

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 2014 through April 2014

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 enacted 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 Rhode Island General Laws § 35-16-1) 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 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 basis, 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 accruals to make up any shortfall.

Estimate of Revised FY 2014 Revenues Adopted at the November 2013 REC

In order to determine the expected monthly and fiscal year-to-date estimates based on the revised revenue estimates adopted at the November 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 previous five fiscal years for each revenue item. For estate and transfer taxes the previous ten fiscal years are used. For monthly estimates, these percentages are applied to the revised FY 2014 revenue estimate for each revenue item. For the fiscal year-to-date estimates, the monthly percentages are summed and then applied to the revised FY 2014 adopted revenue estimate for each revenue item. In the case of other miscellaneous revenues, the actual fiscal 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 following table provides the rounded five-year or ten-year average percentages used to determine expected monthly and fiscal year-to-date revenues for April:

Revenue Item	<u>Percent Received</u>		Revenue Item	<u>Percent Received</u>	
	April	YTD		April	YTD
Personal Income Taxes			Motor Vehicles Fees	11.7 %	80.8 %
Estimated Payments	12.9 %	78.6 %	Motor Carrier Fuel Use	9.3 %	78.6 %
Final Payments	69.9 %	95.1 %	Cigarettes Taxes	7.8 %	82.6 %
Withholding Payments	7.6 %	83.4 %	Alcohol Excise Taxes	8.6 %	80.6 %
Refunds/Adjustments	22.1 %	88.8 %	Estate and Transfer	7.6 %	83.0 %
Business Corporations Taxes	8.0 %	71.2 %	Racing and Athletics	8.1 %	80.6 %
Utilities Gross Earnings Taxes	0.4 %	44.0 %	Realty Transfer	7.5 %	83.5 %
Financial Institutions Taxes	28.6 %	80.2 %	Departmental Receipts	9.0 %	76.5 %
Insurance Co. Gross Premiums	-0.4 %	42.9 %	Lottery Transfer	9.3 %	74.0 %
Bank Deposits	1.2 %	44.9 %	Other Misc. Revenues	n/a	n/a
Health Care Provider Assessment	8.3 %	82.8 %	Unclaimed Property	0.0 %	0.0 %
Sales and Use Taxes+	8.1 %	83.6 %			

+ Percentages are a weighted average of the monthly and fiscal year-to-date percentages for the “base” sales and use tax adjusted revenues and the monthly and fiscal year-to-date percentages calculated by the ORA for foregone sales and use tax revenues projected from changes to the State’s sales and use tax base effective October 1, 2013 and December 1, 2013. See below for a more detailed discussion of this methodology.

The health care provider assessment consists only of an assessment on nursing homes. Racing and athletics taxes consist of a tax on simulcast wagering. 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 only in June of each fiscal year.

Beginning July 1, 2013, alcoholic beverage tax revenues are subject to a temporary increase in the alcohol excise tax. The period of the tax increase is July 1, 2013 through March 31, 2015. As the alcohol excise taxes generated during the month of July are not remitted to the Division of Taxation until August, ORA has adapted the average percentages for alcohol excise taxes to take into account the increase in alcohol excise tax revenues beginning in August 2013.

Effective December 1, 2013, a sales tax exemption will apply to the sale of original works by artists, writers and composers who reside and have a principal place of business in Rhode Island. The exemption also applies to sales of these works by galleries located in the State. A temporary sales tax exemption will also apply to wine and spirits beginning December 1, 2013, which is scheduled to terminate on April 1, 2015. ORA has taken into account the anticipated decreases

in sales and use tax revenues from these sales tax exemptions when determining the average percentages used to determine expected sales and use tax revenues.

It should also be noted that prior to the November Revenue Estimating Conference, it was the Office of Revenue Analysis' understanding that the State would no longer be in compliance with the Streamlined Sales and Use Tax Agreement (SSUTA) beginning October 1, 2013, due to the enactment of a \$250 per item threshold above which clothing and footwear became taxable that went into effect on October 1, 2012. A potential impact of this non-compliance was that the State would no longer receive voluntary remittances of sales and use tax revenues from remote sellers that are parties to the SSUTA. Based on testimony provided by the Rhode Island Division of Taxation, the principals of the November 2013 Revenue Estimating Conference (REC) determined that any action by the SSUTA Governing Board with regard to Rhode Island's non-compliance with the SSUTA would not be finalized prior to the end of FY 2014. As a result, receipts of voluntary sales and use tax payments for FY 2014 are included in the sales and use tax estimate. On December 19, 2013, the Streamlined Sales Tax Governing Board voted unanimously to find Rhode Island out of compliance with the Streamlined Sales and Use Tax Agreement.

The revised FY 2014 estimates adopted at the November 2013 Revenue Estimating Conference by revenue item are as follows:

Revenue Item	Nov 2013 Revised FY 2014 Estimate	Revenue Item	Nov 2013 Revised FY 2014 Estimate
Personal Income Taxes [^]		Motor Vehicles	\$ 50,800,000
Estimated Payments	\$ 202,100,000	Motor Carrier Fuel	700,000
Final Payments	200,000,000	Cigarettes Taxes	136,300,000
Withholding Payments	997,000,000	Alcohol Excise Taxes	18,200,000
Refunds/Adjustments	(275,000,000)	Estate and Transfer	31,800,000
Business Corporations Taxes	136,000,000	Racing and Athletics	1,200,000
Public Utilities Gross Earnings	95,900,000	Realty Transfer	8,000,000
Financial Institutions Taxes	4,300,000	Departmental Receipts [‡]	360,100,000
Insurance Co. Gross Premiums	100,600,000	Lottery	394,200,000
Bank Deposits	2,900,000	Other Misc. Revenues	7,455,000
Health Care Provider Assessment	42,600,000	Unclaimed Property	10,900,000
Sales and Use Taxes	904,000,000		
		Total General Revenues [^]	\$ 3,426,655,000

[^] Total General Revenues include a net accrual for personal income taxes estimated to be \$(3,400,000) in the revised FY 2014 adopted revenues.

[‡] The Departmental Receipts figure includes an estimate for hospital licensing fee revenues of \$152,360,104. It should be noted that \$5,585,024 of FY 2012 Hospital Licensing Fees that were adopted as FY 2014 revenues were received in December 2013 and accrued back to FY 2013.

As the table indicates, the revised FY 2014 estimate for sales and use taxes adopted at the November 2013 Revenue Estimating Conference is \$904.0 million. The Office of Revenue Analysis (ORA) has estimated that this figure is comprised of \$912.0 million of “base” sales and use tax revenues and \$(8.0 million) of foregone sales and use tax revenues as a result of narrowing the State’s sales and use tax base. The sales tax exemption on wine and spirits is estimated at \$(7.2 million) and original creative works is estimated at \$(825,000). ORA adjusted the methodology used for determining the revised FY 2014 adopted revenue estimate for sales and use taxes to account for the onset of the changes noted above.

The revised FY 2014 estimate for alcohol excise taxes is \$18.2 million. ORA has determined that this figure is comprised of \$12.2 million of “base” alcohol excise tax revenues and \$6.0 million of “additional” alcohol excise tax revenues generated by the temporary increase in the excise tax rates effective July 1, 2013. ORA adjusted the methodology used for determining the revised FY 2014 adopted revenue estimate for alcohol excise taxes to account for the one month delay in revenues received as noted above.

Results for FY 2014 through April

The table, *Year-to-Date Estimate to Actual*, gives the fiscal year-to-date results for FY 2014 through April. As is apparent from the table, the Department of Revenue finds that fiscal year-to-date adjusted total general revenues through April trail the adopted FY 2014 November 2013 Revenue Estimating Conference (REC) revised total general revenues estimate through April by \$22.6 million or -0.9 percent. In total taxes, the fiscal year-to-date adjusted revenues through April are less than the adopted FY 2014 November 2013 REC estimate of revised total taxes through April by \$13.1 million or -0.6 percent. For departmental receipts, the difference in the fiscal year-to-date adjusted revenues through April and the adopted FY 2014 November 2013 REC estimate of revised departmental receipts through April totaled \$1.3 million or 0.8 percent. For other general revenue sources, fiscal year-to-date adjusted revenues through April are less than the adopted FY 2014 November 2013 REC estimate of revised other general revenue sources through April by \$10.8 million or -3.7 percent.

Six revenue items besides departmental receipts have fiscal year-to-date adjusted revenues through April that exceed the expected FY 2014 November revised revenue estimates through April by \$1.0 million or more.

- Public utilities gross earnings tax adjusted revenues of \$48.9 million are \$6.7 million or 15.8 percent higher than the expected FY 2014 November revised public utilities gross earnings tax estimate of \$42.2 million.
- Estate and transfer tax adjusted revenues of \$31.9 million are \$5.5 million or 21.0 percent more than the expected FY 2014 November revised estate and transfer tax estimate of \$26.4 million.
- Financial institutions income tax adjusted revenues of \$8.6 million are \$5.2 million or 149.9 percent higher than the expected FY 2014 November revised revenue estimate of \$3.4 million. It should be noted that April 2014 adjusted revenues include \$3.9 million of revenues received from amended prior year returns.
- Insurance companies gross premiums tax adjusted revenues through April are \$4.5 million higher than the expected FY 2014 November revised insurance companies gross premiums tax estimate of \$43.2 million.
- Cigarette and other tobacco product excise tax adjusted revenues of \$115.1 million are \$2.4 million or 2.2 percent higher than the expected FY 2014 November revised revenue estimate of \$112.6 million.
- Motor vehicle operator's license and vehicle registration fees adjusted revenues of \$42.8 million are \$1.8 million or 4.3 percent higher than the expected FY 2014 November revised motor vehicle operator's license and vehicle registration fee estimate of \$41.1 million.

There are no items with fiscal year-to-date adjusted revenues through April which are greater than the expected FY 2014 November revised revenue estimates through April, but by less than \$1.0 million.

On the negative side three revenue items' fiscal year-to-date adjusted revenues through April fall short of the expected FY 2014 November revised revenue estimates through April by \$1.0 million or more.

- Personal income tax adjusted revenues of \$911.9 million are \$25.0 million or -2.7 percent less than the expected FY 2014 November revised personal income tax estimate of \$936.9 million. This difference is attributed to fiscal year-to-date final payments adjusted revenues trailing the expected FY 2014 November revised final payments estimate by \$28.3 million or 14.9 percent. Fiscal year-to-date personal income tax final payments adjusted revenues include \$5.3 million of reimbursed Historic Structures Tax Credits (HSTCs). In addition, fiscal year-to-date estimated tax payments adjusted revenues trail the expected FY 2014 November revised estimated tax payments estimate by \$7.7 million or -4.9 percent and fiscal year-to-date refunds and adjustments adjusted revenues exceed the expected FY 2014 November revised refunds and adjustments estimate by \$4.4 million or 1.8 percent. The overall decrease in total personal income taxes is offset in part by fiscal year-to-date withholding tax adjusted revenues exceeding the expected FY 2014 November revised withholding tax estimate by \$15.5 million or 1.9 percent.
- Business corporations tax adjusted revenues of \$84.6 million are \$12.3 million or 12.7 percent less than the expected FY 2014 November revised business corporations tax estimate of \$96.8 million.
- Lottery transfer adjusted revenues are \$10.8 million or 3.7 percent less than the expected FY 2014 November revised revenue estimate of \$291.8 million.

Fiscal year-to-date health care provider assessment, sales and use tax, alcohol excise tax, bank deposits tax, motor carrier fuel use tax, realty transfer, and racing and athletics adjusted revenues through April are below the expected FY 2014 November revised revenue estimates through April, but by less than \$1.0 million.

Results for the Month of April 2014

The table, *Monthly Estimate to Actual*, gives the results for April 2014. As is apparent from the table, the Department of Revenue finds that April adjusted total general revenues trail the adopted FY 2014 November 2013 Revenue Estimating Conference's estimate of revised total general revenues for April by \$20.7 million or -6.0 percent. In total taxes, April adjusted revenues are less than the adopted FY 2014 November 2013 REC estimate of revised total taxes for April by \$20.6 million or -7.1 percent. For departmental receipts, April adjusted revenues exceed the adopted FY 2014 November 2013 REC estimate of revised departmental receipts for April by \$1.2 million or 6.4 percent. For other general revenue sources, April adjusted revenues are less than the adopted FY 2014 November 2013 REC estimate of revised other general revenue sources for April by \$1.4 million or -3.7 percent.

Five revenue items besides departmental receipts have April adjusted revenues that exceed the expected FY 2014 November revised revenue estimates for April by \$1.0 million or more.

- Financial institutions tax adjusted revenues for April are \$2.7 million more than the expected FY 2014 November revised monthly revenue estimate of \$1.2 million. It should be noted that the monthly adjusted revenues include \$3.9 million of revenues received from amended prior year returns.


- Insurance companies gross premiums tax adjusted revenues for April are \$2.5 million more than the expected FY 2014 November revised monthly insurance companies gross premiums tax estimate of \$(378,929).
- Sales and use tax adjusted revenues for April of \$75.0 million are \$2.1 million or 2.9 percent more than the expected FY 2014 November revised monthly sales and use tax estimate of \$72.9 million.
- Cigarette and other tobacco product excise tax adjusted revenues for April are \$1.4 million more than the expected FY 2014 November revised monthly revenue estimate of \$10.6 million.
- Business corporation tax adjusted revenues for April are \$1.1 million more than the expected FY 2014 November revised monthly business corporations tax estimate of \$10.9 million.

In April, public utilities gross earnings tax, alcohol excise tax, and racing and athletics tax adjusted revenues are greater than the expected FY 2014 November revised monthly revenue estimates for April, but by less than \$1.0 million.

Three revenue items have adjusted revenues in April that fall short of the expected FY 2014 November revised monthly revenue estimate by \$1.0 million or more.

- Personal income tax adjusted revenues for April are \$28.3 million or -15.7 percent less than the expected FY 2014 November revised monthly personal income tax estimate of \$180.8 million. This decrease is attributed to April final payments adjusted revenues trailing the monthly expected FY 2014 November revised final payments estimate for April by \$30.6 million or 21.9 percent. April personal income tax final payments adjusted revenues include \$78,846 of reimbursed Historic Structures Tax Credits (HSTCs). April refunds and adjustments adjusted revenues are greater than the monthly expected FY 2014 November revised refunds and adjustments tax estimate by \$1.3 million or 2.1 percent. This is partially offset by April withholding tax adjusted revenues exceeding the monthly expected FY 2014 November revised withholding tax revenues for April by \$3.2 million or 4.2 percent. In addition, April estimated tax payments adjusted revenues exceed the monthly expected FY 2014 November revised estimated tax payments revenue estimate for April by \$420,607 or 1.6 percent.
- The lottery transfer adjusted revenues for April are \$1.4 million less than the expected FY 2014 November revised monthly lottery transfer estimate of \$36.7 million.
- Estate and transfer tax adjusted revenues for April are \$1.3 million less than the expected FY 2014 November revised monthly estate and transfer tax estimate of \$2.4 million.

In April, motor vehicle operator's license and vehicle registration fees, health care provider assessment, motor carrier fuel use tax, bank deposits tax, and realty transfer tax adjusted revenues are below the expected FY 2014 November revised revenue estimates for April, but by less than \$1.0 million.


Rosemary Booth Gallogly, Director
Department of Revenue May 12, 2014

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

	YTD April Estimate of Nov Rev FY 2014 Revenues	YTD April Adjusted Revenues FY 2014	Difference	Variance
Personal Income Tax	\$ 936,888,502	\$ 911,929,156	\$ (24,959,346)	-2.7%
General Business Taxes				
Business Corporations	96,821,213	84,569,254	(12,251,959)	-12.7%
Public Utilities Gross Earnings	42,209,099	48,875,367	6,666,268	15.8%
Financial Institutions	3,449,032	8,617,882 ^a	5,168,850	149.9%
Insurance Companies	43,204,059	47,713,069	4,509,010	10.4%
Bank Deposits	1,301,647	1,059,840	(241,807)	-18.6%
Health Care Provider Assessment	35,288,146	34,648,097	(640,049)	-1.8%
Excise Taxes				
Sales and Use	755,477,929	754,981,421 ^b	(496,508)	-0.1%
Motor Vehicle	41,062,795	42,819,207	1,756,412	4.3%
Motor Carrier Fuel Use	550,283	386,256	(164,027)	-29.8%
Cigarettes	112,636,852	115,074,843	2,437,991	2.2%
Alcohol	14,676,619	14,331,083	(345,536)	-2.4%
Controlled Substances	-	-	-	
Other Taxes				
Estate and Transfer	26,382,237	31,924,879	5,542,642	21.0%
Racing and Athletics	967,706	953,492	(14,214)	-1.5%
Realty Transfer	6,681,308	6,629,509	(51,799)	-0.8%
Total Taxes	\$ 2,117,597,427	\$ 2,104,513,355	\$ (13,084,072)	-0.6%
Departmental Receipts	\$ 159,001,235	\$ 160,294,170^c	\$ 1,292,935	0.8%
Taxes and Departmentals	\$ 2,276,598,662	\$ 2,264,807,525	\$ (11,791,137)	-0.5%
Other General Revenue Sources				
Other Miscellaneous Revenues	554,470 ⁺	554,470 ^d	-	0.0%
Lottery Transfer	291,767,951	280,940,100 ^e	(10,827,851)	-3.7%
Unclaimed Property	-	-	-	n/a
Total Other Sources	\$ 292,322,421	\$ 281,494,570	\$ (10,827,851)	-3.7%
Total General Revenues	\$ 2,568,921,083	\$ 2,546,302,095	\$ (22,618,988)	-0.9%

+ Set equal to actual amounts received.

^a Includes \$3,933,567 of revenues received from amended prior year returns.

^b Includes \$944,845 received from a field audit recovery received in November.

^c Deducts \$136,824,399 in Hospital Licensing Fees and \$30,738 in Interim Medicaid Hospital Rate settlements. Deducts \$2,563,132 for a pharmaceutical settlement received in December. Each of these revenues were received in FY 2014, but were accrued back to FY 2013.

^d Deducts \$159,971 for a Medicaid fraud drug settlement received in FY 2014 that was accrued back to the prior fiscal year.

^e Deducts \$847,359 for the lottery transfer that accrues back to FY 2013 received in November.

PIT Component	YTD April Estimates	YTD April Adj Revs	Difference	Variance
Estimated payments	\$ 158,931,264	151,206,836	\$ (7,724,428)	-4.9%
Final payments	190,287,375	161,982,612	(28,304,764)	-14.9%
Withholding	831,900,549	847,352,615	15,452,066	1.9%
Refunds	(244,230,686)	(248,612,907)	(4,382,220)	1.8%
Net Accrual			-	
Total	\$ 936,888,502	\$ 911,929,156	\$ (24,959,346)	-2.7%

STATE OF RHODE ISLAND REVENUE ASSESSMENT REPORT
Monthly Estimate to Actual

	April Estimate of Nov Rev FY 2014 Revenues	April Adjusted Revenues FY 2014	Difference	Variance
Personal Income Tax	\$ 180,846,516	\$ 152,533,952	\$ (28,312,564)	-15.7%
General Business Taxes				
Business Corporations	10,944,946	12,027,125	1,082,179	9.9%
Public Utilities Gross Earnings	428,787	894,241	465,454	108.6%
Financial Institutions	1,231,038	3,977,569 ^a	2,746,531	223.1%
Insurance Companies	(378,929)	2,083,003	2,461,932	-649.7%
Bank Deposits	33,622	13,609	(20,013)	-59.5%
Health Care Provider Assessment	3,527,416	3,357,559	(169,857)	-4.8%
Excise Taxes				
Sales and Use	72,870,234	74,998,319 ^b	2,128,085	2.9%
Motor Vehicle	5,949,061	5,091,781	(857,280)	-14.4%
Motor Carrier Fuel Use	65,059	(78,941)	(144,000)	-221.3%
Cigarettes	10,586,852	11,945,892	1,359,040	12.8%
Alcohol	1,565,506	1,602,530	37,024	2.4%
Controlled Substances	-	-	-	
Other Taxes				
Estate and Transfer	2,408,019	1,076,657	(1,331,362)	-55.3%
Racing and Athletics	97,007	102,891	5,884	6.1%
Realty Transfer	600,326	591,193	(9,133)	-1.5%
Total Taxes	\$ 290,775,459	\$ 270,217,380	\$ (20,558,079)	-7.1%
Departmental Receipts	\$ 18,696,895	\$ 19,885,448^c	\$ 1,188,553	6.4%
Taxes and Departmentals	\$ 309,472,354	\$ 290,102,828	\$ (19,369,526)	-6.3%
Other General Revenue Sources				
Other Miscellaneous Revenues	174,035 ⁺	174,035	-	0.0%
Lottery Transfer	36,736,185	35,364,641	(1,371,544)	-3.7%
Unclaimed Property	- ⁺	-	-	n/a
Total Other Sources	\$ 36,910,220	\$ 35,538,676	\$ (1,371,544)	-3.7%
Total General Revenues	\$ 346,382,573	\$ 325,641,504	\$ (20,741,070)	-6.0%

+ Set equal to actual amounts received.

^a Includes \$3,933,567 of revenues received from amended prior year returns.

^b Deducts a late posting by the Division of Motor Vehicles of \$1,015,529 which are March motor vehicle license and registration fees that was recorded in April 2014.

^c Deducts \$392,609 for Hospital Licensing Fees received in FY 2014, but were accrued back to FY 2013.

PIT Component	April Estimates	April Adj Revs	Difference	Variance
Estimated payments	\$ 26,157,806	26,578,413	\$ 420,607	1.6%
Final payments	139,703,759	109,065,782	(30,637,978)	-21.9%
Withholding	75,646,250	78,830,968	3,184,718	4.2%
Refunds	(60,661,299)	(61,941,211)	(1,279,912)	2.1%
Total	\$ 180,846,516	\$ 152,533,952	\$ (28,312,564)	-15.7%

FY 2014 Variance of Adjusted Revenues to Estimate

