

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
GOVERNOR LINCOLN D. CHAFEE



DEPARTMENT OF REVENUE
Office of Revenue Analysis

State of Rhode Island Revenue Assessment Report
Year-to-Date FY 2013 through May 2013

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 estimate of revenues based on the current fiscal year revised 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year as the Revenue Estimating Conference (see RI General Law § 35-16-1) convenes and modifies the revenue estimates originally enacted by the General Assembly.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 revenues 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 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 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 revenues trail 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 2013 Revenues Adopted at the May 2013 REC

In order to determine the expected monthly and fiscal year-to-date revenues based on the revised revenue estimates adopted at the May 2013 Revenue Estimating Conference (REC), the Office of Revenue Analysis (ORA) first calculates the average percentage of total adjusted revenues that occurred in a given month over the past five fiscal years for each revenue item. For inheritance and gift taxes the past ten fiscal years are used. To determine the expected monthly revenues, these percentages are applied to the revised FY 2013 revenue estimate for each revenue item. To determine the expected fiscal year-to-date revenues, the monthly percentages are summed and

then applied to the revised FY 2013 revenue estimate for each revenue item. In the case of other miscellaneous revenues, the actual year-to-date revenues are used in place of an estimate due to the discrete and unpredictable nature of the timing of these receipts.

The revised FY 2013 revenue estimates adopted at the May 2013 Revenue Estimating Conference include \$22.3 million of revenues received from the 2012 Tax Amnesty Act. For a breakdown of tax amnesty revenues per revenue item, refer to *Appendix A*. ORA adjusted the monthly average percentage calculations to take into account the actual tax amnesty revenues received in a given month.

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

Revenue Item	Percent Received		Revenue Item	Percent Received	
	Month	YTD		Month	YTD
Personal Income Taxes			Motor Vehicles Fees+	10.6 %	89.8 %
Estimated Payments	1.1 %	80.1 %	Motor Carrier Fuel Use+	8.0 %	83.8 %
Final Payments+	2.2 %	97.7 %	Cigarettes Taxes+	8.0 %	91.0 %
Withholding Payments+	8.0 %	91.5 %	Alcohol Excise Taxes	8.9 %	90.1 %
Refunds Paid	8.1 %	96.4 %	Inheritance & Gift+	8.6 %	92.7 %
Business Corporations Taxes+	1.2 %	73.4 %	Racing & Athletics	10.1 %	91.0 %
Utilities Gross Earnings Taxes+	0.5 %	47.8 %	Realty Transfer	7.2 %	91.5 %
Financial Institutions Taxes+	0.9 %	88.8 %	Departmental Receipts+	8.4 %	83.0 %
Insurance Co. Gross Premiums+	3.9 %	43.9 %	Lottery Transfer	8.8 %	82.8 %
Bank Deposits	0.8 %	43.0 %	Other Misc. Revenues	n/a	n/a
Health Care Provider Assessment+	8.6 %	91.8 %	Unclaimed Property	0.0 %	0.0 %
Sales and Use Taxes+ ¹	8.0 %	91.6 %			

+ Tax amnesty revenues are incorporated into the average percentage calculations for these revenue items.

¹ Percentages are a weighted average of the standard monthly and fiscal year-to-date percentages for base sales and use tax adjusted revenues and the 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, 2012. See below for a more detailed discussion of this methodology.

The health care provider assessment includes only an assessment on nursing homes. Racing and athletics taxes consist of a tax on simulcast wagering. In addition, the "Percent Received" for monthly and year-to-date 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 2013 revenue estimates adopted at the May 2013 Revenue Estimating Conference by revenue item is as follows:

Revenue Item	May 2013 Revised FY 2013 Estimate	Revenue Item	May 2013 Revised FY 2013 Estimate
Personal Income Taxes		Motor Vehicles+	\$ 51,100,000
Estimated Payments	\$ 192,500,000	Motor Carrier Fuel+	800,000
Final Payments+	200,000,000	Cigarettes Taxes+	131,800,000
Withholding Payments+	975,800,000	Alcohol Excise Taxes	12,000,000
Refunds/Adjustments	(286,000,000)	Inheritance & Gift+	30,200,000
Business Corporations Taxes+	137,000,000	Racing & Athletics	1,200,000
Public Utilities Gross Earnings+	98,300,000	Realty Transfer	7,100,000
Financial Institutions Taxes+	12,800,000	Departmental Receipts+	363,100,000
Insurance Co. Gross Premiums+	93,600,000	Lottery	380,160,000
Bank Deposits	2,500,000	Other Misc. Revenues	5,665,000
Health Care Provider Assessment+	41,400,000	Unclaimed Property	7,000,000
Sales and Use Taxes+	872,500,000		
		Total General Revenues[^]	\$ 3,323,525,000
+ Tax amnesty revenues are included in these revenue items.			
[^] Total General Revenues includes the net accrual for personal income taxes which is estimated to be \$(7,000,000) in the revised FY 2013 adopted revenues.			

As noted above, the revised FY 2013 revenue estimate for sales and use taxes adopted at the May 2013 Revenue Estimating Conference is \$872.5 million. ORA estimated that this figure is comprised of \$858.5 million of “base” sales and use tax revenues, \$11.0 million of “additional” sales and use tax revenues generated by the expansion of the State’s sales and use tax base effective October 1, 2012, and \$3.0 million of tax amnesty revenues. (Sales and use taxes generated during the month of October were remitted to the Division of Taxation in November.) ORA adjusted the methodology for estimating expected FY 2013 revised sales and use tax revenues to account for these additions.

To illustrate, the average percentages of sales and use tax adjusted revenues for May of 8.0 percent and the fiscal year-to-date of 91.6 percent are applied to the revised FY 2013 “base” sales and use tax estimate. The expected FY 2013 revised “base” sales and use tax revenues are \$68.6 million for May and \$786.6 million for the fiscal year-to-date through May. The revised FY 2013 “additional” sales and use tax estimate due to the expansion of the State’s sales and use tax base is calculated using the ratio of monthly adjusted revenues to total adjusted revenues for November through June of the previous fiscal year, or 12.4 percent for May and 86.8 percent for

the fiscal year-to-date period. The expected FY 2013 revised “additional” sales and use tax revenues are \$1.4 million for May and \$9.5 million for the fiscal year-to-date through May. As all of the tax amnesty revenues were received prior to January 1, 2013, no tax amnesty sales and use tax revenues are included for May and \$3.0 million is included with the fiscal year-to-date through May. These figures are summed to arrive at total expected FY 2013 revised sales and use tax revenues of \$69.9 million for the month of May and \$799.1 million for the fiscal year-to-date through May. This translates to a modified average percentage of 8.0 percent for the month of May and 91.6 percent for the fiscal year-to-date through May.

Results for Year-to-Date FY 2013 through May 2013

The table, *Year-to-Date Estimate to Actual*, gives the results for FY 2013 through May. As is apparent from the table, the Department of Revenue finds that fiscal year-to-date adjusted total general revenues through May exceed expected revenues based on the revised FY 2013 revenue estimates adopted at the May 2013 REC by \$9.2 million or 0.3 percent. In total taxes, the fiscal year-to-date adjusted revenues through May surpass expected FY 2013 revised revenues by \$12.1 million or 0.5 percent. For departmental receipts, the difference from the fiscal year-to-date adjusted revenues through May to expected FY 2013 revised revenues is -\$2.2 million or -1.2 percent. For other general revenue sources, fiscal year-to-date adjusted revenues through May is less than expected FY 2013 revised revenues by \$604,957 or -0.2 percent. The other miscellaneous revenues component of other general revenue sources includes \$964,658 for motor vehicle registration fees that were received in FY 2012 through the International Registration Program (IRP) Clearing House, but not posted until February 2013.

Two revenue items have fiscal year-to-date adjusted revenues through May that exceed expected FY 2013 revised revenues by \$1.0 million or more.

- Personal income tax adjusted revenues for FY 2013 through May are \$7.2 million or 0.7 percent more than expected FY 2013 revised revenues of \$966.9 million. This excess is attributed to fiscal year-to-date refunds and adjustments adjusted revenues coming in less than expected FY 2013 revised refunds and adjustments by \$9.0 million or -3.3 percent. In addition, fiscal year-to-date withholding tax adjusted revenues are greater than expected FY 2013 revised withholding tax revenues by \$2.8 million or 0.3 percent and fiscal year-to-date estimated tax payments adjusted revenues are greater than expected FY 2013 estimated tax revenues by \$488,752 or 0.3 percent. Partially offsetting this surplus, fiscal year-to-date final payments adjusted revenues are less than expected FY 2013 revised final payments revenues by \$5.1 million or -2.6 percent. Fiscal year-to-date personal income tax final payments adjusted revenues include \$2.6 million of reimbursed Historic Structures Tax Credits (HSTCs).
- Sales and use tax adjusted revenues for FY 2013 through May are \$4.8 million or 0.6 percent higher than expected FY 2013 revised revenues of \$799.1 million.

Fiscal year-to-date cigarette excise tax, insurance companies gross premiums tax, bank deposits tax, business corporations tax, realty transfer tax, and racing and athletics tax adjusted revenues are greater than expected FY 2013 revised revenues through May, but by less than \$1.0 million.

On the negative side, only departmental receipts has fiscal year-to-date adjusted revenues through May that are less than expected FY 2013 revised revenues by \$1.0 million or more.

Fiscal year-to-date financial institutions tax, lottery transfer, public utilities gross earnings tax, alcohol excise tax, inheritance and gift tax, health care provider assessment, motor vehicle operator's license and registration fees, and motor carrier fuel use adjusted revenues are below expected FY 2013 revised revenues through May, but by less than \$1.0 million.

Results for the Month of May 2013

The table, *Monthly Estimate to Actual*, gives the results for May 2013. As is apparent from the table, the Department of Revenue finds that May adjusted total general revenues surpass the monthly expected FY 2013 revised total general revenues by \$7.8 million or 3.6 percent. In total taxes, May adjusted revenues are greater than the monthly expected FY 2013 revised revenues by \$12.7 million or 7.8 percent. For departmental receipts, the variance between May adjusted revenues and the monthly expected FY 2013 revised revenues is -\$3.8 million or -20.4 percent. For other general revenue sources, May adjusted revenues fall short of the monthly expected FY 2013 revised revenue by \$1.1 million or -3.2 percent.

In May, three revenue items had adjusted revenues that exceed monthly expected FY 2013 revised revenues by \$1.0 million or more.

- Personal income tax adjusted revenues for May are \$12.5 million or 20.1 percent more than expected FY 2013 revised revenues for May of \$61.9 million. This excess is attributed to May refunds and adjustments adjusted revenues coming in less than the monthly expected FY 2013 revised refunds and adjustments by \$8.4 million or -36.6 percent. In addition, May withholding tax adjusted revenues are greater than the monthly expected FY 2013 revised withholding tax revenues by \$2.8 million or 3.5 percent, May estimated tax payments adjusted revenues are greater than the monthly expected FY 2013 estimated tax revenues by \$1.2 million or 56.0 percent. May final payments adjusted revenues are greater than the monthly expected FY 2013 revised final payments revenues by \$33,222 or 0.8 percent. May personal income tax final payments adjusted revenues include \$151,240 of reimbursed Historic Structures Tax Credits (HSTCs).
- Sales and use tax adjusted revenues for May are \$4.3 million or 6.2 percent higher than the monthly expected FY 2013 revised revenues of \$69.9 million.
- Cigarette excise tax adjusted revenues for May are \$1.1 million or 10.5 percent greater than the monthly expected FY 2013 revised revenues of \$10.5 million.

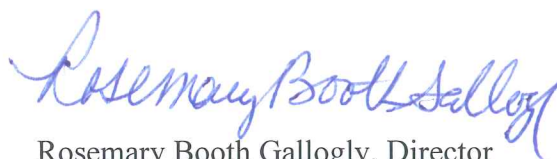
May public utilities gross earnings tax, realty transfer tax, motor vehicle operator's license and registration fees, health care provider assessment, racing and athletics tax, and motor carrier fuel

use adjusted revenues are all greater than monthly expected FY 2013 revised revenues, but by less than \$1.0 million.

On the negative side, in addition to departmental receipts, three revenue items have May adjusted revenues that are less than the monthly expected FY 2013 revised revenues by \$1.0 million or more.

- Insurance companies gross premiums tax adjusted revenues for May are \$4.0 million or -110.1 percent less than the monthly expected FY 2013 revised revenues of \$3.6 million.
- Business corporations tax adjusted revenues for May are \$1.1 million or -69.2 percent less than the monthly expected FY 2013 revised revenues of \$1.6 million.
- The lottery transfer for May is \$1.1 million or -3.2 percent less than the monthly expected FY 2013 revised revenues of \$33.4 million

May financial institutions tax, bank deposits tax, alcohol excise tax, and inheritance and gift tax adjusted revenues are less than the monthly expected FY 2013 revised revenues in each revenue item, but by less than \$1.0 million.



Rosemary Booth Gallogly, Director
Department of Revenue

June 12, 2013

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

	YTD May Estimate of Revised FY 2013 Revenues	YTD May Adjusted Revenues FY 2013	Difference	Variance
Personal Income Tax	\$ 966,887,052	\$ 974,093,831	\$ 7,206,779	0.7%
General Business Taxes				
Business Corporations	100,592,567	100,820,486	227,919	0.2%
Public Utilities Gross Earnings	46,989,154	46,552,648	(436,506)	-0.9%
Financial Institutions	11,372,096	10,432,791	(939,305)	-8.3%
Insurance Companies	41,059,744	41,406,073 ^a	346,329	0.8%
Bank Deposits	1,074,353	1,335,366	261,013	24.3%
Health Care Provider Assessment	37,987,877	37,914,025	(73,852)	-0.2%
Excise Taxes				
Sales and Use	799,126,307	803,919,638	4,793,331	0.6%
Motor Vehicle	45,911,104	45,847,640 ^b	(63,464)	-0.1%
Motor Carrier Fuel Use	670,614	621,659	(48,955)	-7.3%
Cigarettes	119,921,231	120,828,352	907,121	0.8%
Alcohol	10,812,050	10,616,795	(195,255)	-1.8%
Controlled Substances	-	-	-	
Other Taxes				
Inheritance and Gift	27,990,958	27,912,536	(78,422)	-0.3%
Racing and Athletics	1,092,459	1,094,782	2,323	0.2%
Realty Transfer	6,494,861	6,645,309	150,448	2.3%
Total Taxes	\$ 2,217,982,426	\$ 2,230,041,931	\$ 12,059,505	0.5%
Departmental Receipts	\$ 184,106,334	\$ 181,856,518 ^c	\$ (2,249,816)	-1.2%
Taxes and Departmentals	\$ 2,402,088,760	\$ 2,411,898,449	\$ 9,809,690	0.4%
Other General Revenue Sources				
Other Miscellaneous Revenues	4,904,726 +	4,904,726 ^d	-	0.0%
Lottery Transfer	314,780,859	314,175,902 ^e	(604,957)	-0.2%
Unclaimed Property	-	-	-	n/a
Total Other Sources	\$ 319,685,585	\$ 319,080,628	\$ (604,957)	-0.2%
Total General Revenues	\$ 2,721,774,345	\$ 2,730,979,077	\$ 9,204,732	0.3%

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

^a Deducts \$1,722,000 for an insurance settlement received in FY 2013 that was accrued back to FY 2012.

^b Motor vehicle adjusted revenues include \$1.6 million received from the International Registration Program (IRP) Clearing House.

^c Deducts \$129,164,749 in Hospital Licensing Fees, \$357,327 in Interim Medicaid Hospital Rate settlements, and \$1,026,551 for a drug settlement. Each of these revenues were received in FY 2013, but were accrued back to FY 2012.

^d Deducts \$2,218,208 for two Medicaid settlements received in FY 2013 that were accrued back to FY 2012. Also, other miscellaneous adjusted revenues include \$964,658 for motor vehicle registration fees that were received in FY 2012 from the International Registration Program (IRP), but were not posted until February 2013.

^e Deducts \$2,533,343 from the Lottery Transfer for revenues received in FY 2013 that were accrued back to FY 2012.

PIT Component	YTD Estimates	YTD Actuals	Difference	Variance
Estimated payments	\$ 154,118,404	154,607,156	\$ 488,752	0.3%
Final payments	195,382,928	190,313,374 *	(5,069,554)	-2.6%
Withholding	893,031,539	895,824,395 *	2,792,856	0.3%
Refunds	(275,645,819)	(266,651,096)	8,994,724	-3.3%
Net Accrual			-	
Total	\$ 966,887,052	\$ 974,093,829	\$ 7,206,777	0.7%

STATE OF RHODE ISLAND REVENUE ASSESSMENT REPORT
Monthly Estimate to Actual

	May Estimate of Revised FY 2013 Revenues	May Adjusted Revenues FY 2013	Difference	Variance
Personal Income Tax	\$ 61,936,677	\$ 74,404,739	\$ 12,468,062	20.1%
General Business Taxes				
Business Corporations	1,616,578	497,824	(1,118,754)	-69.2%
Public Utilities Gross Earnings	477,334	817,004	339,670	71.2%
Financial Institutions	113,612	(94,113)	(207,725)	-182.8%
Insurance Companies	3,630,340	(368,106)	(3,998,446)	-110.1%
Bank Deposits	18,791	-	(18,791)	
Health Care Provider Assessment	3,557,529	3,582,536	25,007	0.7%
Excise Taxes				
Sales and Use	69,944,492	74,257,569	4,313,077	6.2%
Motor Vehicle	5,410,474	5,522,893 ^a	112,419	2.1%
Motor Carrier Fuel Use	63,980	69,855	5,875	9.2%
Cigarettes	10,500,677	11,605,422	1,104,745	10.5%
Alcohol	1,064,207	922,383	(141,824)	-13.3%
Controlled Substances	-	-	-	
Other Taxes				
Inheritance and Gift	2,607,451	2,231,814	(375,637)	-14.4%
Racing and Athletics	120,626	137,088	16,462	13.6%
Realty Transfer	513,667	648,757	135,090	26.3%
Total Taxes	\$ 161,576,434	\$ 174,235,665	\$ 12,659,231	7.8%
Departmental Receipts	18,697,057	\$ 14,884,588 ^b	\$ (3,812,469)	-20.4%
Taxes and Departmentals	\$ 180,273,491	\$ 189,120,253	\$ 8,846,762	4.9%
Other General Revenue Sources				
Other Miscellaneous Revenues	1,807,286 +	1,807,286	-	0.0%
Lottery Transfer	33,411,584	32,348,092	(1,063,492)	-3.2%
Unclaimed Property	- +	-	-	n/a
Total Other Sources	\$ 35,218,870	\$ 34,155,378	\$ (1,063,492)	-3.0%
Total General Revenues	\$ 215,492,361	\$ 223,275,631	\$ 7,783,270	3.6%

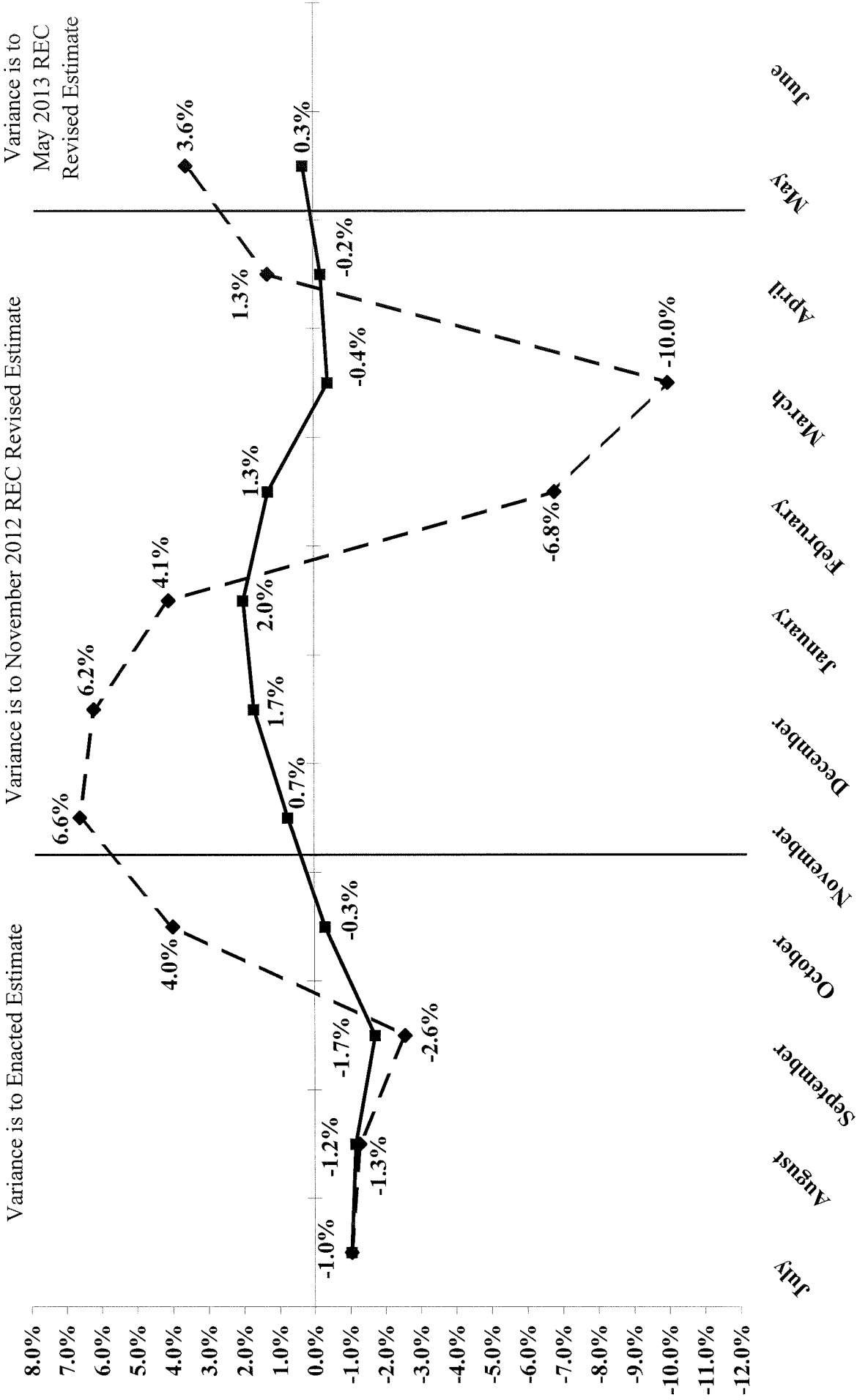
+ Set equal to actual amounts received due to receipt of transfers in June.

^a Motor vehicle adjusted revenues include \$532,561 received in May 2013 from the International Registration Program (IRP) Clearing House.

^b Deducts \$2,567,604 in Hospital Licensing Fees received in FY 2013 that was accrued back to FY 2012.

PIT Component	Estimates	Actuals	Difference	Variance
Estimated payments	\$ 2,160,770	3,370,165	\$ 1,209,394	56.0%
Final payments	4,331,799	4,365,021	33,222	0.8%
Withholding	78,534,153	81,310,878	2,776,725	3.5%
Refunds	(23,090,045)	(14,641,325)	8,448,720	-36.6%
Total	\$ 61,936,677	\$ 74,404,739	\$ 12,468,062	20.1%

FY 2013 Variance of Adjusted Revenues to Estimate



STATE OF RHODE ISLAND REVENUE ASSESSMENT REPORT
2012 Tax Amnesty Revenues
Appendix A

Revenue Items	Tax Amnesty Revenues
Personal Income Taxes Final Payments	\$ 5,738,533
Personal Income Taxes Withholding Payments	371,468
Business Corporations Taxes	1,553,317
Public Utilities Gross Earnings Taxes	5,161,691
Financial Institutions Taxes	128,747
Insurance Companies Gross Premiums Taxes	200,055
Health Care Provider Assessments	19,873
Sales and Use Taxes	2,996,775
Motor Vehicle	24,155
Motor Carrier Fuel Use Taxes	5,550
Cigarette Excise Taxes	67,109
Inheritance Taxes	432,873
Departmental Receipts	
Interest Owed on Overdue Taxes	5,389,345
Hard to Dispose Fees	78,233
Imaging Surcharge Fees	74,727
E-911 Wireless Surcharge Fees	36,086
Hotel Taxes (State's share)	4,962
Prepaid Wireless E-911 Fees	8
Litter Control Participation Permit Fees	7
Tax Amnesty Revenues	<u>\$ 22,283,513</u>