

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 December 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 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 December:

Revenue Item	<u>Percent Received</u>		Revenue Item	<u>Percent Received</u>	
	December	YTD		December	YTD
Personal Income Taxes			Motor Vehicles Fees	3.0 %	37.2 %
Estimated Payments	11.3 %	39.6 %	Motor Carrier Fuel Use	3.7 %	43.7 %
Final Payments	1.7 %	13.2 %	Cigarettes Taxes	8.7 %	52.5 %
Withholding Payments	10.0 %	48.9 %	Alcohol Excise Taxes	9.2 %	49.6 %
Refunds/Adjustments	2.6 %	16.5 %	Estate and Transfer	8.5 %	51.2 %
Business Corporations Taxes	7.5 %	18.6 %	Racing and Athletics	7.2 %	48.7 %
Utilities Gross Earnings Taxes	0.3 %	2.4 %	Realty Transfer	8.6 %	54.8 %
Financial Institutions Taxes	14.5 %	38.6 %	Departmental Receipts	7.1 %	42.9 %
Insurance Co. Gross Premiums	0.3 %	0.7 %	Lottery Transfer	7.8 %	40.9 %
Bank Deposits	3.2 %	9.9 %	Other Misc. Revenues	n/a	n/a
Health Care Provider Assessment	8.8 %	49.7 %	Unclaimed Property	0.0 %	0.0 %
Sales and Use Taxes+	7.7 %	52.0 %			

+ 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, the 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
<p>^ Total General Revenues include a net accrual for personal income taxes estimated to be \$(3,400,000) in the revised FY 2014 adopted revenues.</p> <p>‡ 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.</p>			

As the table indicates, the enacted FY 2014 estimate for sales and use taxes 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 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 December

The table, *Year-to-Date Estimate to Actual*, gives the fiscal year-to-date results for FY 2014 through December. As is apparent from the table, the Department of Revenue finds that fiscal year-to-date adjusted total general revenues through December exceed the expected FY 2014 November revised total general revenues estimate through December by \$14.5 million or 1.0 percent. In total taxes, the fiscal year-to-date adjusted revenues through December are more than the expected FY 2014 November revised total taxes estimate by \$20.6 million or 1.7 percent. For departmental receipts, the difference in the fiscal year-to-date adjusted revenues through December and the expected FY 2014 November revised departmental receipts estimate totaled \$(2.7 million) or -3.1 percent. For other general revenue sources, fiscal year-to-date adjusted revenues through December are less than the expected FY 2014 November revised other general revenue sources estimate by \$3.5 million or -2.2 percent.

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

- Personal income tax adjusted revenues of \$565.9 million are \$17.4 million or 3.2 percent greater than the expected FY 2014 November revised personal income tax estimate of \$548.4 million. This difference is attributed to fiscal year-to-date final payments adjusted revenues exceeding the expected FY 2014 November revised final payments estimate by \$2.2 million or 8.4 percent. Fiscal year-to-date personal income tax final payments adjusted revenues include \$4.8 million of reimbursed Historic Structures Tax Credits (HSTCs). In addition, fiscal year-to-date withholding tax adjusted revenues are greater than the expected FY 2014 November revised withholding tax estimate by \$1.8 million or 0.4 percent and fiscal year-to-date refunds and adjustments adjusted revenues are less than the expected FY 2014 November revised refunds and adjustments estimate by \$14.6 million or -32.1 percent. Fiscal year-to-date estimated tax payments adjusted revenues are behind the expected FY 2014 November revised estimated tax payments estimate by \$1.1 million or -1.4 percent.
- Estate and transfer tax adjusted revenues of \$20.1 million are \$3.9 million or 23.7 percent more than the expected FY 2104 November revised estate and transfer tax estimate of \$16.3 million.
- Cigarette and other tobacco product excise tax adjusted revenues of \$73.1 million are \$1.6 million or 2.2 percent higher than the expected FY 2014 November revised revenue estimate of \$71.6 million.
- Motor vehicle operator's license and vehicle registration fees adjusted revenues of \$20.1 million are \$1.2 million or 6.4 percent higher than the expected FY 2014 November revised motor vehicle operator's license and vehicle registration fee estimate of \$18.9 million.
- Insurance companies gross premiums tax adjusted revenues through December are \$1.2 million higher than the expected FY 2014 November revised revenue estimate of \$682,861.

Fiscal year-to-date, financial institutions income tax, motor carrier fuel use tax, realty transfer tax, and alcohol excise tax adjusted revenues through December are greater than the expected FY 2014 November revised revenue estimates through December, but by less than \$1.0 million.

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

- The lottery transfer adjusted revenues are \$3.5 million or 2.2 percent less than the expected FY 2014 November revised revenue estimate of \$161.3 million.
- Business corporations tax adjusted revenues of \$22.0 million are \$3.3 million or 13.2 percent less than the expected FY 2014 November revised business corporations tax estimate of \$25.3 million.
- Public utilities gross earnings tax adjusted revenues are \$1.5 million or 66.9 percent less than the expected FY 2014 November revised revenue estimate of \$2.3 million.

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

Results for the Month of December 2013

The table, *Monthly Estimate to Actual*, gives the results for December 2013. As is apparent from the table, the Department of Revenue finds that December adjusted total general revenues trail the expected FY 2014 November revised total general revenues estimate for December by \$7.0 million or -2.6 percent. In total taxes, December adjusted revenues are less than the expected FY 2014 November revised total taxes estimate for December by \$4.7 million or -2.1 percent. For departmental receipts, December adjusted revenues trail the expected FY 2014 November revised departmental receipts estimate for December by \$2.2 million or -14.6 percent. For other general revenue sources, December adjusted revenues are less than the expected FY 2014 November revised other general revenue sources estimate for December by \$180,238 or -0.6 percent.

Two revenue items have December adjusted revenues that exceed the expected FY 2014 November revised revenue estimates for December by \$1.0 million or more.

- Financial institutions tax adjusted revenues for December are \$1.5 million higher than the expected FY 2014 November revised monthly financial institutions tax estimate of \$621,969.
- Estate and transfer tax adjusted revenues for December of \$5.2 million are \$2.5 million or 92.0 percent more than the expected FY 2104 November revised monthly estate and transfer tax estimate of \$2.7 million.

In December, insurance companies gross premiums tax, motor carrier fuel use tax, cigarette and other tobacco product excise tax, and racing and athletics tax adjusted revenues are greater than the expected FY 2014 November revised monthly revenue estimates for December, but by less than \$1.0 million.

One revenue item besides departmental receipts has adjusted revenues in December that fall short of the expected FY 2014 November revised monthly revenue estimate by \$1.0 million or more while personal income taxes falls short of the estimate but by less than a million.

- Business corporation tax adjusted revenues for December are \$7.1 million less than the expected FY 2014 November revised monthly business corporations tax estimate of \$10.2 million.
- Personal income tax adjusted revenues for December are \$798,893 or -0.7 percent less than the expected FY 2014 November revised monthly personal income tax estimate of \$118.5 million. This decrease is attributed to December estimated tax payments adjusted revenues trailing the monthly expected FY 2014 November revised estimated tax payments revenue estimate by \$1.6 million or -7.3 percent. This is offset by, December refunds and adjustments adjusted revenues being less than the monthly expected FY 2014 November revised refunds and adjustments tax estimate by \$547,919 or -7.6 percent. December final payments adjusted revenues are greater than the monthly expected FY 2014 November revised final payments estimate by \$188,245 or 5.6 percent. December personal income tax final payments adjusted revenues include \$1.3 million of reimbursed Historic Structures Tax Credits (HSTCs). Finally, December withholding tax adjusted revenues are greater than the monthly expected FY 2014 November revised withholding tax revenues by \$114,558 or 0.1 percent.

In December, health care provider assessment, the lottery transfer, alcohol excise tax, the motor vehicle operator's license and vehicle registration fee, public utilities gross earnings tax, bank deposits tax, realty transfer tax, and sales and use tax adjusted revenues are below the expected FY 2014 November revised revenue estimates for December, but by less than \$1.0 million.



Rosemary Booth Gallogly, Director
Department of Revenue

January 15, 2014

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

	YTD December Estimate of Nov Rev FY 2014 Revenues	YTD December Adjusted Revenues FY 2014	Difference	Variance
Personal Income Tax	\$ 548,446,687	\$ 565,889,466	\$ 17,442,779	3.2%
General Business Taxes				
Business Corporations	25,314,117	21,984,721	(3,329,396)	-13.2%
Public Utilities Gross Earnings	2,296,339	760,665	(1,535,674)	-66.9%
Financial Institutions	1,657,715	2,641,346	983,631	59.3%
Insurance Companies	682,861	1,860,683	1,177,822	172.5%
Bank Deposits	288,012	-	(288,012)	
Health Care Provider Assessment	21,167,836	20,924,126	(243,710)	-1.2%
Excise Taxes				
Sales and Use	469,801,558	469,353,185 ^a	(448,373)	-0.1%
Motor Vehicle	18,900,402	20,110,505	1,210,103	6.4%
Motor Carrier Fuel Use	306,006	466,199	160,193	52.3%
Cigarettes	71,554,511	73,142,193	1,587,682	2.2%
Alcohol	9,031,588	9,064,393	32,805	0.4%
Controlled Substances	-	-	-	
Other Taxes				
Estate and Transfer	16,280,172	20,143,808	3,863,636	23.7%
Racing and Athletics	583,955	568,540	(15,415)	-2.6%
Realty Transfer	4,383,868	4,423,281	39,413	0.9%
Total Taxes	\$ 1,190,695,627	\$ 1,211,333,111	\$ 20,637,485	1.7%
Departmental Receipts	\$ 89,019,394	\$ 86,286,387 ^b	\$ (2,733,007)	-3.1%
Taxes and Departmentals	\$ 1,279,715,021	\$ 1,297,619,499	\$ 17,904,478	1.4%
Other General Revenue Sources				
Other Miscellaneous Revenues	180,329 +	180,329 ^c	-	0.0%
Lottery Transfer	161,305,660	157,784,190 ^d	(3,521,470)	-2.2%
Unclaimed Property	-	-	-	n/a
Total Other Sources	\$ 161,485,989	\$ 157,964,519	\$ (3,521,470)	-2.2%
Total General Revenues	\$ 1,441,201,009	\$ 1,455,584,018	\$ 14,383,009	1.0%

+ Set equal to actual amounts received.

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

^b Deducts \$129,566,902 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.

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

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

PIT Component	YTD Dec Estimates	YTD Dec Adj Revs	Difference	Variance
Estimated payments	\$ 80,003,717	78,871,822	\$ (1,131,894)	-1.4%
Final payments	26,488,649	28,724,036	2,235,387	8.4%
Withholding	487,350,639	489,130,541	1,779,902	0.4%
Refunds	(45,396,317)	(30,836,933)	14,559,385	-32.1%
Net Accrual			-	
Total	\$ 548,446,687	\$ 565,889,466	\$ 17,442,779	3.2%

STATE OF RHODE ISLAND REVENUE ASSESSMENT REPORT
Monthly Estimate to Actual

	December Estimate of Nov Rev FY 2014 Revenues		December Adjusted Revenues FY 2014		Difference	Variance
Personal Income Tax	\$ 118,515,063		\$ 117,716,170		\$ (798,893)	-0.7%
General Business Taxes						
Business Corporations	10,183,131		3,128,404		(7,054,727)	-69.3%
Public Utilities Gross Earnings	245,126		128,995		(116,131)	-47.4%
Financial Institutions	621,969		2,082,825		1,460,856	234.9%
Insurance Companies	260,435		393,994		133,559	51.3%
Bank Deposits	92,024		-		(92,024)	
Health Care Provider Assessment	3,742,629		3,347,674		(394,955)	-10.6%
Excise Taxes						
Sales and Use	69,844,186		69,793,905		(50,281)	-0.1%
Motor Vehicle	1,537,344		1,384,705		(152,639)	-9.9%
Motor Carrier Fuel Use	26,208		146,915		120,707	460.6%
Cigarettes	11,889,973		11,913,658		23,685	0.2%
Alcohol	1,667,520		1,504,075		(163,445)	-9.8%
Controlled Substances	-		-		-	
Other Taxes						
Estate and Transfer	2,692,068		5,169,364		2,477,296	92.0%
Racing and Athletics	85,884		86,107		223	0.3%
Realty Transfer	686,961		631,006		(55,955)	-8.1%
Total Taxes	\$ 222,090,521		\$ 217,427,797		\$ (4,662,724)	-2.1%
Departmental Receipts	\$ 14,791,242		\$ 12,637,064	^a	\$ (2,154,177)	-14.6%
Taxes and Departmentals	\$ 236,881,762		\$ 230,064,861		\$ (6,816,901)	-2.9%
Other General Revenue Sources						
Other Miscellaneous Revenues	58,714	+	58,714		-	0.0%
Lottery Transfer	30,564,264		30,384,026		(180,238)	-0.6%
Unclaimed Property	-	+	-		-	n/a
Total Other Sources	\$ 30,622,978		\$ 30,442,740		\$ (180,238)	-0.6%
Total General Revenues	\$ 267,504,741		\$ 260,507,601		\$ (6,997,140)	-2.6%

+ Set equal to actual amounts received.

^a Deduct \$390,572 in Hospital Licensing Fees received in FY 2014 that were accrued back to FY 2013 and deducts \$2,563,132 for a pharmaceutical settlement accrued back to FY 2013.

PIT Component	Dec Estimates		Dec Adj Revs		Difference	Variance
Estimated payments	\$ 22,736,742		21,087,126		\$ (1,649,616)	-7.3%
Final payments	3,346,797		3,535,042		188,245	5.6%
Withholding	99,650,113		99,764,671		114,558	0.1%
Refunds	(7,218,588)		(6,670,669)		547,919	-7.6%
Total	\$ 118,515,063		\$ 117,716,170		\$ (798,893)	-0.7%

FY 2014 Variance of Adjusted Revenues to Estimate

