given month over the previous five fiscal years for each revenue item.¹ For estate and transfer taxes, the previous ten fiscal years are used.² For monthly estimates, these percentages are applied to the revised FY 2018 revenue estimate for each revenue item. For the fiscal year-to-date estimates, the monthly percentages are summed and then applied to the revised FY 2018 revenue estimate for each revenue item. This methodology is used for all revenue items except for those revenue items impacted by the 2017 Tax Amnesty Act.³ For other miscellaneous revenues, the actual fiscal year-to-date revenues are used in place of an estimate due to the discrete and unpredictable nature in the timing of these receipts.

¹ The previous five fiscal years are FY 2013 through FY 2017. In the case of personal income tax refunds and adjustments revenues, FY 2011 through FY 2015 was used in computing the five fiscal year average percentage. These fiscal years were selected due to the impact on refund processing in FY 2016 and FY 2017 that resulted from the implementation of the new personal income tax system by the Division of Taxation.

For business corporation tax revenues, only FY 2017 was used to compute the fiscal year average percentage. The reason for this was two-fold. First, tax year 2016 was the first year for which the due date for final returns of C-corporations was shifted from three months after the close of the corporation's fiscal year (March for corporations with fiscal years that run from January through December) to four months after the close of the corporation's fiscal year (April for corporations with fiscal years that match the calendar year). Second, in the 2017 session, the General Assembly enacted a change in the timing and amount of estimated payments. For tax year 2018, C-corporations are required to make their first estimated payment by the 15th of the fourth month following the close of the corporation's fiscal year. In addition, all estimated payments made by C-corporations are to be equal to 25 percent of the corporation's expected TY 2018 liability. More details on this change are contained in the appendix.

² The previous ten fiscal years are FY 2008 through FY 2017.

³ The 2017 Tax Amnesty Act declared a tax amnesty from December 1, 2017 through February 15, 2018 for taxpayers with outstanding liabilities as of June 30, 2016, with all payments due by no later than March 31, 2018. The following revenue items were expected to be impacted by the 2017 Tax Amnesty Act: personal income tax final payments, sales and use tax, business corporation tax, public utilities gross earnings tax, financial institutions tax, insurance company gross premiums tax, the health care provider assessment, the estate and transfer tax, and the interest on overdue taxes portion of the fines and penalties component of departmental receipts.

Impact of 2017 Tax Amnesty on Expected Revenues

The revised FY 2018 revenue estimates adopted at the November 2017 Revenue Estimating Conference (REC) incorporate revenues attributable to the 2017 Tax Amnesty Act. The tax amnesty program began on December 1, 2017 and ran through February 15, 2018. The principals of the November 2017 REC did not formally adopt an estimate of tax amnesty revenues. ORA utilized the 2017 Tax Amnesty estimates totaling \$12.5 million that were enacted in the FY 2018 budget on August 3, 2017. For the revenue items expected to be impacted by the 2017 Tax Amnesty Act, the monthly percentage, or the sum of the monthly percentages, will be applied to the revised FY 2018 modified cash revenue flows as estimated by ORA, taking into account the periodicity of expected tax amnesty payments. Appendix A details the fiscal year-to-date and April 2018 tax amnesty estimates by revenue item compared to actual year-to-date and monthly tax amnesty deposits.

Table A provides the rounded five-year or ten-year, in the case of estate and transfer tax revenues, average percentages used to determine expected monthly and fiscal year-to-date revenues for April. It should be noted that ORA has made adjustments to these percentages based on the estimated flow of revenues that result from the changes in law enacted by the 2017 General Assembly and included as part of the revised FY 2018 revenue estimates adopted at the November 2017 REC.

Revenue Item	<u>Percent Received</u>		Revenue Item	<u>Percent Received</u>	
	Apr.	YTD		Apr.	YTD
Personal Income Taxes			Sales and Use Taxes	8.1 %	82.9 %
Estimated Payments	13.0 %	78.5 %	Motor Vehicles Fees	10.9 %	80.1 %
Final Payments	67.1 %	94.5 %	Cigarettes Taxes	7.7 %	82.3 %
Withholding Payments	7.9 %	83.5 %	Alcohol Excise Taxes	8.3 %	81.2 %
Refunds/Adjustments	23.6 %	89.5 %	Estate and Transfer	5.9 %	85.7 %
Business Corporation Taxes	13.3 %	66.8 %	Racing and Athletics	8.3 %	80.1 %
Utilities Gross Earnings Taxes	23.7 %	28.7 %	Realty Transfer	6.9 %	82.8 %
Financial Institutions Taxes	18.3 %	43.6 %	Departmental Receipts	10.9 %	78.3 %
Insurance Co. Gross Premiums	23.1 %	30.5 %	Lottery Transfer	9.2 %	74.2 %
Bank Deposits	22.0 %	27.9 %	Other Misc. Revenues	n/a	n/a
Health Care Provider Assessment	8.4 %	83.0 %	Unclaimed Property	0.0 %	0.0 %

The health care provider assessment consists only of an assessment on nursing homes. Motor vehicle fees are comprised of fees paid for operators' licenses and motor vehicle registrations. Racing and athletics taxes consist of a tax on wagers placed on out-of-state greyhound and horse races that are broadcast to Rhode Island via closed circuit television. 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. Finally, the lottery transfer does not begin in a given fiscal year until August, while the unclaimed property transfer occurs only in June of each fiscal year.

Due to the unusual characteristics of the enacted FY 2018 legislative changes for personal income tax final payments, personal income tax refunds and adjustments, business corporation tax, sales and use tax, cigarette excise tax revenues, and the 2017 Tax Amnesty, ORA had to adjust the revenue bases against which FY 2018 adjusted revenues would be assessed for these revenue items. In addition, previously enacted law changes, such as the exemption of up to \$15,000 of taxable pension and annuity income for certain taxpayers which passed in the 2016 session, will not flow through as revenues until later in FY 2018.⁴ As a result, ORA will use modified cash revenue flows for expected FY 2018 revenues for these revenue items to gauge the sufficiency of adjusted FY 2018 revenues in meeting estimated revenues. The footnotes to Table B detail the breakdown of modified cash revenue flows and accruals for each of these revenue items.

⁴ In the case of personal income tax final payments, the impact of the 2016 passage of the exemption of up to \$15,000 of taxable pension and annuity income for certain taxpayers will not be realized until March through June 2018. For personal income tax refunds and adjustments, the enactment of the increase in the state EIC from 12.5 percent to 15.0 percent of the federal EIC in the 2016 session will not be realized until February through June 2018. For business corporation tax revenues, the impact of the reduction in the business corporation minimum tax to \$400 by the 2016 General Assembly will not be realized until March through June 2018. In the case of sales and use tax revenues, the impact of the new non-collecting retailer reporting requirements are expected to be realized in September 2017 through June 2018. Finally, for cigarette excise tax revenues, the increase in the cigarette excise tax rate is expected to be realized in September 2017 through June 2018 while nearly all of the cigarette floor stock tax revenue is anticipated to be received in August and September 2017.

The revised FY 2018 estimates by revenue item as adopted at the November 2017 Revenue Estimating Conference are as follows:

Table B. FY 2018 Revised Revenue Estimates by Major Revenue Item			
Revenue Item	Nov. 2017 Revised FY 2018 Estimate	Revenue Item	Nov. 2017 Revised FY 2018 Estimate
Personal Income Taxes		Sales and Use Taxes ^{d,Δ}	\$ 1,053,000,000
Estimated Payments	\$ 243,300,000	Motor Vehicles Fees	10,300,000
Final Payments ^{a,Δ}	189,000,000	Cigarettes Taxes ^e	143,100,000
Withholding Payments	1,189,000,000	Alcohol Excise Taxes	20,300,000
Refunds/Adjustments ^b	(336,000,000)	Estate and Transfer ^Δ	39,400,000
Business Corporation Taxes ^{c,Δ}	151,200,000	Racing and Athletics	1,100,000
Public Utilities Gross Earnings ^Δ	94,500,000	Realty Transfer	13,500,000
Financial Institutions Taxes ^Δ	21,700,000	Departmental Receipts ^{‡, Δ}	387,000,000
Insurance Co. Gross Premiums ^Δ	127,000,000	Lottery	367,200,000
Bank Deposits	2,700,000	Other Misc. Revenues	37,900,000
Health Care Provider Assessment ^Δ	44,600,000	Unclaimed Property	10,600,000
		Total General Revenues *	\$ 3,824,400,000
[‡] Departmental receipts figure includes estimated hospital licensing fee revenues of \$181,954,861. These revenues will be booked as an accrual in June. * Total general revenues estimate includes the personal income tax net accrual of \$14,000,000.			

Notes to Table B:

^a Personal income tax final payments revenues estimate includes a projected revenue impact of \$(12,681,591) from the exemption of \$15,000 of taxable pension and annuity income for eligible taxpayers. The realization of this law change will not impact FY 2018 revenue flows until March 2018 through June 2018. The revised FY 2018 personal income tax final payments revenues estimate includes \$4,298,862 in revenues from the 2017 Tax Amnesty Act. The realization of these revenues is expected to occur unevenly in December 2017 through March 2018. For the period from July 2017 through November 2017, FY 2018 personal income tax final payments revenues will be assessed against a “base” FY 2018 revenue estimate of \$197,543,005. For the period from December 2017 through February 2018, FY 2018 personal income tax final payments revenues will be assessed against a “base” FY 2018 revenue estimate of \$200,608,971. Finally, for the period from March 2018 through June 2018, adjusted FY 2018 personal income tax final payments revenues will be assessed against a base of \$185,934,034. These “bases” will be used instead of the FY 2018 revised estimate.

^b Personal income tax refunds and adjustments revenues estimate includes a projected revenue impact of \$(5,344,652) from the enhanced Rhode Island earned income tax credit (EIC) at 15.0 percent. The realization of this revenue change will not impact FY 2018 revenue flows until the February 2018 through June 2018 period. As a result, ORA will assess adjusted FY 2018 personal income tax refunds and adjustments revenues against a “base” FY 2018 revenue estimate of \$(330,655,348) for the period of July

2017 through January 2018. For the period from February 2018 through June 2018, adjusted FY 2018 personal income tax refunds and adjustments revenues will be assessed against a base of \$(336,000,000).

^c Business corporation tax revenues estimate of \$151,200,000 includes a projected revenue impact of \$(3,158,696) from the reduction of the business corporation minimum tax to \$400 effective January 1, 2017. The realization of this revenue change is expected to impact FY 2018 revenue flows in March 2018. The revised estimate also includes \$6,696,000 of revenues from the transfer pricing audit project that is estimated to be realized from July 2017 through June 2018. As a result, ORA will assess adjusted FY 2018 revenues against a “base” revenue estimate of \$151,200,000 for March 2018 and a “base” FY 2018 revenue estimate of \$154,358,696 for the July 2017 through February 2018 period and the April through June 2018 period.

^d Sales and use tax revenues estimate of \$1,053,000,000 includes a projected revenue impact of \$19,740,302 from enactment of the non-collecting retailer reporting requirements included in the FY 2018 budget. The realization of this revenue will not impact FY 2018 revenues until September 2017 through June 2018. As a result, ORA will assess adjusted FY 2018 sales and use tax revenue flows against “base” sales and use tax revenues of \$1,029,287,557 for July and August 2017 and \$1,053,000,000 for September 2017 through June 2018.

^e Cigarettes tax revenues estimate of \$143,100,000 consists of an estimated \$134,200,000 of cigarette excise tax revenues and \$8,900,000 of other tobacco products tax revenues. The cigarette excise tax revenues estimate includes \$7,159,075 from the increase in the cigarette excise tax to \$4.25 per pack. Of this amount, \$1,028,208 is cigarette floor stock tax revenue, 96.9 percent of which is expected to be realized in August 2017. The remainder, \$6,130,867, is cigarette excise tax revenue that is expected to be realized in September 2017 through June 2018. As a result, ORA will assess total adjusted FY 2018 cigarettes tax revenues against “base” cigarettes tax revenues of \$127,040,925 in July 2017, a “base” of \$136,969,133 in August 2017, and a “base” of \$143,100,000 in September 2017 through June 2018.

^Δ 2017 Tax Amnesty revenues estimate of \$12,500,000 is distributed across numerous revenue items. The realization of these revenues is confined to the months of December 2017 through March 2018. Although the percentage of the total revenue that is collected in each month varies depending on the revenue item in question, ORA has made adjustments to each revenue item’s base in order to assess adjusted revenues consistent with the expected receipt of tax amnesty payments. Details on how much tax amnesty revenue is expected for the affected revenue items is contained in Appendix A.

Results for FY 2018 through April

The table, *Year-to-Date Estimate to Actual*, gives the results for FY 2018 through April. As is apparent from the table, the Department of Revenue finds that FY 2018 adjusted total general revenues through April led the revised FY 2018 adopted total general revenues estimate through April by \$62.3 million, a variance of 2.3 percent. In total taxes, fiscal year-to-date through April adjusted revenues were more than the revised FY 2018 year-to-date adopted revenue estimate by \$55.0 million, a surplus of 2.4 percent. For departmental receipts, FY 2018 through April adjusted revenues led the revised FY 2018 adopted fiscal year-to-date revenues estimate by \$7.8 million, a variance of 4.9 percent. For other general revenue sources, adjusted FY 2018 through April revenues were \$502,752, or 0.2 percent, less than the expected FY 2018 revised fiscal year-to-date revenues.

Six revenue items had adjusted revenues in FY 2018 through April that exceeded expected FY 2018 revenue estimates, based on the revenue estimates adopted at the November 2017 Revenue Estimating Conference, by more than \$1.0 million.

- Personal income tax adjusted revenues through April were \$47.7 million more than expected FY 2018 through April revised personal income tax revenues, a variance of 4.5 percent.
 - Personal income tax estimated payments adjusted year-to-date revenues were \$21.9 million, or 11.4 percent, above expected fiscal year-to-date personal income tax estimated payments revenues based on the FY 2018 revised estimate. Year-to-date adjusted personal income tax estimated payments revenues include large payment(s) of \$2.5 million received in September 2017.
 - Adjusted FY 2018 personal income tax final payments revenues through April were \$20.5 million, or 11.4 percent, more than expected fiscal year-to-date personal income tax final payments revenues based on the FY 2018 revised estimate. Adjusted FY 2018 personal income tax final payments revenues through April include \$4.3 million of reimbursed Historic Structures Tax Credits (HSTCs). Fiscal year-to-date personal income tax final payments adjusted revenues include \$6.8 million of tax amnesty deposits, \$2.5 million more than the year-to-date personal income tax final payments tax amnesty estimate of \$4.3 million.
 - Adjusted FY 2018 personal income tax refunds and adjustments revenues through April were \$7.5 million less than expected fiscal year-to-date personal income tax refunds and adjustments revenues based on the revised estimate adopted at the November 2017 Revenue Estimating Conference, a difference of -2.5 percent.
 - Adjusted FY 2018 personal income tax withholding payments revenues through April were \$2.1 million less than the \$992.3 million of expected FY 2018 personal income tax withholding payments revenues based on the revised estimate adopted at the November 2017 Revenue Estimated Conference, a variance of -0.2 percent. Fiscal year-to-date personal income tax withholding payments adjusted revenues include \$288,993 of tax amnesty deposits.
- Estate and transfer tax adjusted revenues in year-to-date FY 2018 were \$11.3 million, or 37.5 percent, more than expected year-to-date revised FY 2018 estate and transfer tax revenues. Included in year-to-date revenues are large payment(s) of \$14.3 million received in October 2017 and April 2018. Fiscal year-to-date estate and transfer tax adjusted revenues include \$1.4 million of tax amnesty deposits, which led the year-to-date enacted tax amnesty estimate for estate and transfer tax of \$274,677.
- Insurance company gross premiums tax adjusted revenues in year-to-date FY 2018 were \$10.2 million, or 26.4 percent, more than expected year-to-date revised FY 2018 insurance company gross premiums tax revenues. Adjusted FY 2018 insurance company gross premiums tax revenues through April include \$9.8 million of HSTCs. Fiscal year-to-date insurance company gross premiums tax adjusted revenues include \$68,341 of tax amnesty deposits, which led the year-to-date enacted tax amnesty estimate for insurance company gross premiums tax of \$95,106.
- Adjusted FY 2018 year-to-date departmental receipts adjusted revenues were \$7.8 million more than expected fiscal year-to-date departmental receipts based on the revised estimate, a difference of 4.9 percent. Fiscal year-to-date departmental receipts adjusted revenues include \$6.6 million of tax amnesty interest on overdue taxes deposits received in December 2017 through March 2018 and transferred to departmental receipts in January

and April 2018. The actual interest on overdue taxes transfer led the year-to-date enacted tax amnesty estimate for the transfer of interest on overdue taxes to departmental receipts of \$4.2 million.

- Adjusted FY 2018 year-to-date financial institutions tax adjusted revenues were \$5.2 million more than expected fiscal year-to-date financial institutions tax based on the revised estimate, a difference of 64.0 percent. Fiscal year-to-date financial institutions tax adjusted revenues include \$105,255 of tax amnesty deposits, which led the year-to-date enacted tax amnesty estimate for departmental receipts of \$35,012.
- Public utilities gross earnings tax adjusted revenues through April were \$2.9 million, or 10.1 percent, above FY 2018 through April expected public utilities gross earnings tax revised revenues. Fiscal year-to-date public utilities gross earnings tax adjusted revenues include \$160,961 of tax amnesty deposits, which trailed the year-to-date enacted tax amnesty estimate for public utilities gross earnings tax of \$332,745.

FY 2018 adjusted revenues through April for the cigarettes tax, bank deposits tax, and motor vehicle license and registration fees were above the expected FY 2018 through April adopted revenue estimates but by less than \$1.0 million.

On the negative side, two revenue items had adjusted revenues through April that fell short of the expected FY 2018 through April revised revenue estimates by \$1.0 million or more.

- Business corporation tax adjusted revenues in year-to-date FY 2018 were \$19.0 million below the expected FY 2018 through April revised revenues estimate of \$82.2 million, a variance of -18.7 percent. Fiscal year-to-date business corporation tax adjusted revenues include \$2.2 million of tax amnesty deposits, which led the year-to-date enacted tax amnesty estimate for business corporation tax of \$824,534.
- Adjusted FY 2018 year-to-date sales and use tax adjusted revenues were \$3.0 million less than expected fiscal year-to-date sales and use tax based on the revised estimate, a difference of -0.3 percent. Fiscal year-to-date sales and use tax adjusted revenues include \$3.7 million of tax amnesty deposits, which led the year-to-date enacted tax amnesty estimate for sales and use tax of \$2.3 million.

FY 2018 adjusted revenues through April for the lottery transfer, realty transfer tax, alcohol excise tax, healthcare provider assessment, and racing and athletics tax were below their expected FY 2018 through April adopted revenue estimates but by less than \$1.0 million each.

Results for the Month of April 2018

The table, *Monthly Estimate to Actual*, gives the results for April 2018. As is apparent from the table, the Department of Revenue finds that April adjusted total general revenues led the revised FY 2018 adopted total general revenues estimate for April by \$15.8 million, a variance of 3.8 percent. In total taxes, April adjusted revenues were more than the revised FY 2018 adopted monthly revenue estimate by \$11.4 million, a difference of 3.2 percent. For departmental receipts, April adjusted revenues were above the revised FY 2018 adopted monthly revenues estimate by \$3.3 million, or 14.9 percent. For other general revenue sources, adjusted FY 2018 monthly

revenues for April were \$1.1 million more than expected FY 2018 revised monthly revenues for April, a difference of 3.2 percent.

Six revenue items had adjusted revenues in April that exceeded the revised FY 2018 adopted monthly estimates by \$1.0 million or more.

- April insurance company gross premiums tax adjusted revenues were \$11.2 million above expected monthly insurance company gross premiums tax revised revenues for April, a difference of 38.2 percent. Adjusted April insurance company gross premiums tax revenues include \$8.5 million of Historic Structures Tax Credits.
- April estate and transfer tax adjusted revenues were \$5.9 million, or 288.7 percent, more than expected FY 2018 revised monthly estate and transfer tax revenues of \$2.1 million. Included in April 2018 estate and transfer tax adjusted revenues are large payment(s) of \$5.1 million.
- April financial institutions tax adjusted revenues were \$4.8 million, or 141.3 percent, more than expected FY 2018 revised monthly financial institutions tax revenues of \$3.4 million.
- Personal income tax adjusted revenues for April were \$4.2 million more than the expected FY 2018 revised monthly revenues estimate, a variance of 2.4 percent.
 - April personal income tax final payments revenues were \$9.3 million above expected April personal income tax final payments revised revenues. April adjusted personal income tax final payments revenues include \$232,846 of reimbursed HSTC redemptions. April personal income tax final payments adjusted revenues also include \$55,873 of tax amnesty deposits.
 - April personal income tax withholding payments adjusted revenues were \$161,296 more than expected FY 2018 revised monthly revenues, a difference of 0.2 percent. April personal income tax withholding payments adjusted revenues include \$91 of tax amnesty deposits.
 - Personal income tax refunds and adjustments revenues for April were \$4.8 million more than expected monthly personal income tax refunds and adjustments revenues, based on the estimate adopted at the November 2017 Revenue Estimating Conference, a variance of 6.1 percent.
 - Personal income tax estimated payments adjusted revenues for April were \$465,965, or 1.5 percent, below the expected revised revenues for April of \$31.6 million.
- April departmental receipts adjusted revenues were \$3.3 million, or 14.9 percent, more than expected FY 2018 revised monthly departmental receipts revenues of \$22.4 million.
- April lottery transfer adjusted revenues were \$1.1 million above expected monthly lottery transfer revised revenues for April, a difference of 3.2 percent.

April 2018 adjusted revenues for cigarettes tax, sales and use tax, motor vehicle license and registration fees, healthcare provider assessment, and alcohol excise tax were above the expected FY 2018 revised monthly revenue estimates for April, but by less than \$1.0 million each.

On the negative side, two revenue items had adjusted revenues in April that fell short of the expected FY 2018 revised monthly revenues estimates by \$1.0 million or more.

- April adjusted revenues for business corporation tax were \$12.9 million below expected monthly business corporation tax revenues for April, a difference of -64.1 percent. April adjusted revenues include \$9,859 of tax amnesty deposits.
- April public utilities gross earnings tax adjusted revenues were \$2.5 million below expected monthly public utilities gross earnings tax revised revenues for April, a difference of -10.8 percent. It should be noted that April 2018 public utilities gross earnings tax adjusted revenues do not include an estimated \$5.3 million in final payments that were received in March 2018 but expected to be received in April 2018.

April 2018 adjusted revenues for the realty transfer tax, bank deposits tax, and racing and athletics tax were below the expected FY 2018 revised monthly revenue estimates for April, but by less than \$1.0 million each.



Mark A. Furcolo, Director
Department of Revenue
May 8, 2018

Appendix A: 2017 Tax Amnesty

The enacted FY 2018 budget provides for a tax amnesty for taxpayers delinquent on any Rhode Island taxes during the period from December 1, 2017 through February 15, 2018 with all payments due by March 31, 2018. The amnesty applies to any taxable period ending on or before December 31, 2016. For taxpayers whose amnesty applications are accepted, the Tax Administrator generally will not seek civil or criminal prosecution of the taxpayer, will waive penalties, and will reduce the applicable interest rate by 25 percent. The estimated impact of the tax amnesty on all taxes is \$12.5 million broken down as follows: personal income tax final payments revenues, \$4.3 million; business corporation tax revenues, \$824,534; public utilities gross earnings tax revenues, \$332,745; financial institutions tax revenues, \$35,012; insurance company gross premiums tax revenues, \$95,106; health care provider assessment revenues, \$102,421; sales and use tax revenues, \$2,306,641; cigarettes tax revenues, \$15,597; estate and transfer tax revenues, \$274,677; and departmental receipts revenues (where interest on overdue taxes is recorded), \$4,214,405. Given the timeframe associated with the tax amnesty, ORA has adjusted the July 2017 through November 2017 and the April 2018 through June 2018 revenue flows to reflect the lower expected revenues flows for each of these revenues items for these periods. The *2017 Tax Amnesty Estimate to Actual* tables compare the fiscal year-to-date and April 2018 ORA estimates to the fiscal year-to-date and April 2018 actual deposits.⁵

2017 Tax Amnesty Estimate to Actual: FY 2018 YTD

Revenue Items	FY 2018 YTD ORA Estimate	FY 2018 YTD Actual Deposits *	FY 2018 YTD Difference ORA to Actual
Personal Income Tax	\$ 4,298,862	\$ 7,129,316	\$ 2,830,454
Business Corporation Tax	824,534	2,212,181	1,387,647
Public Utilities Gross Earnings Tax	332,745	160,961	(171,784)
Financial Institutions Tax	35,012	105,255	70,243
Insurance Company Tax	95,106	68,341	(26,765)
Health Care Provider Assessment	102,421	966	(101,455)
Sales and Use Tax	2,306,641	3,675,533	1,368,892
Cigarettes Tax	15,597	23,594	7,997
Estate and Transfer Tax	274,677	1,427,083	1,152,406
Departmental Receipts (includes Tax Amnesty interest)	4,214,405	6,648,940	2,434,535
Other taxes not included in general revenues	-	243,035	-
Total Tax Amnesty General Revenues	\$ 12,500,000	\$ 21,452,170	\$ 8,952,170

* FY 2018 YTD Actual Revenues include \$6.6 million in interest received in December 2017 through March 2018 from the 2017 Tax Amnesty program from personal income tax, business corporation tax, sales and use tax, and estate and transfer tax that was transferred to departmental receipts in January and April 2018. FY 2018 YTD Actual Revenues do not include \$15,217 in interest received in April 2018

⁵ The Division of Taxation published a report on the 2017 Tax Amnesty program in April 2018 that details Tax Amnesty revenues, by revenue item, net of adjustments.

from the 2017 Tax Amnesty program from the above revenue items that will be transferred to departmental receipts in June 2018.

2017 Tax Amnesty Estimate to Actual: April 2018

Revenue Items	April ORA Estimate	April Actual Deposits	April Difference ORA to Actual
Personal Income Tax	\$ -	\$ 55,965	\$ 55,965
Business Corporation Tax	-	9,859	9,859
Sales and Use Tax	-	72	72
Total Tax Amnesty General Revenues	\$ -	\$ 127,468	\$ 127,468

^ April 2018 Actual Revenues do not include \$15,217 in interest received from the 2017 Tax Amnesty from personal income tax, business corporation tax, and sales and use tax that will be transferred to departmental receipts in June 2018.

Appendix B: Law Changes Enacted in the 2017 Session of the General Assembly

Revenue Changes That Reclassify General Revenues

In the 2014 session, the General Assembly passed legislation that reclassified 100.0 percent of all motor vehicle operator license and vehicle registration fees from general revenues to other funds, effective July 1, 2017. In the 2017 session, the General Assembly reduced the reclassification from 100.0 percent to 80.0 percent. The delay in the reclassification of these general revenue flows increases general revenue flows by an estimated \$9.36 million in FY 2018. This increase in general revenue is included in the revised FY 2018 estimate of motor vehicle license and registration fees.

In the 2016 session, the General Assembly transferred from general revenues to restricted receipts the registration fees of medical marijuana patients and medical marijuana caregivers effective July 1, 2016. In the 2017 session, the General Assembly transferred back to general revenues the amount of registration and plant tag fees paid by medical marijuana patients and caregivers in excess of the cost to administer the state's medical marijuana program. The estimated revenues to be transferred total \$670,641. This increase in general revenue is included in the revised FY 2018 estimate of other miscellaneous revenues.

The 2017 General Assembly reclassified the rental fees paid for the use of the Eisenhower House in Newport as restricted receipts. The effect of this reclassification is to reduce FY 2018 expected departmental receipts revenues by \$153,500. The realization of this revenue decrease is expected to be the same as departmental receipts revenues in general.

Revenue Changes That Will Be Realized Through Monthly Revenue Flows

Personal Income Tax

In the 2016 session, the General Assembly enacted legislation that restructured the state's earned income credit (EIC). For tax years beginning on or after January 1, 2017, the state EIC is equal to 15.0 percent of the federal EIC claimed by a taxpayer with the amount of the state EIC greater than the taxpayer's state personal income tax liability fully refundable. Since TY 2017 personal income tax returns will not be filed until after January 1, 2018, most of the \$(5.3 million) impact from this law change is expected to be reflected in FY 2018 personal income tax refund revenue flows beginning in February. As a result, personal income tax refund revenue flows will be higher than the revised personal income tax refunds and adjustments estimate for the period of July 2017 through January 2018. ORA has adjusted the July 2017 through January 2018 personal income tax refunds and adjustments revenue flows to reflect the higher expected revenues for this period.

Further, the 2016 General Assembly enacted legislation that exempts from state personal income taxes the first \$15,000 of taxable pension and annuity income, as reported on line 16 of Internal Revenue Service form 1040, for taxpayers with federal adjusted gross income in 2016 dollars of \$80,000 or less if filing as an individual or \$100,000 or less if filing a joint return. This exemption is provided only to those taxpayers that have reached full Social Security retirement age.⁶ Since TY 2017 personal income tax returns will not be filed until after January 1, 2018, most of the \$(12.7 million) impact from this law change is expected to be reflected in FY 2018 personal income tax final payments beginning in March. As a result, personal income tax final payments revenue flows will be higher than FY 2018 revised personal income tax final payments revenues for the period July 2017 through February 2018. ORA has adjusted the July 2017 through February 2018 personal income tax final payments revenue flows to reflect the higher expected revenues for this period.

The 2017 General Assembly also enacted legislation to allow the use of carryforward amounts of historic homeownership tax credits against personal income tax liabilities effective for tax years beginning on or after January 1, 2017.⁷ Since TY 2017 personal income tax returns will not be filed until after January 1, 2018, most of the \$(160,276) impact from this law change is expected to be reflected in FY 2018 personal income tax final payments beginning in March. As a result, personal income tax final payments revenue flows will be higher than FY 2018 revised personal income tax final payments revenues for the period July 2017 through February 2018. ORA has adjusted the July 2017 through February 2018 personal income tax final payments revenue flows to reflect the higher expected revenues for this period.

Finally, the 2017 General Assembly added two data analyst and two revenue officer positions to the Division of Taxation in FY 2018. The expected FY 2018 personal income tax final payments revenue impact of this law change is \$750,000. The revenue flows from the addition of these four

⁶ For TY 2017, persons born before 1952 will be eligible for a modification reducing federal Adjusted Gross Income subject to Rhode Island income tax.

⁷ In the 2010 session, the General Assembly prohibited the use of historic homeownership tax credits, as well as approximately 40 other personal income tax credits, as part of the reform of the personal income tax system effective for tax years beginning on or after January 1, 2011.

employees is expected to be realized completely during FY 2018 and in accordance to the general flow of revenues for this revenue item.

Business Corporation Tax

In the 2016 session, the General Assembly enacted into law a reduction in the annual corporate minimum tax paid by subchapter S corporations, limited liability companies, limited partnerships, limited liability partnerships, and some subchapter C corporations to \$400 effective for tax years beginning on or after January 1, 2017. Minimum corporate tax filers that have January to December taxable years are required to pay the minimum tax by March 15th of the following calendar year. For calendar year minimum corporate tax filers, final TY 2017 returns are due March 15, 2018. Thus, most of this \$(3.2 million) revenue change is expected to be realized in FY 2018 revenue flows, but not until March. ORA has adjusted the July 2017 through February 2018 and April through June 2018 business corporation tax revenue flows to reflect the higher expected revenues for these periods.

The 2016 General Assembly approved the Governor's proposal to have the Division of Taxation undertake a transfer pricing audit project, which is expected to increase business corporation tax revenues by \$6,696,000 in FY 2017. Due to the slow implementation of this project, the expected revenue impact was shifted from FY 2017 to FY 2018. The revenue flows from the implementation of this project is expected to be realized completely during FY 2018 and is assumed to be realized in equal monthly amounts over the fiscal year.

In the 2017 session, the General Assembly enacted legislation that added two data analyst and two revenue officer positions to the Division of Taxation in FY 2018. The expected FY 2018 business corporation tax revenue impact is \$500,000. The revenue flows from the addition of these four employees is expected to be realized completely during FY 2018 and in accordance to the general flow of revenues for this revenue item.

Sales and Use Tax

In the 2017 Session, the General Assembly passed legislation to require non-collecting retailers to either register with the Division of Taxation and begin collecting and remitting sales tax on sales into the state even if said non-collecting retailer lacks physical nexus in Rhode Island or to meet the following reporting requirements when making sales to a Rhode Island based customer:

- Post a specific notice on the website of the non-collecting retailer;
- Provide a notice at checkout that the purchases made may be subject to Rhode Island use tax;
- Provide a follow-up notice to the purchaser within 48 hours notifying said purchaser that the purchases previously made may be subject to Rhode Island use tax; and
- Send, by January 31st, to any customer who has made \$100 or more in cumulative annual purchases in the previous calendar year from the non-collecting retailer a list of the purchases made and the amount of use tax owed on these purchases.

The expected FY 2018 sales and use tax revenue impact from this new reporting requirement is \$19.7 million. ORA has assumed that revenues from this change will not be realized until the

September 2017 through June 2018 period and has adjusted the July and August 2017 sales and use tax revenue flows to reflect the higher expected revenues for this period.

The 2017 General Assembly also enacted legislation to assess the 7.0 percent use tax on the document fees associated with the purchase of a new motor vehicle. (This practice occurs in both Connecticut and Massachusetts.) The expected FY 2018 sales and use tax revenue impact from this broadening of the use tax base, as it pertains to motor vehicles, is \$1.8 million. The revenue flows from this use tax base expansion are expected to be completely realized during FY 2018 and in accordance to the flow of registry receipts.⁸

In the 2017 session, the General Assembly passed legislation that added two data analyst and two revenue officer positions to the Division of Taxation in FY 2018. The expected FY 2018 sales and use tax revenue impact is \$750,000. The revenue flows from the addition of these four employees is expected to be realized completely during FY 2018 and in accordance to the general flow of revenues for this revenue item.

Finally, the 2017 General Assembly enacted an increase in the cigarette excise tax from \$3.75 per pack of 20 cigarettes to \$4.25 per pack of 20 cigarettes. This increase in the cigarette excise tax is projected to increase the final price of a pack of cigarettes, after all markups and application of the sales tax, by 6.1 percent reducing the overall sales of cigarettes by 2.1 million packs. The decrease in the packs of cigarettes sold in Rhode Island is expected to decrease sales and use tax revenues by \$134,500. The realization of this decrease in sales and use tax revenue flows is not expected to occur until the September 2017 through June 2018 period. As a result, ORA has adjusted the July and August 2017 sales and use tax revenue flows to reflect the lower expected revenues for this period.

Motor Vehicle License and Registration Fees

The 2016 General Assembly passed a law reducing the registration fees that owners of trucks with gross vehicle weights of 10,000 lbs. or more would pay effective July 1, 2017. The 2017 General Assembly reversed this law and held the registration fees paid by such trucks constant at the level in effect prior to July 1, 2017. The impact of this change is expected to increase projected FY 2018 truck registration fees by \$4.2 million, 20 percent of which, or \$840,000, is to be retained as general revenues (see above). The revenue flows from the repeal of the reduction in truck registration fees are expected to be completely realized during FY 2018 and in accordance to the flow of motor vehicle license and registration fees.

In the 2017 session, the General Assembly enacted legislation eliminating the refund of motor vehicle registration fees for motor vehicles that pay registration fees biennially and have more than one year of a valid registration remaining when the vehicle's Rhode Island registration is ended. The impact of this change is to increase expected FY 2018 motor vehicle license and registration fees by \$539,000, 20 percent of which, or \$107,800, is to be retained as general revenues (see

⁸ The Division of Taxation reports the use tax generated from the purchase of new and pre-owned motor vehicles on a separate basis each month. ORA calculated the five fiscal year average of these registry receipts for the period FY 2013 through FY 2017 by month and used these percentages to allocate the receipt of the use tax on automobile document fees throughout FY 2018.

above). The revenue flows from the elimination of registration refunds is projected to be completely realized during FY 2018 and in accordance to the flow of motor vehicle license and registration fees.

Cigarettes Tax

The 2017 General Assembly enacted an increase in the cigarette excise tax from \$3.75 per pack of 20 cigarettes to \$4.25 per pack of 20 cigarettes. This increase in the cigarette excise tax is projected to increase revenues from cigarette excise taxes by \$7,159,075 (adjusted for delay in implementation from August 1, 2017 to August 16, 2017 as a result of the late passage of the budget on August 3, 2017). Of this amount, \$1,028,208 is cigarette excise tax floor stock revenue of \$0.50 per pack for all cigarettes held in stock by distributors and dealers as of 12:01 AM on August 16, 2017. Based on the cigarette excise tax increase enacted for FY 2016, it is expected that 96.9 percent of this revenue will be received in August. The rest of the revenue is cigarette excise tax revenue that is generated when distributors replenish depleted cigarette stocks and purchase cigarette excise tax stamps at a cost of \$4.25 each. This revenue is expected to be realized in the September 2017 through June 2018 period. Cigarette excise tax revenues for July 2017 and September 2017 through June 2018 have been adjusted to reflect the lower revenue flows from the cigarette floor stock tax for these periods. Cigarette excise tax revenues for July and August 2017 have been adjusted to reflect the lower revenue flows from the cigarette excise tax for these two months.

Departmental Receipts

The 2017 General Assembly passed legislation that impacted the FY 2018 revenue flows for a number of departmental receipts items. These items include increasing various fines and penalties administered by the Department of Labor and Training to increase revenues by \$650,000; delaying the issuance of new motor vehicle license plates to April 2018 reducing sales from motor vehicle license plates by \$3.0 million; the Office of the Attorney General receiving increased lawsuit settlement payments of \$580,000; and increased indirect cost recovery receipts of \$60,000 from the creation of an e-procurement restricted receipt account. The monthly distribution of all of these revenue flows are expected to be the same as departmental receipts revenues in general.

Other Miscellaneous Revenues

In the 2017 Session, the General Assembly increased FY 2018 other miscellaneous revenues by \$29.2 million. This increased revenue consists of \$29.0 million in transfers of excess reserves from various quasi-public state agencies or programs mandated by state law. The remaining \$160,380 reflects an increase in the rent charged the Public Utilities Commission for the building it occupies on Jefferson Boulevard in Warwick. The monthly distribution of these revenue flows will be recorded as they are received.