

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 October 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 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. 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 October:

Revenue Item	<u>Percent Received</u>		Revenue Item	<u>Percent Received</u>	
	October	YTD		October	YTD
Personal Income Taxes			Motor Vehicles Fees	9.0 %	28.6 %
Estimated Payments	2.2 %	27.0 %	Motor Carrier Fuel Use	6.9 %	28.9 %
Final Payments	4.4 %	10.1 %	Cigarettes Taxes	8.8 %	36.0 %
Withholding Payments	7.7 %	30.6 %	Alcohol Excise Taxes	7.9 %	31.3 %
Refunds/Adjustments	2.7 %	8.4 %	Estate and Transfer	9.8 %	35.1 %
Business Corporations Taxes	-1.7 %	13.6 %	Racing and Athletics	8.2 %	33.5 %
Utilities Gross Earnings Taxes	0.3 %	1.6 %	Realty Transfer	8.7 %	38.2 %
Financial Institutions Taxes	3.4 %	5.6 %	Departmental Receipts	10.1 %	29.1 %
Insurance Co. Gross Premiums	0.5 %	0.2 %	Lottery Transfer	8.0 %	25.1 %
Bank Deposits	0.0 %	3.8 %	Other Misc. Revenues	n/a	n/a
Health Care Provider Assessment	8.2 %	32.9 %	Unclaimed Property	0.0 %	0.0 %
Sales and Use Taxes+	8.6 %	36.0 %			
<p>+ 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.</p>					

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.

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:

Revenue Item	Enacted FY 2014 Estimate	Revenue Item	Enacted FY 2014 Estimate
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		
		Total General Revenues ^	\$ 3,381,008,418
^ 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 revenue estimate for sales and use taxes to account for the onset of the changes noted above.

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

Results for FY 2014 through October

The table, *Year-to-Date Estimate to Actual*, gives the fiscal year-to-date results for FY 2014 through October. As is apparent from the table, the Department of Revenue finds that fiscal year-to-date adjusted total general revenues through October exceed the enacted FY 2014 expected total general revenues estimate through October by \$15.1 million or 1.6 percent. In total taxes, the fiscal year-to-date adjusted revenues through October are more than the enacted FY 2014 expected total taxes estimate by \$15.9 million or 2.0 percent. For departmental receipts, the difference in the fiscal year-to-date adjusted revenues through October and the enacted FY 2014 expected departmental receipts estimate totaled \$37,044 or 0.1 percent. For other general revenue sources, fiscal year-to-date adjusted revenues through October are less than the enacted FY 2014 expected other general revenue sources estimate by \$869,282 or -0.9 percent.

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

- Sales and use tax adjusted revenues of \$324.1 million are \$4.9 million or 1.5 percent higher than the enacted FY 2014 expected sales and use tax estimate of \$319.3 million.
- Cigarette and other tobacco product excise tax adjusted revenues of \$51.0 million are \$3.9 million or 8.3 percent higher than the enacted FY 2014 expected revenue estimate of \$47.1 million.
- Personal income tax adjusted revenues of \$363.1 million are \$3.8 million or 1.1 percent greater than the enacted FY 2014 expected personal income tax estimate of \$359.3 million. This difference is attributed to fiscal year-to-date withholding tax adjusted revenues coming in less than the enacted FY 2014 expected withholding tax estimate by \$6.6 million or -2.1 percent. More than offsetting this shortage are estimated tax payments, final payments, and refunds and adjustments adjusted revenues. Fiscal year-to-date final payments adjusted revenues exceed the enacted FY 2014 expected final payments estimate by \$384,709 or 1.9 percent. Fiscal year-to-date personal income tax final payments adjusted revenues include \$1.8 million of reimbursed Historic Structures Tax Credits (HSTCs). Fiscal year-to-date refunds and adjustments adjusted revenues are less than the enacted FY 2014 expected refunds and adjustments estimate by \$8.8 million or -34.8 percent and fiscal year-to-date estimated tax payments adjusted revenues are ahead of the enacted FY 2014 expected estimated tax payments estimate by \$1.2 million or 2.2 percent.
- Estate and transfer tax adjusted revenues of \$13.0 million are \$1.9 million or 16.6 percent more than the enacted FY 2014 expected estate and transfer tax estimate of \$11.1 million.
- Insurance companies gross premiums tax adjusted revenues through October are \$1.2 million higher than the enacted FY 2014 expected revenue estimate of \$180,575.

Fiscal year-to-date motor vehicle operator's license and vehicle registration fee, financial institutions tax, business corporations tax, realty transfer tax, departmental receipts, alcohol excise tax, and health care provider assessment adjusted revenues through October are greater

than the enacted FY 2014 expected revenue estimates through October, but by less than \$1.0 million.

On the negative side, one revenue item's fiscal year-to-date adjusted revenues through October fall short of the enacted FY 2014 expected revenue estimates through October by \$1.0 million or more.

- Public utilities gross earnings tax adjusted revenues are \$1.1 million or -69.5 percent less than the enacted FY 2014 expected revenue estimate of \$1.5 million.

Fiscal year-to-date lottery transfer, bank deposits tax, motor carrier fuel use tax and racing and athletics tax adjusted revenues through October are below the enacted FY 2014 expected revenue estimates through October, but by less than \$1.0 million.

Results for the Month of October 2013

The table, *Monthly Estimate to Actual*, gives the results for October 2013. As is apparent from the table, the Department of Revenue finds that October adjusted total general revenues exceed the enacted FY 2014 expected total general revenues estimate for October by \$6.6 million or 2.8 percent. In total taxes, October adjusted revenues are more than the enacted FY 2014 expected total taxes estimate for October by \$9.5 million or 5.2 percent. For departmental receipts, October adjusted revenues trail the enacted FY 2014 expected departmental receipts estimate for October by \$2.7 million or -13.1 percent. For other general revenue sources, October adjusted revenues are less than the enacted FY 2014 expected other general revenue sources estimate for October by \$127,345 or -0.4 percent.

Four revenue items have October adjusted revenues that exceed the enacted FY 2014 expected revenue estimates for October by \$1.0 million or more.

- Business corporation tax adjusted revenues for October are \$3.6 million higher than the enacted FY 2014 expected monthly business corporations tax estimate of \$(2.4 million).
- Sales and use tax adjusted revenues for October of \$79.4 million are \$3.2 million or 4.2 percent greater than the enacted FY 2014 expected monthly sales and use tax estimate of \$76.2 million.
- Personal income tax adjusted revenues for October are \$2.0 million or 2.4 percent more than the enacted FY 2014 expected monthly personal income tax estimate of \$82.8 million. This increase is attributed to October final payments adjusted revenues exceeding the monthly enacted FY 2014 expected final payments revenue estimate by \$1.7 million or 19.0 percent, October refunds and adjustments adjusted revenues less than the monthly enacted FY 2014 expected refunds and adjustments tax estimate by \$1.8 million or 21.5 percent, and October estimated tax payments adjusted revenues greater than the monthly expected FY 2014 estimated tax payments estimate by \$694,845 or 15.8 percent. October personal income tax final payments adjusted revenues include \$1.1 million of reimbursed Historic Structures Tax Credits (HSTCs). These positive differences are offset in part by October withholding tax adjusted revenues coming in less

than the monthly enacted FY 2014 expected withholding tax revenues by \$2.1 million or -2.7 percent.

- Cigarette and other tobacco product excise tax adjusted revenues for October are \$1.9 million or 16.4 percent greater than the enacted FY 2014 expected revenue estimate of \$11.5 million for October.

In October, insurance companies gross premiums tax, public utilities gross earnings tax, realty transfer tax, , racing and athletics tax and bank deposits tax adjusted revenues are greater than the enacted FY 2014 expected monthly revenue estimates for October, but by less than \$1.0 million.

In addition to departmental receipts, one revenue item has adjusted revenues in October that fall short of the enacted FY 2014 expected monthly revenue estimate by \$1.0 million or more.

- Estate and transfer tax adjusted revenues for October of \$1.6 million are \$1.5 million or -49.1 percent less than the enacted FY 2014 expected estate and transfer tax estimate for October of \$3.1 million.

In October, the motor vehicle operator's license and vehicle registration fee, lottery transfer, alcohol excise tax, financial institutions income tax, motor carrier fuel use tax and health care provider assessment adjusted revenues are below the enacted FY 2014 expected revenue estimates for October, but by less than \$1.0 million.



Rosemary Booth Gallogly, Director
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STATE OF RHODE ISLAND REVENUE ASSESSMENT REPORT
Year-to-Date Estimate to Actual

	YTD October Estimate of Enacted FY 2014 Revenues	YTD October Adjusted Revenues FY 2014	Difference	Variance
Personal Income Tax	\$ 359,336,339	\$ 363,112,402	\$ 3,776,063	1.1%
General Business Taxes				
Business Corporations	19,221,477	19,432,976	211,499	1.1%
Public Utilities Gross Earnings	1,522,717	463,850	(1,058,867)	-69.5%
Financial Institutions	238,727	543,521	304,794	127.7%
Insurance Companies	180,575	1,385,661	1,205,086	667.4%
Bank Deposits	94,886	-	(94,886)	
Health Care Provider Assessment	14,024,711	14,049,370	24,659	0.2%
Excise Taxes				
Sales and Use	319,266,582	324,126,746	4,860,164	1.5%
Motor Vehicle	14,818,166	15,690,575	872,409	5.9%
Motor Carrier Fuel Use	289,483	210,775	(78,708)	-27.2%
Cigarettes	47,078,426	50,974,824	3,896,398	8.3%
Alcohol	5,694,241	5,730,674	36,433	0.6%
Controlled Substances	-	-	-	
Other Taxes				
Estate and Transfer	11,147,072	12,998,875	1,851,803	16.6%
Racing and Athletics	402,399	388,161	(14,238)	-3.5%
Realty Transfer	2,861,905	2,977,188	115,283	4.0%
Total Taxes	\$ 796,177,706	\$ 812,085,598	\$ 15,907,892	2.0%
Departmental Receipts	\$ 60,342,831	\$ 60,379,875 ^a	\$ 37,044	0.1%
Taxes and Departmentals	\$ 856,520,538	\$ 872,465,473	\$ 15,944,935	1.9%
Other General Revenue Sources				
Other Miscellaneous Revenues	124,766	124,766	-	0.0%
Lottery Transfer	98,761,068	97,891,786	(869,282)	-0.9%
Unclaimed Property	-	-	-	n/a
Total Other Sources	\$ 98,885,834	\$ 98,016,552	\$ (869,282)	-0.9%
Total General Revenues	\$ 955,406,372	\$ 970,482,025	\$ 15,075,653	1.6%

+ Set equal to actual amounts received.

^a Deducts \$129,207,068 in Hospital Licensing Fees and \$30,738 in Interim Medicaid Hospital Rate settlements. Each of these revenues were received in FY 2014, but were accrued back to FY 2013.

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

PIT Component	YTD Estimates	YTD Actuals	Difference	Variance
Estimated payments	\$ 53,460,739	54,637,809	\$ 1,177,070	2.2%
Final payments	20,490,286	20,874,995	384,709	1.9%
Withholding	310,556,463	304,002,752	(6,553,712)	-2.1%
Refunds	(25,171,150)	(16,403,154)	8,767,995	-34.8%
Net Accrual			-	
Total	\$ 359,336,339	\$ 363,112,402	\$ 3,776,063	1.1%

STATE OF RHODE ISLAND REVENUE ASSESSMENT REPORT
Monthly Estimate to Actual

	October Estimate of Enacted FY 2014 Revenues	October Adjusted Revenues FY 2014	Difference	Variance
Personal Income Tax	\$ 82,795,298	\$ 84,783,256	\$ 1,987,958	2.4%
General Business Taxes				
Business Corporations	(2,359,061)	1,238,187	3,597,248	-152.5%
Public Utilities Gross Earnings	273,632	605,037	331,405	121.1%
Financial Institutions	144,925	37,773	(107,152)	-73.9%
Insurance Companies	495,276	970,949	475,673	96.0%
Bank Deposits	(154)	-	154	
Health Care Provider Assessment	3,482,465	3,444,625	(37,840)	-1.1%
Excise Taxes				
Sales and Use	76,153,619	79,379,784	3,226,165	4.2%
Motor Vehicle	4,676,857	4,493,117	(183,740)	-3.9%
Motor Carrier Fuel Use	69,383	(4,356)	(73,739)	-106.3%
Cigarettes	11,542,478	13,434,250	1,891,772	16.4%
Alcohol	1,438,714	1,326,315	(112,399)	-7.8%
Controlled Substances	-	-	-	
Other Taxes				
Estate and Transfer	3,125,353	1,590,716	(1,534,637)	-49.1%
Racing and Athletics	98,556	104,099	5,543	5.6%
Realty Transfer	650,581	701,262	50,681	7.8%
Total Taxes	\$ 182,587,921	\$ 192,105,014	\$ 9,517,094	5.2%
Departmental Receipts	\$ 20,981,784	\$ 18,238,735^a	\$ (2,743,049)	-13.1%
Taxes and Departmentals	\$ 203,569,704	\$ 210,343,749	\$ 6,774,045	3.3%
Other General Revenue Sources				
Other Miscellaneous Revenues	10,424 +	10,424	-	0.0%
Lottery Transfer	31,482,181	31,354,836	(127,345)	-0.4%
Unclaimed Property	- +	-	-	n/a
Total Other Sources	\$ 31,492,605	\$ 31,365,260	\$ (127,345)	-0.4%
Total General Revenues	\$ 235,062,309	\$ 241,709,009	\$ 6,646,701	2.8%

+ Set equal to actual amounts received.

^a Deduct \$758,219 in Hospital Licensing Fees received in FY 2014 that were accrued back to FY 2013

PIT Component	Estimates	Actuals	Difference	Variance
Estimated payments	\$ 4,408,197	5,103,042	\$ 694,845	15.8%
Final payments	8,801,093	10,476,733	1,675,641	19.0%
Withholding	77,726,605	75,593,465	(2,133,140)	-2.7%
Refunds	(8,140,596)	(6,389,984)	1,750,613	-21.5%
Total	\$ 82,795,298	\$ 84,783,256	\$ 1,987,958	2.4%

FY 2014 Variance of Adjusted Revenues to Estimate

