

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 July 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 accrual to make up any shortfall.*

**Estimate of Enacted FY 2014 Revenues**

In order to determine the expected monthly and fiscal year-to-date estimates based on the enacted FY 2014 budget signed into law by Governor Chafee on July 3, 2013, 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 enacted 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

enacted FY 2014 revenue estimate for each revenue item. Given that July is the first month in the fiscal year, the monthly and fiscal year-to-date estimates are the same in this report. 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 July:

Revenue Item	<u>Percent Received</u>		Revenue Item	<u>Percent Received</u>	
	July	YTD		July	YTD
Personal Income Taxes			Motor Vehicles Fees	6.2 %	6.2 %
Estimated Payments	1.8 %	1.8 %	Motor Carrier Fuel Use	4.0 %	4.0 %
Final Payments	1.7 %	1.7 %	Cigarettes Taxes	9.0 %	9.0 %
Withholding Payments	7.2 %	7.2 %	Alcohol Excise Taxes	7.1 %	7.1 %
Refunds/Adjustments	2.2 %	2.2 %	Estate and Transfer	7.2 %	7.2 %
Business Corporations Taxes	4.2 %	4.2 %	Racing and Athletics	8.1 %	8.1 %
Utilities Gross Earnings Taxes	0.7 %	0.7 %	Realty Transfer	9.6 %	9.6 %
Financial Institutions Taxes	-1.3 %	-1.3 %	Departmental Receipts	5.2 %	5.2 %
Insurance Co. Gross Premiums	0.8 %	0.8 %	Lottery Transfer	0.0 %	0.0 %
Bank Deposits	1.8 %	1.8 %	Other Misc. Revenues	n/a	n/a
Health Care Provider Assessment	8.2 %	8.2 %	Unclaimed Property	0.0 %	0.0 %
Sales and Use Taxes+	9.4 %	9.4 %			

+ 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 beverages 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.

It should also be noted that it is the Office of Revenue Analysis' understanding that the State will 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 is that the State will no longer receive voluntary remittances of sales and use tax revenues from remote sellers that are parties to the SSUTA. The principals of the May 2013 Revenue Estimating Conference (REC) assumed no further receipts of voluntary sales and use tax payments after October 2013 and ORA has adjusted the revenue percentages to reflect this for November 2013 through June 2014. In addition, 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.

The FY 2014 estimates by revenue item as enacted by the General Assembly and signed into law by Governor Chafee are as follows:

<b>Revenue Item</b>	<b>Enacted FY 2014 Estimate</b>	<b>Revenue Item</b>	<b>Enacted FY 2014 Estimate</b>
Personal Income Taxes ^		Motor Vehicles	\$ 51,800,000
Estimated Payments	\$ 197,700,000	Motor Carrier Fuel	1,000,000
Final Payments	202,054,500	Cigarettes Taxes	130,700,000
Withholding Payments	1,015,300,000	Alcohol Excise Taxes	18,173,328
Refunds/Adjustments	(298,900,000)	Estate and Transfer	31,800,000
Business Corporations Taxes	141,300,000	Racing and Athletics	1,200,000
Public Utilities Gross Earnings	94,900,000	Realty Transfer	7,500,000
Financial Institutions Taxes	4,300,000	Departmental Receipts ‡	348,707,542
Insurance Co. Gross Premiums	98,815,832	Lottery	394,100,000
Bank Deposits	2,500,000	Other Misc. Revenues	5,545,000
Health Care Provider Assessment	42,610,544	Unclaimed Property	9,700,000
Sales and Use Taxes	887,201,672		
		<b>Total General Revenues ^</b>	<b>\$ 3,381,008,418</b>
^ Total General Revenues include a net accrual for personal income taxes estimated to be \$(7,000,000) in the enacted FY 2014 budget.			
‡ The Departmental Receipts figure includes an estimate of hospital licensing fee revenues of \$141,257,582.			

As the table indicates, the enacted FY 2014 estimate for sales and use taxes is \$887.2 million. The Office of Revenue Analysis (ORA) has estimated that this figure is comprised of \$897.0 million of “base” sales and use tax revenues and \$(9.8 million) of foregone sales and use tax revenues as a result of narrowing the State’s sales and use tax base. Sales and use tax revenues relating to non-compliance with SSUTA are estimated at \$(1.8 million). The sales tax exemption on wine and spirits and original creative works is estimated at \$(8.0 million). ORA adjusted the methodology used for determining the enacted FY 2014 expected revenues for sales and use taxes to account for the onset of the changes noted above.

The enacted FY 2014 revenue 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 enacted FY 2014 expected revenues for alcohol excise taxes to account for the one month delay in revenues received noted above.

### **Results for FY 2014 through July**

The table, *Year-to-Date Estimate to Actual*, gives the results for FY 2014 through July. Given that July is the first month of the fiscal year, the fiscal year-to-date estimate to actual comparison is the same as the monthly comparison as follows.

### **Results for the Month of July 2013**

The table, *Monthly Estimate to Actual*, gives the results for July 2013. As is apparent from the table, the Department of Revenue finds that July adjusted total general revenues exceed the enacted FY 2014 expected total general revenues estimate for July by \$2.5 million or 1.3 percent. In total taxes, July adjusted revenues are less than the enacted FY 2014 expected monthly estimate by \$777,802 or -0.4 percent. For departmental receipts, July adjusted revenues exceed the enacted FY 2014 expected monthly estimate by \$3.3 million or 30.4 percent. For other general revenue sources, July adjusted revenues are equal to the enacted FY 2014 expected monthly estimates by assumption.

In addition to departmental receipts, two revenue items have adjusted revenues in July that exceeds the enacted FY 2014 expected monthly estimate by \$1.0 million or more.

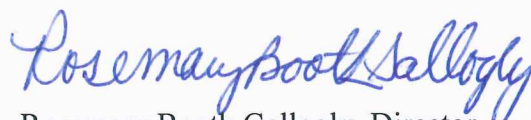
- Cigarette excise tax adjusted revenues for July are \$1.2 million or 10.3 percent greater than the enacted FY 2014 expected monthly estimate of \$11.7 million.
- Motor vehicle license and registration fees adjusted revenues for July are \$1.0 million or 32.0 percent greater than the enacted FY 2014 expected monthly estimate of \$3.2 million.

July adjusted revenues for estate and transfer taxes, sales and use taxes, alcohol excise taxes, financial institutions income taxes, and racing and athletics taxes are greater than the enacted FY 2014 expected monthly estimates for July, but by less than \$1.0 million.

On the negative side, one revenue item has adjusted revenues in July that falls short of the enacted FY 2014 expected monthly revenue estimate by \$1.0 million or more.

- Business corporations tax adjusted revenues for July are \$2.1 million or 35.4 percent less than the enacted FY 2014 expected monthly revenue estimate of \$6.0 million.

July adjusted revenues for personal income taxes, public utilities gross earnings taxes, insurance companies gross premiums taxes, health care provider assessments, realty transfer taxes, bank deposit taxes, and motor carrier fuel use taxes are below the enacted FY 2014 expected revenues for July, but by less than \$1.0 million.



Rosemary Booth Gallogly, Director  
Department of Revenue

August 19, 2013

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

	YTD July Estimate of Enacted FY 2014 Revenues		YTD July Adjusted Revenues FY 2014		Difference	Variance
<b>Personal Income Tax</b>	\$ 73,436,798		\$ 72,530,701		\$ (906,096)	-1.2%
<b>General Business Taxes</b>						
Business Corporations	5,983,448		3,867,422		(2,116,026)	-35.4%
Public Utilities Gross Earnings	619,366		128,857		(490,509)	-79.2%
Financial Institutions	(54,831)		-		54,831	
Insurance Companies	797,251		476,757		(320,494)	-40.2%
Bank Deposits	45,554		-		(45,554)	
Health Care Provider Assessment	3,473,814		3,381,539		(92,275)	-2.7%
<b>Excise Taxes</b>						
Sales and Use	83,230,185		83,387,276		157,091	0.2%
Motor Vehicle	3,208,345		4,234,475		1,026,130	32.0%
Motor Carrier Fuel Use	40,271		33,773		(6,498)	-16.1%
Cigarettes	11,743,256		12,953,944		1,210,688	10.3%
Alcohol	1,290,302		1,349,476		59,174	4.6%
Controlled Substances	-		-		-	
<b>Other Taxes</b>						
Estate and Transfer	2,286,114		3,048,387		762,273	33.3%
Racing and Athletics	96,898		99,301		2,403	2.5%
Realty Transfer	717,554		644,615		(72,939)	-10.2%
<b>Total Taxes</b>	<b>\$ 186,914,325</b>		<b>\$ 186,136,523</b>		<b>\$ (777,802)</b>	<b>-0.4%</b>
<b>Departmental Receipts</b>	<b>\$ 10,804,718</b>		<b>\$ 14,085,705</b>	<sup>a</sup>	<b>\$ 3,280,987</b>	<b>30.4%</b>
<b>Taxes and Departmentals</b>	<b>\$ 197,719,043</b>		<b>\$ 200,222,228</b>		<b>\$ 2,503,185</b>	<b>1.3%</b>
<b>Other General Revenue Sources</b>						
Other Miscellaneous Revenues	2,472	+	2,472	<sup>b</sup>	-	0.0%
Lottery Transfer	-	*	-		-	
Unclaimed Property	-	+	-		-	n/a
<b>Total Other Sources</b>	<b>\$ 2,472</b>		<b>\$ 2,472</b>		<b>\$ -</b>	<b>0.0%</b>
<b>Total General Revenues</b>	<b>\$ 197,721,515</b>		<b>\$ 200,224,700</b>		<b>\$ 2,503,185</b>	<b>1.3%</b>

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

\* The Lottery Transfer does not commence until August.

<sup>a</sup> Deducts \$127,528,207 for Hospital Licensing Fees received in FY 2014, but were accrued back to prior fiscal years.

<sup>b</sup> Deducts \$159,971 for Medicaid Fraud drug settlements received in FY 2014, but were accrued back to prior fiscal years.

PIT Component	YTD Estimates		YTD Actuals		Difference	Variance
Estimated payments	\$ 3,560,480		2,953,004		\$ (607,477)	-17.1%
Final payments	3,478,889		2,920,770		(558,119)	-16.0%
Withholding	73,118,141		71,898,397		(1,219,744)	-1.7%
Refunds	(6,720,713)		(5,241,469)		1,479,243	-22.0%
Net Accrual					-	
<b>Total</b>	<b>\$ 73,436,798</b>		<b>\$ 72,530,701</b>		<b>\$ (906,096)</b>	<b>-1.2%</b>

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

	July Estimate of Enacted FY 2014 Revenues		July Adjusted Revenues FY 2014		Difference	Variance
<b>Personal Income Tax</b>	\$ 73,436,798		\$ 72,530,701		\$ (906,096)	-1.2%
<b>General Business Taxes</b>						
Business Corporations	5,983,448		3,867,422		(2,116,026)	-35.4%
Public Utilities Gross Earnings	619,366		128,857		(490,509)	-79.2%
Financial Institutions	(54,831)		-		54,831	
Insurance Companies	797,251		476,757		(320,494)	-40.2%
Bank Deposits	45,554		-		(45,554)	
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Alcohol	1,290,302		1,349,476		59,174	4.6%
Controlled Substances	-		-		-	
<b>Other Taxes</b>						
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<b>Other General Revenue Sources</b>						
Other Miscellaneous Revenues	2,472	+	2,472	<sup>b</sup>	-	0.0%
Lottery Transfer	-	*	-		-	
Unclaimed Property	-	+	-		-	n/a
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