

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS



DEPARTMENT OF REVENUE

State of Rhode Island Revenue Assessment Report
FY 2012 Monthly and Fiscal Year-to-Date May 2012

The monthly revenue assessment report compares revenue collections on a fiscal year-to-date basis to the Office of Revenue Analysis' fiscal year-to-date estimate of revenue collections based on the current fiscal year revenue estimate. It should be noted that the fiscal year revenue estimate will vary over the course of the fiscal year as the Revenue Estimating Conference (see RI General Law § 35-16-1) convenes and modifies the revenue estimates originally enacted by the General Assembly.

The purpose of the Revenue Assessment Report is to give readers a sense of how the state's revenue collections compare to those that might be expected if the official revenue estimate was being met in a predictable way. Caution should be exercised when interpreting this report as actual collections may vary significantly from past collection patterns. In addition, it is important for the reader to understand that enacted and adopted revenue estimates are made on an accrual not a cash basis. Revenue accruals are not determined until at least one month after the close of the fiscal year in June. Thus, even if the assessment of actual fiscal year-to-date revenue collections trails the fiscal year-to-date revenue estimates, it is possible for the fiscal year end accrual to make up any shortfall.

Estimates of Revised FY 2012 Revenues Adopted at the May 2012 REC

In order to determine the expected monthly and fiscal year-to-date revenue collections based on the estimates adopted at the May 2012 Revenue Estimating Conference (REC), the Office of Revenue Analysis first determines the average percentage of total adjusted cash collections that occurred in a given month over the past five fiscal years. For inheritance and gift taxes the past ten fiscal years are used. For monthly estimates, these percentages are applied to the May 2012 REC revised FY 2012 estimate for each revenue item. For fiscal year-to-date estimates, the monthly percentages are summed and then applied to the May 2012 REC revised FY 2012 estimate for each revenue item. In the case of other miscellaneous revenues, the actual year-to-

date collections are used in place of an estimate due to the discrete and unpredictable nature of the timing of these receipts.

Thus, for example, the May 2012 REC revised revenue estimate for the health care provider assessment for FY 2012 is \$41.6 million. The average percentage of adjusted cash total health care provider assessments that were collected through May of the fiscal year over the past five fiscal years is approximately 91.8 percent. For the month of May, the relevant percentage is 8.7 percent. These percentages are applied to the revised FY 2012 estimate for the health care provider assessment adopted at the May 2012 Revenue Estimating Conference to yield the FY 2012 monthly and fiscal-year-to-date May expected revenue estimates of \$3.6 million and \$38.2 million respectively. This process is repeated for all May 2012 REC revised FY 2012 revenue estimates except other miscellaneous revenues and the unclaimed property transfer.

The table below provides the rounded five year or ten year average percentages for monthly and fiscal year-to-date collections for May:

Revenue Item	<u>Percent Collected</u>		Revenue Item	<u>Percent Collected</u>	
	Month	YTD		Month	YTD
Personal Income Tax			Motor Vehicles Fees	10.3 %	89.1 %
Estimated Payments	1.3 %	80.3 %	Motor Carrier Fuel Use	6.6 %	80.3 %
Final Payments	2.0 %	97.8 %	Cigarettes Tax	8.1 %	90.7 %
Withholding Payments	8.0 %	91.5 %	Alcohol Excise Tax	8.7 %	89.9 %
Refunds & Adjustments	9.1 %	96.1 %	Inheritance & Gift Tax	9.2 %	92.3 %
Business Corporations Tax	0.5 %	71.3 %	Racing & Athletics Tax	10.0 %	91.1 %
Utilities Gross Earnings Tax	0.4 %	45.2 %	Realty Transfer Tax	7.1 %	91.6 %
Financial Institutions Tax	1.4 %	82.4 %	Departmental Receipts	9.2 %	83.1 %
Insurance Gross Premiums Tax	1.3 %	45.6 %	Lottery Transfer	8.9 %	82.5 %
Bank Deposits Tax	0.8 %	43.0 %	Other Misc. Revenues	n/a	n/a
Health Care Provider Assmnt.	8.7 %	91.8 %	Unclaimed Property	0.0 %	0.0 %
Sales and Use Tax ¹	8.1 %	92.2 %			

¹ Percentages are a weighted average of the standard monthly and fiscal year-to-date percentages for base sales and use tax adjusted cash collections and monthly and fiscal year-to-date percentages calculated by the Office of Revenue Analysis for sales and use tax revenues generated by the expansion of the State's sales and use tax base that went into effect on October 1, 2011. See below for a more detailed discussion of this methodology.

It should be noted that the health care provider assessment consists only of an assessment on nursing homes. Racing and athletics taxes consist of a tax on simulcast wagering. In addition, the "Percent of Total Collected through Fiscal YTD" for departmental receipts is calculated

excluding hospital licensing fee revenues, which are large, generally made only once in the fiscal year, and not always at the same time each fiscal year. Finally, the lottery transfer does not begin in a given fiscal year until August while the unclaimed property transfer occurs in June of each fiscal year.

The revised FY 2012 revenue estimates adopted at the May 2012 Revenue Estimating Conference by revenue item are as follows:

Revenue Item	Revised FY 2012 Estimate	Revenue Item	Revised FY 2012 Estimate
Personal Income Tax		Motor Vehicles	\$47,700,000
Estimated Payments	\$ 192,000,000	Motor Carrier Fuel	1,000,000
Final Payments	176,000,000	Cigarettes	133,600,000
Withholding Payments	967,600,000	Alcohol	12,000,000
Refunds Paid	(283,400,000)	Inheritance & Gift	44,800,000
Business Corporations Taxes	131,600,000	Racing & Athletics	1,300,000
Public Utilities Gross Earnings	98,300,000	Realty Transfer	5,900,000
Financial Institutions Taxes	2,500,000	Departmental Rcpts.	344,500,000
Insurance Co. Gross Premiums	89,000,000	Lottery	378,500,000
Bank Deposits	2,100,000	Other Misc. Revs	16,800,000
Health Care Provider Assessment	41,600,000	Unclaimed Property	14,000,000
Sales and Use Tax ¹	846,000,000		
		Total General Revenues	\$3,257,400,000

¹ The Office of Revenue Analysis determines that the revised FY 2012 sales and use tax estimate adopted at the May 2012 Revenue Estimating Conference is comprised of \$830.0 million of “base” sales and use tax revenues and \$16.0 million of “additional” sales and use tax revenues that are the result of the sales and use tax base expansion that went into effect on October 1, 2011.

As noted above, the estimate adopted at the May 2012 Revenue Estimating Conference (REC) for sales and use taxes is \$846.0 million. The Office of Revenue Analysis has determined that this figure is comprised of \$830.0 million of “base” sales and use tax revenues and \$16.0 million of “additional” sales and use tax revenues generated by the expansion of the State’s sales and use tax base effective October 1, 2011. (Sales and use taxes collected in October 2011 were not remitted to the Division of Taxation until November.) Beginning in November, the Office of Revenue Analysis altered the methodology for estimating FY 2012 expected revised sales and use tax revenues to account for this change in the sales and use tax base.

In particular, the standard methodology for estimating expected FY 2012 revised sales and use tax revenues was used to determine the monthly and fiscal year-to-date expected FY 2012

revised “base” sales and use tax revenues. That is, average percentages based on the ratio of monthly adjusted cash collections to total fiscal year adjusted cash collections for July through June for the past five fiscal years were calculated. These percentages, 8.0 percent for the month of May and 91.6 percent for the fiscal year-to-date period through May, were applied to the \$830.0 million of estimated “base” sales and use tax expected FY 2012 revised revenues to arrive at monthly and fiscal year-to date estimates of \$66.7 million and \$760.7 million respectively.

Once these “base” expected sales and use tax revenues were determined, the “additional” expected sales and use tax FY 2012 revised revenues due to the expansion of the State’s sales and use tax base were estimated. In this case, average percentages based on the ratio of monthly adjusted cash collections to total adjusted cash collections for November through June for the past five fiscal years were calculated. These percentages, 12.4 percent on a monthly and 86.8 percent on a partial fiscal year-to-date basis for May, were applied to the \$16.0 million of estimated “additional” sales and use tax expected FY 2012 revised revenues to arrive at month of May and partial fiscal year-to-date through May estimates of \$2.0 million and \$13.9 million respectively.

The estimates of expected FY 2012 revised “base” sales and use tax revenues and expected FY 2012 revised “additional” sales and use tax revenues were then summed to arrive at total expected FY 2012 revised sales and use tax revenues. These are the values that are displayed in the Year-to-Date Estimate to Actual and Monthly Estimate to Actual tables that accompany this report.

Results for Year-to-Date FY 2012 through May 2012

The table Year-to-Date Estimate to Actual gives the results for the first eleven months of FY 2012. As is apparent from the table, the Department of Revenue finds that FY 2012 year-to-date through May 2012 adjusted cash collections for total general revenues exceed expected FY 2012 revised revenue collections based on the estimates adopted at the May 2012 Revenue Estimating Conference by \$25.0 million, or 0.9 percent. In total taxes, the variance from the May 2012 REC expected FY 2012 revised revenues is \$22.6 million, or 1.0 percent. For departmental receipts, the difference from the May 2012 REC expected FY 2012 revised revenues is \$1.4 million or 0.8 percent. For other general revenue sources, FY 2012 year-to-date adjusted cash collections through May differ from the May 2012 REC revised FY 2012 revenue estimate by \$956,872 or 0.3 percent.

In addition to departmental receipts, five other revenue items have fiscal year-to-date adjusted cash collections that exceed expected FY 2012 year-to-date revised revenues by \$1.0 million or more.

- Personal income tax fiscal year-to-date adjusted cash collections exceed fiscal year-to-date expected FY 2012 revised revenues by \$15.8 million, or 1.7 percent. This positive difference consists of fiscal year-to-date adjusted cash refunds fewer than year-to-date

expected FY 2012 revised refunds by \$13.3 million, or 4.9 percent; adjusted cash withholding payments exceeding year-to-date expected FY 2012 revised withholding payments by \$6.1 million, or 0.7 percent; and adjusted cash final payments lagging year-to-date expected FY 2012 revised final payments by \$3.6 million, or -2.1 percent. Fiscal year-to-date personal income tax adjusted cash collections include \$1.2 million of reimbursed Historic Structures Tax Credits (HSTCs). Fiscal year-to-date 2012 withholding tax adjusted cash collections include \$14.8 million from the sale in Rhode Island of the winning tickets for recent Powerball jackpots of \$336.4 million and \$60.0 million. These receipts were incorporated into the May 2012 adopted estimate for FY 2012 withholding taxes.

- Business corporations taxes fiscal year-to-date adjusted cash collections are \$2.3 million or 2.5 percent more than year-to-date expected FY 2012 revised business corporations tax revenues. Fiscal year-to-date business corporations tax adjusted cash collections include \$913,855 of reimbursed Historic Structures Tax Credits (HSTCs).
- Fiscal year-to-date adjusted cash collections for insurance companies gross premiums taxes exceed year-to-date expected FY 2012 revised revenue by 4.3 percent, or \$1.7 million. Fiscal year-to-date insurance companies gross premiums taxes include \$4.3 million of reimbursed Historic Structures Tax Credits (HSTCs).
- Sales and use tax adjusted cash collections through May of the fiscal year lead expected FY 2012 fiscal year-to-date sales and use tax revenues by \$1.5 million or 0.2 percent.
- Adjusted cash fiscal year-to-date motor vehicle registration and operator license fees collections exceed expected FY 2012 revised motor vehicle registration and operator license fees collections by \$1.4 million or 3.2 percent.

Finally, in descending order, fiscal year-to-date adjusted cash lottery transfer, public utilities gross earnings taxes, realty transfer taxes, financial institution taxes, health care provider assessment, bank deposits taxes, and racing and athletics taxes are all greater than year-to-date expected FY 2012 revised revenues through May of the fiscal year in each of these revenue categories but by less than \$1.0 million.

On the negative side, one revenue item has fiscal year-to-date adjusted cash collections that trail year-to-date expected FY 2012 revised revenues by more than \$1.0 million.

- Inheritance and gift tax fiscal year-to-date adjusted cash collections trail year-to-date expected FY 2012 revised revenues by 3.9 percent or \$1.6 million. Two large inheritance and gift tax payments of \$9.8 million were incorporated into the FY 2012 year-to-date adjusted cash collections and the FY 2012 estimate of inheritance and gift taxes adopted at the May 2012 Revenue Estimating conference.

Finally, fiscal year-to-date adjusted cash collections for motor carrier fuel use taxes, cigarettes and other tobacco products tax, and alcohol excise taxes are each below year-to-date expected FY 2012 revised revenues through May but by less than \$1.0 million.

Results for the Month of May

The table Monthly Estimate to Actual gives the results for May of FY 2012. As is apparent from the table, the Department of Revenue finds that May adjusted cash collections for total general revenues exceed expected May revenue collections based on the estimates adopted at the May 2012 REC by \$10.0 million, or 4.9 percent. In total taxes, the variance from expected FY 2012 revised May revenues is \$14.4 million, or 9.4 percent. For departmental receipts, the difference from the expected FY 2012 revised revenues for May is -\$3.2 million or -17.4 percent. For other general revenue sources, May adjusted cash collections trail the expected FY 2012 revised revenue estimate for May by -\$1.2 million, or -3.5 percent.

One revenue item has adjusted cash collections for May that exceed expected FY 2012 revised revenues for May by \$1.0 million or more.

- Personal income taxes adjusted cash collections for May are \$17.3 million or 30.1 percent more than monthly expected FY 2012 revised personal income taxes for May. This positive difference consists of monthly adjusted cash refunds fewer than monthly expected FY 2012 revised refunds by \$12.2 million, or 47.2 percent; May adjusted cash withholding payments exceeding monthly expected FY 2012 revised withholding payments by \$3.6 million, or 4.7 percent; and May adjusted cash final payments above monthly expected FY 2012 revised final payments by \$1.6 million, or 45.3 percent. May personal income tax adjusted cash collections include \$104,682 of reimbursed Historic Structures Tax Credits (HSTCs).

May 2012 realty transfer taxes, health care provider assessment, motor vehicle registration and operator license fees, public utilities gross earnings taxes, motor carrier fuel use taxes, racing and athletics taxes and bank deposits taxes adjusted cash collections are all greater than May FY 2012 expected revised revenues but by less than \$1.0 million.

In addition to May 2012 departmental receipts, three revenue items have May adjusted cash collections that trail expected FY 2012 revised revenues for May by more than \$1.0 million.

- May inheritance and gift taxes adjusted cash collections are \$1.5 million below monthly expected FY 2012 revised inheritance and gift tax revenues, a variance of -48.2 percent.
- The May lottery transfer trails FY 2012 revised lottery transfer estimate for May by \$1.2 million or -3.6 percent
- Insurance companies gross premiums taxes adjusted cash collections for May are \$1.2 million below the expected FY 2012 revised insurance companies gross premiums tax revenues for May.

Finally, May adjusted cash collections for sales and use taxes, business corporations taxes, cigarettes and other tobacco products taxes, public utilities gross earnings taxes, and alcohol excise taxes are below May FY 2012 expected revised revenues for each of these revenue categories but by less than \$1.0 million.

A handwritten signature in cursive script that reads "Rosemary Booth Gallogly".

Rosemary Booth Gallogly, Director
Rhode Island Department of Revenue
June 13, 2012

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

	YTD May Estimate of Revised FY 2012	YTD May Adjusted Cash FY 2012		Difference	Variance
Personal Income Tax	\$ 939,361,166	\$ 955,140,985	a	15,779,819	1.7%
General Business Taxes					
Business Corporations	93,867,936	96,179,551	b	2,311,615	2.5%
Public Utilities Gross Earnings	44,417,596	45,309,553	c	891,957	2.0%
Financial Institutions	2,059,123	2,274,650	b	215,527	10.5%
Insurance Companies	40,627,575	42,370,356		1,742,781	4.3%
Bank Deposits	902,456	927,203		24,747	2.7%
Health Care Provider Assessment	38,172,281	38,370,883		198,602	0.5%
Excise Taxes					
Sales and Use	774,554,653	776,073,696	d	1,519,044	0.2%
Motor Vehicle	42,511,494	43,871,189		1,359,695	3.2%
Motor Carrier Fuel Use	803,477	764,984		(38,493)	-4.8%
Cigarettes	121,115,136	121,092,286		(22,850)	0.0%
Alcohol	10,792,305	10,787,209		(5,096)	0.0%
Other Taxes					
Inheritance and Gift	42,115,971	40,482,047		(1,633,924)	-3.9%
Racing and Athletics	1,183,930	1,199,392		15,462	1.3%
Realty Transfer	5,403,807	5,682,905		279,098	5.2%
Total Taxes	\$ 2,157,888,905	\$ 2,180,526,889		\$ 22,637,984	1.0%
Departmental Receipts	\$ 166,738,766	\$ 168,141,449	c	\$ 1,402,683	0.8%
Taxes and Departmentals	\$ 2,324,627,671	\$ 2,348,668,338		\$ 24,040,667	1.0%
Other General Revenue Sources					
Other Miscellaneous Revenues	5,288,141	5,288,141	f	-	0.0%
Lottery Transfer	312,331,126	313,287,998	g	956,872	0.3%
Unclaimed Property	-	-		-	n/a
Total Other Sources	\$ 317,619,266	\$ 318,576,139		\$ 956,872	0.3%
Total General Revenues	\$ 2,642,246,938	\$ 2,667,244,477		\$ 24,997,539	0.9%

- a Includes \$14,796,878 of gambling withholding taxes paid due to the sale of the winning \$336.4 million and \$60.0 million Powerball jackpot tickets in Rhode Island.
- b Incorporates transfer of \$725,000 from Business Corporations Taxes to Financial Institution Taxes for prior year posting errors corrected for in January and March 2012
- c Includes \$628,000 from field audit recoveries for tax years 2007-2009.
- d Deducts \$1,314,139 from the Sales and Use Tax to account for the receipt of tax payments from the audit of prior year sales activity and adds back \$2,083,626 from a refund issued for Sales and Use Tax receipts received from November 1, 2007 through August 31, 2010.
- e Deducts \$135,245,354 in Hospital Licensing Fees for cash receipts received in FY 2012 that were accrued back to FY 2011, deducts \$839,301 from the Imaging Services Surcharge for the "payment of bills" from an audit recovery for prior years, deducts \$386,992 in Interim Medicaid Hospital Rate Settlement cash receipts received in FY 2012 that were accrued back to FY 2011, adds \$114,676 for a refund processed twice and adds \$113,486 for receipts deposited from FY 2010 - FY 2012 that were transferred to restricted receipts to account for an improper indirect recovery for those years.
- f Deducts \$1,951,166 in Tobacco Settlement cash receipts received in FY 2012 that were accrued back to FY 2011 and includes \$3,271,648 in Tobacco Settlement cash receipts received in February 2012 from settlement of a lawsuit in December 2011.
- g Deducts \$2,731,761 from the Lottery Transfer to account for the receipt of revenues that were accrued back to FY 2011.
- + Set equal to actual amounts received due to general receipt of transfers in June.

PIT Component	YTD Estimates	YTD Actuals		Difference	Variance
Estimateds	\$ 154,250,943	\$ 154,200,479		\$ (50,464)	0.0%
Finals	172,205,784	168,645,417		(3,560,368)	-2.1%
Withholding	885,158,178	891,239,970		6,081,792	0.7%
Refunds	(272,253,740)	(258,944,880)		13,308,859	-4.9%
Total	\$ 939,361,166	\$ 955,140,985		\$ 15,779,819	1.7%

STATE OF RHODE ISLAND REVENUE ASSESSMENT REPORT
Monthly Estimate to Actual

	May Estimate of Revised FY 2012	May Adjusted Cash FY 2012	Difference	Variance
Personal Income Tax	\$ 57,655,014	\$ 74,997,427	a \$ 17,342,413	30.1%
General Business Taxes				
Business Corporations	685,954	464,741	(221,213)	-32.2%
Public Utilities Gross Earnings	365,402	239,426	(125,976)	-34.5%
Financial Institutions	35,616	94,714	59,098	165.9%
Insurance Companies	1,173,659	21,523	(1,152,136)	-98.2%
Bank Deposits	15,784	23,724	7,940	50.3%
Health Care Provider Assessment	3,609,676	3,774,629	164,953	4.6%
Excise Taxes				
Sales and Use	68,669,451	68,357,304	(312,147)	-0.5%
Motor Vehicle	4,936,648	5,090,352	153,704	3.1%
Motor Carrier Fuel Use	65,907	87,962	22,055	33.5%
Cigarettes	10,854,474	10,682,983	(171,491)	-1.6%
Alcohol	1,049,196	1,043,318	(5,878)	-0.6%
Other Taxes				
Inheritance and Gift	3,200,034	1,658,558	(1,541,476)	-48.2%
Racing and Athletics	130,059	149,486	19,427	14.9%
Realty Transfer	419,047	609,042	189,995	45.3%
Total Taxes	\$ 152,865,921	\$ 167,295,189	\$ 14,429,268	9.4%
Departmental Receipts	\$ 18,371,773	\$ 15,180,857	a \$ (3,190,916)	-17.4%
Taxes and Departmentals	\$ 171,237,694	\$ 182,476,047	\$ 11,238,352	6.6%
Other General Revenue Sources				
Gas Tax Transfer	-	-	-	
Other Miscellaneous Revenues	1,121,386 +	1,121,386	-	0.0%
Lottery Transfer	33,836,777	32,620,054	(1,216,723)	-3.6%
Unclaimed Property	-	-	-	
Total Other Sources	\$ 34,958,163	\$ 33,741,440	\$ (1,216,723)	-3.5%
Total General Revenues	\$ 206,195,857	\$ 216,217,487	\$ 10,021,629	4.9%

a Deducts \$568,373 in Hospital Licensing Fees for cash receipts received in FY 2012 that were accrued back to FY 2011, deducts \$35,352 in Interim Medicaid Hospital Rate Settlement cash receipts received in FY 2012 that were accrued back to FY 2011, adds \$114,676 for a refund processed twice and adds \$113,486 for receipts deposited from FY 2010 - FY 2012 that were transferred to restricted receipts to account for an improper indirect recovery for those years.

+ Set equal to actual amounts received due to receipt of transfers in June.

PIT Component	Estimates	Actuals	Difference	Variance
Estimateds	\$ 2,587,191	\$ 2,496,363	\$ (90,828)	-3.5%
Finals	3,521,838	5,116,654	1,594,816	45.3%
Withholding	77,401,782	81,038,495	3,636,712	4.7%
Refunds	(25,855,797)	(13,654,084)	12,201,713	-47.2%
Total	\$ 57,655,014	\$ 74,997,427	\$ 17,342,413	30.1%

FY 2012 Variance of Adjusted Cash Collections to Estimate

