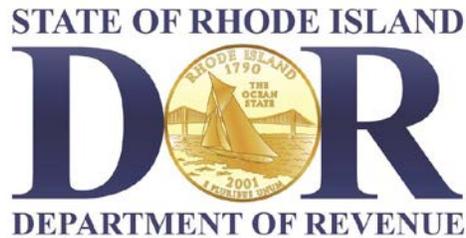


STATE OF RHODE ISLAND  
GOVERNOR GINA M. RAIMONDO



Office of Revenue Analysis

State of Rhode Island Revenue Assessment Report  
FY 2020 Monthly and Year-to-Date as of May 2020

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.*

The May monthly revenue assessment report is the only report that compares adjusted revenues to expected revenues based on the revised revenue estimates adopted at the May 2020 REC. The principals of the May 2020 REC decreased FY 2020 estimated total general revenues by \$280.9 million. Major revisions were made to personal income tax revenues, \$(82.9 million); sales and use tax revenues, \$(63.1 million); and the lottery transfer, \$(108.5 million). The May 2020 REC estimates reflect the impact of the COVID-19 pandemic on estimated state revenues. There is no Revenue Assessment Report issued for the month of June. Instead, a Special Report on Preliminary Revenues for FY 2020 will be prepared and issued in September 2020.

Year-to-Date Estimate to Actual

|                                      | YTD May<br>Adjusted Revenues<br>FY 2020 |       | YTD May<br>Estimate of Revised<br>FY 2020 Revenues † |   | Difference            | Variance     |
|--------------------------------------|---|-------|--|---|-----------------------|--------------|
| <b>Personal Income Tax ‡</b>         | \$ 1,164,571,621                        | a,b,c | \$ 1,158,457,333                                     |   | \$ 6,114,288          | 0.5%         |
| <b>General Business Taxes</b>        |   |       |  |   |                       |              |
| Business Corporation ‡               | 109,246,705                             | d     | 108,918,833  |   | 327,872               | 0.3%         |
| Public Utilities Gross Earnings ‡    | 74,622,346                              | e     | 74,771,340   |   | (148,994)             | -0.2%        |
| Financial Institutions ‡             | 39,722,607                              | f     | 39,649,651   |   | 72,956                | 0.2%         |
| Insurance Company Gross Premiums ‡   | 93,746,792                              |       | 96,421,920   |   | (2,675,129)           | -2.8%        |
| Bank Deposits ‡                      | 2,697,591                               | g     | 2,694,266  |   | 3,325                 | 0.1%         |
| Health Care Provider Assessment      | 38,660,393                              |       | 38,179,779   |   | 480,614               | 1.3%         |
| <b>Excise Taxes</b>                  |   |       |  |   |                       |              |
| Sales and Use ◊                      | 1,059,177,809                           | e, h  | 1,052,216,682  |   | 6,961,127             | 0.7%         |
| Motor Vehicle License and Reg Fees   | 1,023,825                               |       | 1,001,086  |   | 22,739                | 2.3%         |
| Cigarettes                           | 123,923,073                             |       | 125,303,035  |   | (1,379,962)           | -1.1%        |
| Alcohol                              | 18,753,086                              |       | 18,293,958   |   | 459,128               | 2.5%         |
| Controlled Substances                | 5,421                                   |       | 5,421  | + | -                     | 0.0%         |
| <b>Other Taxes</b>                   |   |       |  |   |                       |              |
| Estate and Transfer                  | 54,540,179                              | i     | 55,859,731   |   | (1,319,552)           | -2.4%        |
| Racing and Athletics                 | 845,141                                 |       | 845,141  |   | -                     | 0.0%         |
| Realty Transfer                      | 12,724,499                              | j     | 13,279,539   |   | (555,039)             | -4.2%        |
| <b>Total Taxes</b>                   | <b>\$ 2,794,261,088</b>                 |       | <b>\$ 2,785,897,714</b>                              |   | <b>\$ 8,363,374</b>   | <b>0.3%</b>  |
| <b>Departmental Receipts †</b>       | <b>\$ 211,571,502</b>                   | k, l  | <b>\$ 213,997,311</b>                                |   | <b>\$ (2,425,809)</b> | <b>-1.1%</b> |
| <b>Taxes and Departmentals</b>       | <b>\$ 3,005,832,590</b>                 |       | <b>\$ 2,999,895,025</b>                              |   | <b>\$ 5,937,565</b>   | <b>0.2%</b>  |
| <b>Other General Revenue Sources</b> |   |       |  |   |                       |              |
| Other Miscellaneous Revenues         | 15,450,326                              | +     | 15,450,326   | + | -                     | 0.0%         |
| Lottery Transfer Δ                   | 267,731,630                             | m     | 267,906,480  |   | (174,850)             | -0.1%        |
| Unclaimed Property                   | -                                       | +     | -  | + | -                     | n/a          |
| <b>Total Other Sources</b>           | <b>\$ 283,181,956</b>                   |       | <b>\$ 283,356,806</b>                                |   | <b>\$ (174,850)</b>   | <b>-0.1%</b> |
| <b>Total General Revenues</b>        | <b>\$ 3,289,014,546</b>                 |       | <b>\$ 3,283,251,831</b>                              |   | <b>\$ 5,762,715</b>   | <b>0.2%</b>  |

| PIT Component             | YTD May<br>Adj. Revenues |         | YTD May<br>Revised Estimates |  | Difference          | Variance    |
|---------------------------|--------------------------|---------|------------------------------|--|---------------------|-------------|
| Estimated payments ‡      | \$ 182,275,274           | a       | \$ 178,338,220               |  | \$ 3,937,054        | 2.2%        |
| Final payments ‡          | 165,085,828              | c       | 162,493,698                  |  | 2,592,130           | 1.6%        |
| Withholding               | 1,149,413,142            | b       | 1,146,295,423                |  | 3,117,719           | 0.3%        |
| Refunds and Adjustments ‡ | (332,202,623)            | a, b, c | (328,670,007)                |  | (3,532,616)         | 1.1%        |
| <b>Total</b>              | <b>\$ 1,164,571,621</b>  |         | <b>\$ 1,158,457,333</b>      |  | <b>\$ 6,114,288</b> | <b>0.5%</b> |

‡ On March 20, 2020, the United States Treasury and Governor Raimondo extended the payment and filing due date for personal income tax and most general business taxes estimated and final payments from April 15, 2020 to July 15, 2020.

† Revised FY 2020 estimated revenues for departmental receipts are calculated using modified revenue flows to align expected revenues with the actual realization of revenues.

◊ On March 17, 2020, Governor Raimondo halted dine-in meal and beverage service at restaurants and bars. On March 28, 2020, Governor Raimondo issued a "stay-at-home" order and closed all non-essential retail and service businesses. Certain non-critical retail businesses were allowed a limited reopening beginning May 9, 2020 and restaurants were allowed limited patio seating beginning on May 18, 2020.

Δ The Twin River Casino Hotel and the Tiverton Casino Hotel were closed at 12:00 AM on March 14, 2020. In addition, all major sports cancelled or suspended play on March 11, 2020.

+ 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**

- <sup>a</sup> Personal income tax estimated payments do not include payments of \$1,093,109 received in October and September 2019 that were paid to business corporation tax. Personal income tax refunds and adjustments include net adjustments between personal income tax and business corporation tax of \$6,287,206 for payments received in FY 2017-FY 2020. Personal income tax refunds and adjustments also include an adjustment of \$122,500 for transfer(s) from sales and use tax.
- <sup>b</sup> Personal income tax withholding payments include an adjustment of \$(1,338,404) to reclassify payments received in September 2018 and January 2019 as personal income tax estimated payments. Personal income tax refunds and adjustments include an offsetting adjustment of \$1,338,404. Also, personal income tax withholding payments do not include payments of \$120,643 received in January 2019 that were paid to business corporation tax. The offsetting adjustments for these payment(s) are included in refunds/adjustments.
- <sup>c</sup> Personal income tax final payments do not include payment(s) of \$1,150,326 received in prior periods that were paid to business corporation tax. The offsetting adjustments for these payment(s) are included in refunds/adjustments. Added to final payments is \$46.9 million for pass-through entity tax payments received in September 2019-May 2020.
- <sup>d</sup> Business corporation tax includes net adjustments of \$(4,643,771) for payments received in FY 2017-FY 2019. Subtracts \$46.9 million for pass-through entity tax payments received in September 2019-May 2020.
- <sup>e</sup> Public utilities gross earnings tax includes a transfer from sales and use tax of \$1,590,000 for payment(s) received in June 2019. Sales and use tax includes the offsetting adjustment of \$(1,590,000).
- <sup>f</sup> Includes \$10.0 million in reimbursed Historic Structures Tax Credits received in February 2020. Also includes large estimated payment(s) of \$15.0 million received in March 2020.
- <sup>g</sup> Subtracts \$262,500 for estimated payment(s) received in July 2019 but accrued back to FY 2019.
- <sup>h</sup> Includes a \$(112,500) adjustment for transfer(s) to personal income tax for payment(s) received in January 2019. Also includes an adjustment of \$120,877 for transfer(s) from departmental receipts licenses and fees for payment(s) received in March 2020. Includes a transfer of \$909,974 from meals and beverage tax for payment(s) received in prior periods.
- <sup>i</sup> Includes infrequently occurring, large payment(s) of \$25.8 million.
- <sup>j</sup> Subtracts \$254,906 in funds that are designated to the Housing Resources Commission. The amount reflects the May 2020 transfer that will occur in June 2020.
- <sup>k</sup> Subtracts \$173,957,413 of hospital licensing fee payments received in FY 2020 year-to-date but accrued back to FY 2019. An adjustment of \$(120,877) is also included for transfer(s) to sales and use tax for payment(s) received in March 2020.
- <sup>l</sup> Subtracts \$356,679 for board and support payment(s) to the Rhode Island Veterans Home that were received in May but expected to be received in June.
- <sup>m</sup> Subtracts \$2.0 million of revenues that were transferred in October 2019 but accrued back to FY 2019.

**FY 2020 STATE OF RHODE ISLAND REVENUE ASSESSMENT REPORT**  
**Monthly Estimate to Actual**

|                                      | May 2020<br>Adjusted Revenues<br>FY 2020 |   | May 2020<br>Estimate of Revised<br>FY 2020 Revenues † | Difference          | Variance     |
|--------------------------------------|--|---|---|---------------------|--------------|
| <b>Personal Income Tax ‡</b>         | \$ 82,388,850                            | a | \$ 76,274,562   | \$ 6,114,288        | 8.0%         |
| <b>General Business Taxes</b>        |  |   |   |                     |              |
| Business Corporation ‡               | 2,989,433                                | b | 2,661,561   | 327,872             | 12.3%        |
| Public Utilities Gross Earnings ‡    | 48,331                                   |   | 197,325   | (148,994)           | -75.5%       |
| Financial Institutions ‡             | 76,712                                   |   | 3,756   | 72,956              | 1,942.5%     |
| Insurance Company Gross Premiums ‡   | 492,123                                  |   | 3,167,252   | (2,675,129)         | -84.5%       |
| Bank Deposits ‡                      | 3,032                                    |   | (293)   | 3,325               | -1,133.9%    |
| Health Care Provider Assessment      | 3,955,835                                |   | 3,475,221   | 480,614             | 13.8%        |
| <b>Excise Taxes</b>                  |  |   |   |                     |              |
| Sales and Use ◇                      | 76,088,086                               | c | 69,126,960  | 6,961,126           | 10.1%        |
| Motor Vehicle License and Reg Fees   | 21,650                                   |   | (1,089)   | 22,739              | -2,087.6%    |
| Cigarettes                           | 10,227,858                               |   | 11,607,820  | (1,379,962)         | -11.9%       |
| Alcohol                              | 2,125,762                                |   | 1,666,634   | 459,128             | 27.5%        |
| Controlled Substances                | 500                                      |   | 500 +   | -                   | 0.0%         |
| <b>Other Taxes</b>                   |  |   |   |                     |              |
| Estate and Transfer                  | 1,349,789                                |   | 2,669,341   | (1,319,552)         | -49.4%       |
| Racing and Athletics                 | -  |   | -   | -                   | n/a          |
| Realty Transfer                      | 536,199                                  | d | 1,091,239   | (555,039)           | -50.9%       |
| <b>Total Taxes</b>                   | \$ <b>180,304,160</b>                    |   | \$ <b>171,940,787</b>                                 | \$ <b>8,363,373</b> | <b>4.9%</b>  |
| <b>Departmental Receipts †</b>       | \$ 14,746,896                            | e | \$ 17,172,705   | \$ (2,425,809)      | -14.1%       |
| <b>Taxes and Departmentals</b>       | \$ <b>195,051,056</b>                    |   | \$ <b>189,113,491</b>                                 | \$ <b>5,937,565</b> | <b>3.1%</b>  |
| <b>Other General Revenue Sources</b> |  |   |   |                     |              |
| Other Miscellaneous Revenues         | 1,518,596                                | + | 1,518,596 +   | -                   | 0.0%         |
| Lottery Transfer Δ                   | 2,970,297                                |   | 3,145,147   | (174,850)           | -5.6%        |
| Unclaimed Property                   | -  | + | - +   | -                   | n/a          |
| <b>Total Other Sources</b>           | \$ <b>4,488,893</b>                      |   | \$ <b>4,663,743</b>                                   | \$ <b>(174,850)</b> | <b>-3.7%</b> |
| <b>Total General Revenues</b>        | \$ <b>199,539,949</b>                    |   | \$ <b>193,777,234</b>                                 | \$ <b>5,762,715</b> | <b>3.0%</b>  |

| <b>PIT Component</b>      | May 2020<br>Adj. Revenues |   | May 2020<br>Revised Estimates | Difference          | Variance    |
|---------------------------|---------------------------|---|-------------------------------|---------------------|-------------|
| Estimated payments ‡      | \$ 5,638,296              |   | \$ 1,701,241                  | \$ 3,937,054        | 231.4%      |
| Final payments ‡          | 10,694,512                | a | 8,102,382                     | 2,592,130           | 32.0%       |
| Withholding               | 91,244,994                |   | 88,127,275                    | 3,117,719           | 3.5%        |
| Refunds and Adjustments ‡ | (25,188,952)              |   | (21,656,336)                  | (3,532,616)         | 16.3%       |
| <b>Total</b>              | \$ <b>82,388,850</b>      |   | \$ <b>76,274,562</b>          | \$ <b>6,114,288</b> | <b>8.0%</b> |

‡ On March 20, 2020, the United States Treasury and Governor Raimondo extended the payment and filing due date for personal income tax and most general business taxes estimated and final payments from April 15, 2020 to July 15, 2020.

† Revised FY 2020 estimated revenues for departmental receipts are calculated using modified revenue flows to align expected revenues with the actual realization of revenues.

◇ On March 17, 2020, Governor Raimondo halted dine-in meal and beverage service at restaurants and bars. On March 28, 2020, Governor Raimondo issued a "stay-at-home" order and closed all non-essential retail and service businesses. beginning May 9, 2020 and restaurants were allowed limited patio seating beginning on May 18, 2020.

Δ The Twin River Casino Hotel and the Tiverton Casino Hotel were closed at 12:00 AM on March 14, 2020. In addition, all major sports cancelled or suspended play on March 11, 2020.

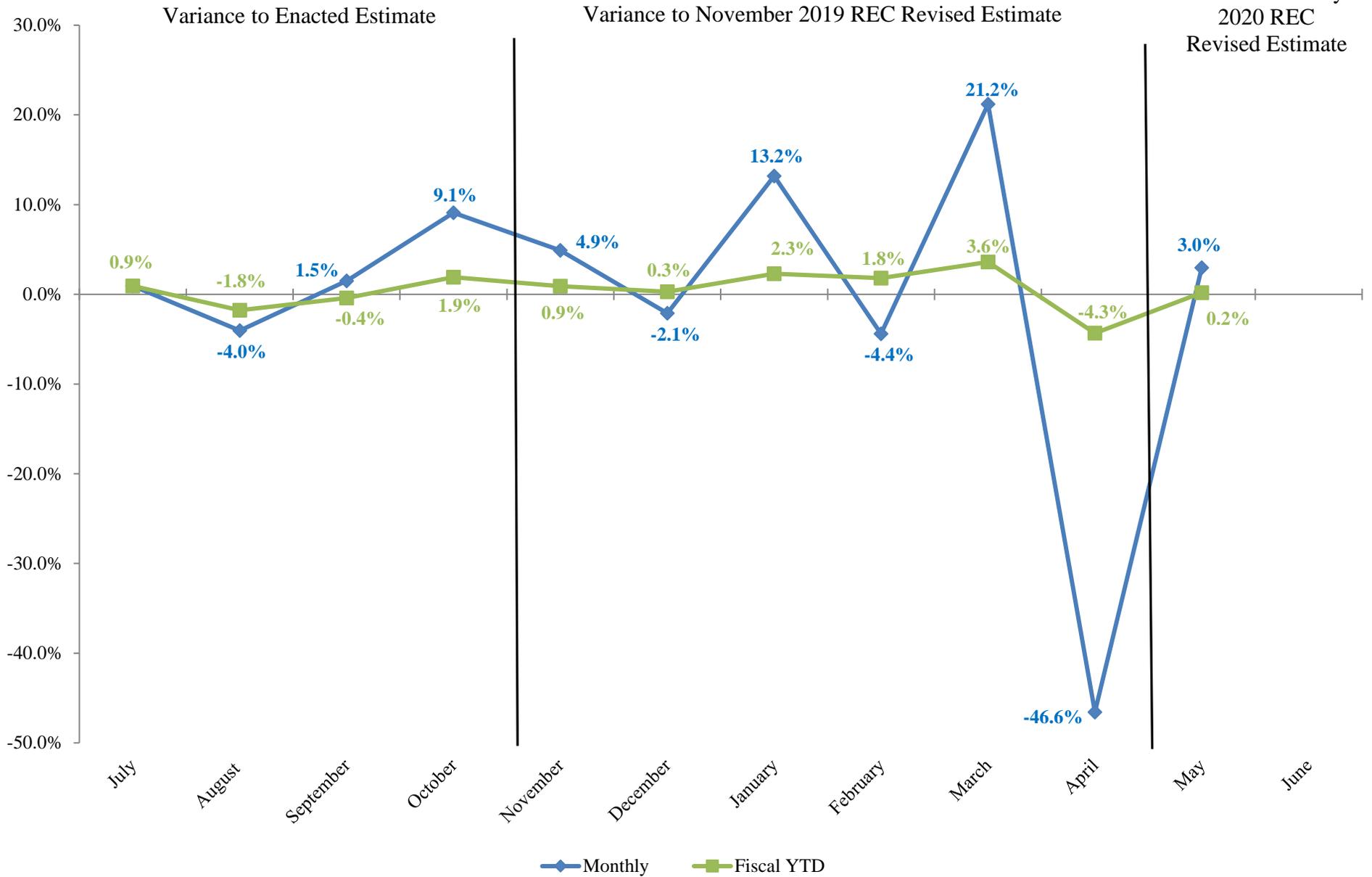
+ Set equal to actual amounts received.

Detailed notes on the following page

**STATE OF RHODE ISLAND REVENUE ASSESSMENT REPORT**  
**Monthly Estimate to Actual**

- <sup>a</sup> Adds to personal income tax final payments \$237,705 in pass-through entity tax payments received in May 2020.
- <sup>b</sup> Subtracts from business corporation tax \$237,705 in pass-through entity tax payments received in May 2020.
- <sup>c</sup> Includes a transfer of \$909,974 from meals and beverage tax for payment(s) received in prior periods.
- <sup>d</sup> Subtracts \$254,906 in funds that are designated to the Housing Resources Commission. The amount reflects the May 2020 transfer that will occur in June 2020.
- <sup>e</sup> Subtracts \$356,679 for board and support payment(s) to the Rhode Island Veterans Home that were received in May but expected to be received in June.

# FY 2020 Variance of Adjusted Revenues to Estimate



## **Impact on General Revenues from the COVID-19 Pandemic**

Due to the COVID-19 pandemic, on March 20, 2020, the Division of Taxation, in conjunction with announcements made by the United States Treasury and Governor Gina M. Raimondo, postponed the filing-and-payment deadline for income tax filings and income tax payments for individuals and certain businesses from April 15, 2020 to July 15, 2020. For the affected tax types, the change in the filing date provides taxpayers three additional months to file returns and pay balances due, and no penalties or interest will accrue on these balances if paid on or before July 15, 2020. Payments made in July 2020 for tax year 2019 that are attributable to FY 2020 will be booked as a revenue accrual in July. Additionally, major sporting events were canceled, or postponed effective March 11, 2020 and the Twin River Casino Hotel and Tiverton Casino Hotel were closed on March 14, 2020. Dine-in service at restaurants and bars was halted on March 17, 2020. Further, Governor Raimondo issued a stay-at-home order on March 28, 2020, which closed all non-essential retail and service businesses on March 30, 2020.

Phase 1 of Reopening RI commenced on May 9, 2020, which lifted the stay-at-home order and allowed for a limited reopening of certain non-critical retail businesses. Restaurants were opened subject to limited patio seating beginning on May 18, 2020. Rhode Island entered Phase 2 of reopening on June 1, 2020. The second phase of Reopening RI has no impact on the revenues contained in this report. The principals at the May 2020 REC incorporated the impact of COVID-19 in the revised revenue estimates.

## **Law Changes Enacted in the 2019 Session That Impact General Revenues**

In the 2019 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 2020 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 the appendix to this report.

## **Estimate of Revised FY 2020 Revenues Adopted at the May 2020 REC**

In order to determine the expected monthly and fiscal year-to-date revenues for the fiscal year, ORA first calculated the average percentage of total adjusted revenues that occurred in a given month over the previous five fiscal years for each revenue item, except for estate and transfer taxes for which the previous ten fiscal years are used.<sup>1</sup> For business corporation tax, public utilities

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<sup>1</sup> The previous five fiscal years are FY 2015 through FY 2019, and the previous ten fiscal years are FY 2010 through FY 2019. In the case of personal income tax refunds and adjustments revenues, FY 2013 through FY 2015 and FY 2018 through FY 2019 were used in computing the five-fiscal year average percentages. 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.

gross earnings tax, financial institutions tax, insurance company gross premiums tax, and bank deposits tax revenues, ORA used adjusted FY 2019 percentages to account for the change in the estimated payments schedule for these tax types.<sup>2</sup> For motor vehicle license and registration fees adjusted FY 2019 percentages were used to account for the change in the transfer to the Rhode Island Highway Maintenance Account (RIHMA).<sup>3</sup> In prior years, ORA then applied these percentages to the revised FY 2020 revenue estimate for each revenue item. For the fiscal year-to-date estimates, the monthly percentages were summed and then applied to the revised FY 2020 revenue estimate for each revenue item.

ORA has changed the methodology it uses in the calculation of the expected monthly and fiscal year-to-date revenues based on the May 2020 REC. ORA now incorporates the fact that the revised estimates were based on actual revenues through April of the fiscal year. For the May 2020 REC revised estimates, ORA set expected revenues for the months of July through April equal to the actual revenues received in these months inclusive of adjustments and reimbursements of redeemed tax credits. ORA then subtracted from the revised May 2020 REC estimates for FY 2020 these actual revenues to determine the remaining amount of the adopted estimate that is expected to be realized over the May through June period. To determine how much of the remaining estimate will be received in each month, ORA took the percentage noted above for the relevant month and divided it by the sum of the remaining monthly percentages for May and June. ORA then applied this percentage to the amount of the estimate expected to be realized over the May to June period. This yielded the monthly expected revenues for each revenue item. The fiscal year-to-date expected revenues were determined by summing these monthly percentages and applying this percentage to the amount of the estimate expected to be realized over the May to June period. For controlled substances and other miscellaneous revenues, the actual monthly and 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. Since May is the first month post the May 2020 REC, the monthly and fiscal year-to-date calculations are equal for each revenue item.

Table A provides the average percentages used to determine expected monthly and fiscal year-to-date revenues for May.<sup>4</sup> Monthly and fiscal year-to-date average percentages are based on the average percent received in May of the total collections for May and June using rounded five-year,

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<sup>2</sup> Prior to tax year 2018, these taxpayers paid 100 percent of their projected tax year liability by the sixth month of their tax year. For taxpayers with a tax year that coincided with the calendar year, this meant that 100 percent of their projected tax liability had to be paid by June of the calendar year which was the end of the state fiscal year. Effective for tax year 2018 and beyond, these same taxpayers now pay 50 percent of their projected tax year liability by the sixth month of their tax year. As a result of the change in the estimated payment schedule, ORA used the actual revenues received in each month of FY 2019 as a percentage of the total revenues received in FY 2019.

<sup>3</sup> In FY 2019, all motor vehicle license and registration fees were transferred to the Rhode Island Highway Maintenance Account except for duplicate license and license update fees, which were retained as general revenues. Since registration fees are the largest component of motor vehicle license and registration fees and registration fee deposits have an uneven periodicity, ORA chose to use the FY 2019 percentages for FY 2020 since only duplicate license and license update fees will be retained as general revenues in FY 2020.

<sup>4</sup> As noted previously, FY 2019 percentages were used for business corporation tax, public utilities gross earnings tax, financial institutions tax, insurance company gross premiums tax, and bank deposits tax revenues due to the change in the estimated payments schedule for tax year 2018 and beyond and for motor vehicle license and registration fees due to the retention of only duplicate license and license update fees as general revenue in FY 2020.

or ten-year in the case of estate and transfer tax, revenues. It should be noted that ORA adjusted these percentages based on the estimated flow of revenues that result from the changes in law enacted by the 2019 General Assembly and included as part of the revenue estimates adopted at the May 2020 REC. These monthly and fiscal year-to-date percentages are unchanged from previous Revenue Assessment Reports and were used to execute ORA's new methodology in estimating expected revenues based on the revised revenue estimates adopted at the May 2020 REC.

| Revenue Item                    | <u>Percent Received</u> |        | Revenue Item          | <u>Percent Received</u> |        |
|---------------------------------|-------------------------|--------|-----------------------|-------------------------|--------|
|                                 | May *                   | YTD    |                       | May *                   | YTD    |
| Personal Income Taxes           |                         |        | Sales and Use Taxes   | 47.4 %                  | 93.2 % |
| Estimated Payments              | 8.1 %                   | 80.9 % | Motor Vehicles Fees   | 50.1 %                  | 91.4 % |
| Final Payments                  | 58.1 %                  | 97.5 % | Cigarettes Taxes      | 47.5 %                  | 90.7 % |
| Withholding Payments            | 49.8 %                  | 91.7 % | Alcohol Excise Taxes  | 45.4 %                  | 89.7 % |
| Refunds/Adjustments             | 52.6 %                  | 94.9 % | Estate and Transfer   | 45.9 %                  | 92.2 % |
| Business Corporation Taxes      | 31.1 %                  | 92.5 % | Racing and Athletics  | 55.4 %                  | 90.8 % |
| Utilities Gross Earnings Taxes  | 0.9 %                   | 76.0 % | Realty Transfer       | 47.8 %                  | 91.0 % |
| Financial Institutions Taxes    | -0.1 %                  | 79.3 % | Departmental Receipts | 34.8 %                  | 86.7 % |
| Insurance Co. Gross Premiums    | 23.6 %                  | 76.7 % | Lottery Transfer ^    | 33.6 %                  | 82.8 % |
| Bank Deposits                   | -0.1 %                  | 73.8 % | Other Misc. Revenues  | n/a                     | n/a    |
| Health Care Provider Assessment | 48.3 %                  | 91.1 % | Unclaimed Property    | 0.0 %                   | 0.0 %  |

\* Percent received in May is the percentage of the total collections for May and June.  
^ Percent received in May is for April gaming activity and thus is the percentage of the total collections for April, May, and June.

The health care provider assessment consists of an assessment on nursing homes. Motor vehicle fees are comprised of fees paid to issue updated or duplicate operators' licenses. 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 characteristics of the enacted FY 2020 legislative changes included in the May 2020 REC revenue estimates for departmental receipts, ORA modified the revenue base against which May through June adjusted revenues would be assessed for this revenue item. As a result, ORA will use modified revenue flows for expected May through June revenues for this revenue item to gauge the sufficiency of adjusted May through June revenues in meeting estimated revenues. The

footnote to Table B details the breakdown of modified cash revenue flows and accruals for this revenue item.

The revised FY 2020 estimates by revenue item as adopted at the May 2020 REC are as follows:

| <b>Table B. FY 2020 Revised Revenue Estimates by Major Revenue Item</b>                      |  |                                    |  |
|--|--|------------------------------------|--|
| <b>Revenue Item</b>  | <b>May 2020 Revised<br/>FY 2020 Estimate</b> | <b>Revenue Item</b>                | <b>May 2020 Revised<br/>FY 2020 Estimate</b> |
| Personal Income Taxes  |  | Sales and Use Taxes                | \$ 1,129,000,000                             |
| Estimated Payments   | \$ 230,400,000                               | Motor Vehicles Fees                | 1,000,000                                    |
| Final Payments   | 270,000,000                                  | Cigarettes Taxes                   | 138,100,000                                  |
| Withholding Payments   | 1,235,000,000                                | Alcohol Excise Taxes               | 20,300,000                                   |
| Refunds/Adjustments  | (382,000,000)                                | Estate and Transfer                | 58,100,000                                   |
| Business Corporation Taxes   | 132,900,000                                  | Racing and Athletics               | 900,000                                      |
| Public Utilities Gross Earnings  | 100,000,000                                  | Realty Transfer                    | 14,200,000                                   |
| Financial Institutions Taxes   | 24,400,000                                   | Departmental Receipts <sup>^</sup> | 440,500,000                                  |
| Insurance Co. Gross Premiums   | 125,000,000                                  | Lottery                            | 268,600,000                                  |
| Bank Deposits  | 3,100,000                                    | Other Misc. Revenues               | 29,100,000                                   |
| Health Care Provider Assessment  | 41,600,000                                   | Unclaimed Property                 | 12,200,000                                   |
|  |  | <b>Total General Revenues *</b>    | <b>\$ 3,897,900,000</b>                      |
| * Total general revenues estimate includes a personal income tax net accrual of \$5,500,000. |  |                                    |  |

Note to Table B:

<sup>^</sup> Departmental receipts revenues estimate includes hospital licensing fee revenues of \$193,849,765. These revenues will be booked as a receivable in June. The departmental receipts revenues estimate also includes \$5,000,000 from a transfer of settlement monies received by the Office of the Attorney General to general revenues, which occurred in October 2019. Estimated departmental receipts revenues include \$(5,600,000) from the restructuring of the state's E-911 surcharge into an E-911 fee and a first response surcharge, with revenues generated from the E-911 fee being deposited in a restricted receipts account (these revenues were deposited as general revenues prior to October 1, 2019). The restructured E-911 fee/first response surcharge takes effect on October 1, 2019, and thus, the realization of this revenue impact is expected to occur unevenly in November 2019 through June 2020. Additionally, the departmental receipts enacted revenue estimate includes a projected impact of \$1,247,400 from the increase in the mortgage loan originator license fee and \$577,850 from the increase in the debt collector license fee. The revenue impacts from these fee increases were expected to occur in November 2019 through January 2020. Finally, the departmental receipts revenue estimate includes a net impact of \$2,376,638 from enacted changes to various fees, such as the increased beverage container case fee, Department of Environmental Management campground and hard-to-dispose fees, etc. Revenues associated with these changes are expected to be realized in FY 2020 in accordance to the general flow of revenues for departmental receipts. Further information on these fee changes may be found in the Appendix. Departmental receipts adjusted revenues were \$196,824,606 in FY 2020 through April, leaving an estimated \$49,825,629 net of the hospital licensing fee to be received in May and June based

on the May 2020 REC estimate. Due to the budgetary changes included in the revised estimate as noted above, ORA will assess adjusted May and June departmental receipts revenue flows against “base” departmental receipts revenues of \$49,825,629.

As noted above, the due dates for final returns and payments and for estimated payments for personal income tax, business corporation tax, public utilities gross earnings tax, financial institutions tax, insurance company gross premiums tax, and bank deposits tax were extended to July 15, 2020. This extension impacts the flow of revenues for these tax types. ORA modified May expected revenues for these tax types by deferring the receipt of some of the expected revised revenues. The deferral was estimated using the ratio of the actual amount of revenue received in April relative to the revenue that would have been expected to be received in April based on the May 2020 REC adopted estimates. For example, for personal income tax estimated payments, 39.08% of the expected revenues for April were received and ORA assumes that this percentage also applies to May expected revenues. The remaining 60.92% of expected May personal income tax estimated payments revenues are deferred to July. This calculation was repeated for all the tax types noted.

### **Results for FY 2020 through May**

The table, *Year-to-Date Estimate to Actual*, gives the results for FY 2020 through May. As is apparent from the table, the Department of Revenue finds that FY 2020 adjusted total general revenues through May exceeded the revised FY 2020 expected total general revenues estimate through May by \$5.8 million, a variance of 0.2%. In total taxes, fiscal year-to-date through May adjusted revenues were more than the revised FY 2020 year-to-date expected revenues estimate by \$8.4 million, a difference of 0.3%. For departmental receipts, FY 2020 through May adjusted revenues trailed the revised FY 2020 expected fiscal year-to-date revenues estimate by \$2.4 million, a variance of -1.1%. For other general revenue sources, adjusted FY 2020 through May revenues were \$174,850 less than revised FY 2020 expected fiscal year-to-date revenues.

Two revenue items had adjusted revenues in FY 2020 through May that exceeded expected FY 2020 revenue estimates, based on the revised revenue estimates adopted at the May 2020 REC and ORA’s modified calculation of expected revenues (if applicable), by more than \$1.0 million.

- FY 2020 year-to-date sales and use tax adjusted revenues were \$7.0 million more than expected fiscal year-to-date sales and use tax revenues based on the revised estimate, a difference of 0.7%. Sales and use tax adjusted revenues include a transfer to public utilities gross earnings tax revenues of \$1.6 million for payment(s) received in June 2019 and a transfer of \$909,974 from meals and beverage tax for payment(s) received in prior periods. It should be noted that dine-in service at restaurants and bars was halted on March 17, 2020 and non-essential retail and service businesses were closed on March 28, 2020. Certain non-critical retail businesses were allowed a limited reopening beginning May 9, 2020 and restaurants were allowed limited patio seating beginning on May 18, 2020. The estimate of FY 2020 sales and use tax revenue was revised down by \$63.1 million at the May 2020 REC.
- Personal income tax adjusted revenues through May were \$6.1 million more than ORA modified expected FY 2020 through May personal income tax revenues, a variance of

0.5%. It should be noted that the filing and payment due date was changed from April 15, 2020 to July 15, 2020 and ORA has modified expected revenues based on this change. The FY 2020 personal income tax revenue estimate was revised downward by \$82.9 million at the May 2020 REC.

- Adjusted fiscal year-to-date personal income tax estimated payments revenues were \$3.9 million more than ORA modified expected year-to-date FY 2020 personal income tax estimated payments, a variance of 2.2%. The personal income tax estimated payments revenue estimate for FY 2020 was revised downward by \$19.6 million at the May 2020 REC.
- Adjusted fiscal year-to-date personal income tax withholding payments revenues were \$3.1 million more than the \$1.15 billion of expected FY 2020 year-to-date personal income tax withholding payments, a variance of 0.3%. The FY 2020 personal income tax withholding payments revenue estimate was revised downward by \$35.3 million at the May 2020 REC.
- Adjusted FY 2020 through May personal income tax final payments revenues were \$2.6 million, or 1.6%, more than ORA modified expected FY 2020 through May personal income tax final payments revenues. Adjusted FY 2020 personal income tax final payments revenues through May include \$7.0 million of reimbursed HSTCs. The personal income tax final payments revenue estimate was revised downward by \$7.4 million for FY 2020 at the May 2020 REC.
- Adjusted FY 2020 personal income tax refunds and adjustments revenues through May were \$3.5 million more than ORA modified expected fiscal year-to-date personal income tax refunds and adjustments revenues, a difference of 1.1%. The FY 2020 personal income tax refunds and adjustments revenue estimate was increased by \$17.9 million at the May 2020 REC.

FY 2020 adjusted revenues through May for health care provider assessment, alcohol excise tax, business corporation tax, financial institutions tax, motor vehicle license and registration fees, and bank deposits tax were above the expected FY 2020 through May revised revenue estimates but by less than \$1.0 million each.

On the negative side, four revenue items had adjusted revenues through May that fell short of the expected FY 2020 through May revenues estimate by \$1.0 million or more.

- Adjusted FY 2020 year-to-date insurance company gross premiums tax revenues were \$2.7 million less than ORA modified expected fiscal year-to-date insurance company gross premiums tax revenues, a difference of -2.8%. It should be noted that the filing and payment due date for insurance company gross premiums taxes was changed from April 15, 2020 to July 15, 2020 and ORA has modified expected revenues based on this change. The insurance company gross premiums tax revenue estimate was revised downward by \$1.5 million for FY 2020 at the May 2020 REC.
  - The fiscal year-to-date revenues from health insurers were \$3.0 million less than expected, accounting for 77.4 percent of the positive variance in fiscal year-to-date insurance company gross premiums tax revenues. Adjusted FY 2020 insurance company gross premiums tax revenues from health insurers through May include

\$2.4 million of reimbursed HSTCs. The FY 2020 insurance company gross premiums tax revenue estimate for health insurers was revised downward by \$1.5 million at the May 2020 REC.

- The fiscal year-to-date gross premiums tax revenues from property, casualty, and life insurance companies were \$865,880 less than expected for FY 2020 through May. Adjusted FY 2020 insurance company gross premiums tax revenues from property, casualty, and life insurance companies through May include \$1.2 million of reimbursed HSTCs. The FY 2020 insurance company gross premiums tax revenue estimate from property, casualty, and life insurance companies was unchanged at the May 2020 REC.
- FY 2020 year-to-date departmental receipts adjusted revenues were \$2.4 million less than expected fiscal year-to-date departmental receipts revenues based on the revised estimate, a difference of -1.1%. The FY 2020 departmental receipts revenue estimate was revised downward by \$3.0 million at the May 2020 REC.
- Cigarette and other tobacco products (OTP) adjusted revenues through May were \$1.4 million less than expected FY 2020 through May cigarette and OTP tax revenues, a variance of -1.1%. The cigarette and OTP tax revenue estimate for FY 2020 was revised downward by \$800,000 at the May 2020 REC.
- Adjusted FY 2020 year-to-date estate and transfer tax revenues were \$1.3 million less than expected fiscal year-to-date estate and transfer tax revenues, a difference of -2.4%. The FY 2020 estimate of estate and transfer tax revenue was revised downward by \$5.3 million at the May 2020 REC.

FY 2020 adjusted revenues through May for realty transfer tax, lottery transfer, and public utilities gross earnings tax were below their expected FY 2020 through May revenue estimates but by less than \$1.0 million each.

Racing and athletics tax had no adjusted or expected revenues in May 2020. Thus, the FY 2020 year-to-date adjusted revenues and the FY 2020 year-to-date expected revenues based on the revised estimates adopted at the May 2020 REC were equal for this revenue item.

### **Results for the Month of May 2020**

The table, *Monthly Estimate to Actual*, gives the results for May 2020. Given that May is the first month of the fiscal year after the adoption of the revised revenue estimates at the May 2020 REC, the nominal differences between the monthly adjusted revenues and expected revenues is the same as the above year-to-date nominal differences. The monthly percentage changes, however, are larger than the fiscal year-to-date percentage changes due to the smaller nominal base that comprises monthly revenues.



Mark A. Furcolo, Director  
Department of Revenue  
June 19, 2020

## **Appendix: Law Changes Enacted in the 2019 Session of the General Assembly**

### ***Revenue Changes That Reclassify General Revenues***

#### Departmental Receipts

The 2019 General Assembly enacted legislation that restructured the state's E-911 wireline and wireless surcharges. Prior to the restructuring, the state imposed a \$1.00 per month per line E-911 surcharge on both wireline and wireless telecommunications. The revenues generated from this surcharge were deposited as general revenues. In the 2019 session, the General Assembly repealed the E-911 surcharge for both wireline and wireless telecommunications and replaced this surcharge with a new E-911 fee and a new first response surcharge. The new E-911 fee is set at \$0.50 per month per line and is applied to both wireline and wireless telecommunications. The revenues generated from the E-911 fee will be deposited as restricted receipts and used only for the support of the state's E-911 system. In addition, the 2.5 percent surcharge that is applied to prepaid wireless telecommunications is also being reclassified from general revenues to restricted receipts and will also be used only to finance the state's E-911 system. The effective date of this restructuring of the state's E-911 wireline and wireless surcharges and the reclassification of the prepaid wireless assessment was October 1, 2019. The estimated impact of these changes is a reduction in general revenues of \$5.6 million and an associated increase in restricted receipts. The estimated impact on general revenue is included in the revised FY 2020 estimate of departmental receipts adopted at the May 2020 REC. The decrease in general revenues will be realized over the November 2019 through June 2020 period.

### ***Revenue Changes That Will Be Realized Through Monthly Revenue Flows***

#### Insurance Company Gross Premiums Tax

The 2019 General Assembly enacted initiatives that will impact the monthly revenue flows and are included in the May 2020 REC revised estimates for insurance company gross premiums taxes. Several of these legislative changes became effective on July 1, 2019. These initiatives are the elimination of the managed care organization performance goal program, the reduction in C-section births, a 7.2 percent increase in the payment to hospitals for inpatient and outpatient services, and the shifting of Office of Internal Audit recoveries from the Department of Administration to the Executive Office of Health and Human Services. The net impact of these changes is to increase insurance company gross premiums tax revenues by \$234,118, with this increased revenue realized in accordance with the general monthly flow of revenues for this revenue item.

Two legislative enactments become effective after July 1, 2019. These are the downward adjustment to a 1% increase in the nursing home provider rate paid directly by the state, which was effective October 1, 2019, and a shift in enrollment from the state's RItE Care program to its RItE Share program resulting in reduced capitation payments made to Medicaid plan sponsors, which was effective January 1, 2020. The downward revision to the 1% increase in the nursing home provider rate is expected to decrease revenues by \$11,182 over the period from November 2019 to June 2020, while the shift of enrollment from the RItE Care program to the RItE Share

program is estimated to decrease insurance company gross premiums tax revenues by \$47,698 over the March 2020 to June 2020 period.

#### Health Care Provider Assessment

The 2019 General Assembly enacted legislation that includes a projected revenue impact of \$(302,500) to correct for an error in the reimbursement of hospice care and nursing homes, which took effect on July 1, 2019. The realization of this decrease in revenues is expected to be in the July through June period in FY 2020. The health care provider assessment revenues estimate also includes an impact of \$(379,267) from the downward adjustment to a 1% increase in the nursing home provider rate paid directly by the state. As noted under the Insurance Company Gross Premiums Tax section, this reduced increase took effect on October 1, 2019. These estimates are included in the revised FY 2020 estimate of the health care provider assessment adopted at the May 2020 REC, and the realization of this change on monthly revenue flows will cover the November 2019 to June 2020 period.

#### Sales and Use Tax

During the 2019 session, the General Assembly passed legislation that would reimburse the general fund for Rebuild Rhode Island sales and use tax rebates, effective July 1, 2019. The budgetary impact for this item, which was included in the May 2020 REC revised estimate for sales and use tax, is \$5,600,000. In July 2019, \$42,728 was received in sales and use tax rebates related to the Rebuild Rhode Island tax credit program. The remaining refund applications are expected to be received in November through June, and it is assumed that the reimbursements will be received in a pattern similar to the general flow of revenues for the sales and use tax.

The 2019 General Assembly also enacted legislation to expand the sales and use tax base to specified digital products, which include movies, TV shows, music, e-books, and related items, that are streamed or downloaded to computers, phones, TVs, or other devices. Effective October 1, 2019, the estimated revenue impact included in the May 2020 REC revised estimate for sales and use tax is \$2,625,759 and is expected to be realized in accordance with the general monthly flow of revenues for this revenue item during the period of November 2019 through June 2020.

Further, the 2019 General Assembly enacted legislation to provide a sales and use tax exemption for feminine hygiene products and to expand the sales and use tax exemption for coffins and caskets to urns. Effective October 1, 2019, these sales and use tax exemptions have estimated revenue impacts of \$(617,211) and \$(75,000), respectively. These revenue impacts are included in the revised estimate for sales and use tax adopted at the May 2020 REC and are expected to be realized in accordance with the general monthly flow of revenues for this revenue item during the period of November 2019 through June 2020.

#### Departmental Receipts

The 2019 General Assembly passed legislation that impacts the FY 2020 revenue flows for several departmental receipts items. These revenue impacts were included in the revised FY 2020 estimate for departmental receipts adopted at the May 2020 REC. As noted above, the state E-911 surcharge has been restructured to now consist of a \$0.50 monthly per line E-911 fee assessed on wireline

and wireless telecommunications and a first response surcharge, which is \$0.50 per month per line for wireline telecommunications and \$0.75 per month per line for wireless telecommunications. In addition, the \$0.26 per month per line technical and geographic information system (GIS) charge on wireless telecommunications has been repealed. The revenues generated by the E-911 fee will be deposited as restricted receipts, while the revenues generated from the first response surcharge will be deposited as general revenues. These changes took effect on October 1, 2019. Prior to October 1, 2019, the \$1.00 per month per line E-911 surcharge on wireline and wireless telecommunications and the \$0.26 per month per line technical and GIS surcharge on wireless telecommunications remain in place with the revenue generated being deposited as general revenues. Once the new E-911 fee is in place, there will be an expected general revenue impact on departmental receipts of \$(5,600,000), which will be realized in the November 2019 through June 2020 period.

During the 2019 session, the General Assembly enacted fee increases for the mortgage loan originator license, from \$100 to \$400, and the debt collector license, from \$100 to \$750. These items have estimated revenue impacts of \$1,247,400 and \$577,850, respectively, and are expected to be received relatively evenly in the months of November 2019 through January 2020.

The 2019 General Assembly also enacted legislation to transfer excess settlement payments from the Office of the Attorney General's restricted receipts account to general revenues. The estimated budgetary impact of this transfer is \$5,000,000, which was completed in October 2019.

Other changes enacted by the 2019 General Assembly, which impact departmental receipts, include an increase in the beverage container case fee from \$0.04 to \$0.08, which is expected to generate \$2,117,450; an increase in campground fees, which is estimated to produce \$495,539; an increase in Department of Environmental Management parks fees, which is anticipated to generate \$74,979; an increase in fees assessed at the time of purchase on hard-to dispose items, which is forecasted to produce \$1,000,000; an increase in oversized and overweight permit fees charged by the Division of Motor Vehicles, which is estimated to generate \$501,840; and the delay in the issuance of new license plates, which reduces license plate reissuance fees by \$1,813,170. These revenue changes are effective July 1, 2019, and the monthly distribution of these revenue flows is expected to be the same as departmental receipts revenues in general.

#### Other Miscellaneous Revenues

In the 2019 Session, the General Assembly enacted legislation that added \$18,800,000 to FY 2020 other miscellaneous revenues. This revenue includes \$8,200,000 in transfers of excess reserves from various quasi-public agencies as follows: the Rhode Island Infrastructure Bank, \$4,000,000; the Rhode Island Student Loan Authority, \$1,500,000; Rhode Island Housing, \$1,500,000; and the Rhode Island Quonset Development Corporation, \$1,200,000. Additionally, other miscellaneous revenues include a transfer of \$5,000,000 from the Rhode Island Commerce Corporation's First Wave Closing fund. The enacted legislation also includes the transfer of five percent of the total resources deposited in the Rhode Island Highway Maintenance Account (RIHMA) to general revenues to offset the Division of Motor Vehicles costs in assessing and collecting the revenues it deposits in RIHMA. This transfer will occur quarterly on the 15<sup>th</sup> of the month following the end of a fiscal quarter. The principals at the May 2020 REC revised down the expected FY 2020

revenues from the Department of Revenue's Central Collections Unit to \$0, down from the enacted estimate of \$500,000. The FY 2020 revenues from the Central Collections Unit of \$350,000 were assumed to be already accounted for in departmental receipts or other revenue categories. Finally, there was an addition of \$2,045,438 to the revised other miscellaneous revenues estimate adopted at the November 2019 REC and included in the estimate adopted at the May 2020 REC from a Providence Place Mall bond closeout. The Revenue Assessment report accounts for these revenues as they are received.

Further, in the 2019 session, the General Assembly passed legislation to expand the number of "full service" medical marijuana compassion centers from three to nine. The six new compassion centers are required to pay a licensing fee of \$500,000 annually. No new licenses had been issued in FY 2020 at the time of the May 2020 REC. Due to the COVID-19 pandemic, it was assumed no new licenses would be issued before the end of the fiscal year. The principals at the May 2020 REC reduced the estimated revenues from medical marijuana compassion centers from \$3,000,000 to \$1,900,000. The \$1.9 million is comprised of the increase in the licensing fee for the three current compassion centers from \$250,000 to \$500,000, and revenue, net of expenditures, for other licensing at the Department of Health and The Department of Business Regulation, such as licenses for patients and caregivers. The expected revenue will be realized in June 2020.

#### Lottery Transfer

The 2019 General Assembly approved the Governor's proposal to add remote legalized sports betting in Rhode Island. The principals of the May 2020 REC revised the estimate of the revenue impact to be \$1,900,000 for this item, down from the revised estimate of \$3,300,000 adopted at the November 2019 REC. The implementation of statewide remote sports betting was on September 4, 2019. Due to the COVID-19 pandemic, the major sporting events were canceled, or postponed effective March 11, 2020 and the Twin River Casino Hotel and Tiverton Casino Hotel closed indefinitely on March 14, 2020. As a result, the realization of the revenue from this law change will primarily occur in October 2019 through April 2020 and June 2020. It should be noted that, in general, the revenue from a given month's gaming activity is not transferred to general revenues until the following month.