



STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
DEPARTMENT OF REVENUE
Office of Revenue Analysis

RHODE ISLAND REVENUE CHANGES
2009 SESSION

The General Assembly's 2009 session included numerous revenue changes. These changes can be broken down into changes to general revenue sources and changes to non-general revenue sources. Changes to general revenue sources encompass tax and fee changes as well as changes to the operation of the state lottery. Changes to non-general revenue sources primarily consist of tax changes that impact revenue sources that are dedicated for specific purposes.

The general revenue tax changes include increasing the cigarette excise stamp tax rate, increasing the exemption for the Rhode Island estate tax, increasing the tax rate for other tobacco products, increasing the tax rate on the gross premiums of health insurance providers, changing the tax treatment of capital gains income and internet sales made through Rhode Island affiliates, offsets from provisions of the American Recovery and Reinvestment Act of 2009, modifying the criteria for eligibility for the state's Jobs Development Act rate reduction, and repealing the state's group home provider assessment.

The general revenue fee changes include increasing the reinstatement fees for suspended operator licenses and vehicle registrations, increasing the hospital license fee rate, increasing the license and permit fees for a variety of business activities that are regulated by the Rhode Island Department of Business Regulation, increasing several fees administered by the Coastal Resources Management Council, and instituting a fee for the expunging of criminal convictions.

The non-general revenue tax changes consist of increasing the state's motor fuel tax, exempting the biodiesel portion of blended petroleum diesel from the motor fuel tax, and maintaining the state's current unemployment insurance tax rate for FY 2009 and FY 2010.

The details associated with each of these changes are presented below.

2009 General Revenue Changes Enacted by the General Assembly

Tax Changes Enacted by the General Assembly

Personal Income Taxes: The 2009 General Assembly's enacted changes to the state's personal income tax consist of actions taken in response to the passage of the federal American Recovery and Reinvestment Act of 2009 (ARRA) and changes in the tax treatment of capital gains income.

- *American Recovery and Reinvestment Act of 2009:* The General Assembly enacted legislation that requires Rhode Island taxpayers to report as a modification increasing Federal Adjusted Gross Income (FAGI) for Rhode Island income tax purposes (1) the first \$2,400 of unemployment benefits received in tax year 2009; (2) the sales tax paid on the purchase of a qualified vehicle between February 17th and December 31st 2009, and (3) the 2009 and 2010 recognition of income from the discharge of business indebtedness that has been deferred for federal tax purposes under ARRA until 2014 to 2018.

In addition, the General Assembly took no action with regard to two other provisions of ARRA as it pertains to the state's personal income tax. ARRA expands the federal earned income tax credit (EITC) to 45.0 percent of the first \$12,570 in earned income for 2009 and 2010 for eligible families with three or more dependents. Rhode Island's state EITC is set to 25.0 percent of the federal EITC so this increase in the federal EITC also increases Rhode Island's EITC. ARRA also included an increase in unemployment benefits of \$25 per week for the first 33 weeks of unemployment. This amount is included in FAGI and passes through to Rhode Island taxable income for state income tax purposes.

The General Assembly's enacted changes are estimated to increase personal income tax revenues in FY 2010 by \$6.8 million. It should be noted that no revenue impact from the inclusion of the cancellation of business indebtedness as a modification increasing FAGI was included in the enacted FY 2010 budget. The Center on Budget and Policy Priorities, however, estimated that the state would avert a loss of \$4.0 million in combined personal income, business corporations, and financial institutions tax revenues in FY 2010 by implementing this change. Additional FY 2010 revenues of \$1,846,284 were estimated from the \$25 per week increase in unemployment benefits while a FY 2010 revenue decrease of \$(175,306) was estimated for the enhancement of the federal EITC.

- *Tax Treatment of Capital Gains Income:* The General Assembly passed legislation to tax all capital gains income at the same rates as ordinary income for assets sold on or after January 1, 2010.

Under prior law, Rhode Island taxed capital gains income under three different rate structures. Capital gains income realized from the sale of assets held for one year or less were taxed at the ordinary income tax rates of 3.75, 7.0, 7.75, 9.0, or 9.9 percent depending on Rhode Island taxable income. Capital gains income realized from the sale of assets held at least one year but not more than five years were taxed at rates of 2.5 percent for stocks, bonds, and real estate for taxpayers in the lowest federal tax bracket, 5.0 percent for stocks, bonds and real estate for taxpayers in all other federal tax brackets,

6.25 percent for depreciable business assets, and 7.0 percent for collectibles. Capital gains income realized from the sale of assets held more than five years were taxed at rates of 0.83 percent for stocks, bonds, and real estate for taxpayers in the lowest federal tax bracket, 1.67 percent for stocks, bonds and real estate for taxpayers in all other federal tax brackets, 2.08 percent for depreciable business assets, and 2.33 percent for collectibles.

The enacted change in the tax treatment of capital gains income is estimated to increase personal income tax revenues in FY 2010 by \$23.6 million.

Business Corporations Taxes: The 2009 General Assembly enacted two statutory changes that impacted the imposition of the Business Corporations tax. They were provisions to offset the federal deferment of the income recorded as the result of the cancellation of business debt and a modification to the criteria for eligibility under the Jobs Development Act rate reduction.

- *American Recovery and Reinvestment Act of 2009:* The General Assembly enacted legislation that requires Rhode Island business corporations taxpayers to report as a modification increasing net income for Rhode Island business corporations tax purposes the recognition of 2009 and 2010 income from the discharge of business indebtedness that has been deferred for federal tax purposes under ARRA until 2014 to 2018.

Under prior law, Rhode Island recognized income from the cancellation of business indebtedness according to the federal treatment of the same. The change enacted by the General Assembly preserves this timing of the recognition. It should be noted that in the period 2014 to 2018 when the federal government begins to recognize the income for the cancellation of business indebtedness that occurred in 2009 and 2010, Rhode Island business corporations taxpayers will be able to reduce Rhode Island net income by the amount that federal net income is increased.

The General Assembly did not estimate a revenue impact from the inclusion of the cancellation of business indebtedness as a modification increasing net income in the enacted FY 2010 budget. The Center on Budget and Policy Priorities, however, estimated that the state would avert a loss of \$4.0 million in combined personal income, business corporations, and financial institutions tax revenues in FY 2010 by implementing this change.

- *Job Development Act Rate Reduction:* The 2009 General Assembly enacted a modification to the definition of a “full-time equivalent active employee” under Rhode Island General Law 42-64.5-2, The Jobs Development Act. The Jobs Development Act allows Business Corporations taxpayers to receive a reduction in the business corporations tax rate if certain employment thresholds and other employment related criteria are met. The General Assembly changed the definition of a “full-time equivalent active employee” to be any employee that works at least 30 hours per week in the state, earns health insurance and retirement benefits, and earns no less than 250.0 percent of the minimum wage in effect in Rhode Island at the time the employee was first treated as a full-time equivalent active employee for the purpose of qualifying for the rate reduction. The General Assembly made the change in definition effective for eligible companies qualifying for a business corporations tax rate reduction on or after July 1, 2009.

Under prior law, a “full-time equivalent active employee” was defined as any employee that works at least 30 hours per week in Rhode Island and earns no less than 150.0 percent of the state minimum wage in effect at the time the employee was first treated as a full-time equivalent active employee for the purpose of qualifying for the rate reduction. This definition of “full-time equivalent active employee” is still applicable for eligible companies qualifying for a rate reduction prior to July 1, 2009 provided that the employees that qualified the eligible company for the rate reduction remain in the original positions for which they were hired. Any new employees hired after July 1, 2009 to replace these original employees are subject to the new definitional requirements of a “full-time equivalent active employee.”

The modified definition of “full-time equivalent active employee” had no FY 2010 estimated revenue attached to it when passed by the General Assembly.

Financial Institutions Taxes: The changes enacted by the 2009 General Assembly that pertain to Business Corporations taxes are also applicable to the State’s Financial Institutions taxes.

Insurance Companies Gross Premiums Taxes: The 2009 General Assembly’s enacted changes to the state’s Insurance Companies Gross Premiums tax consist of increasing the tax rate on the premiums of health insurance providers and repealing the exemption from the insurance companies gross premiums tax for providers of managed care plans under Title XIX of the Social Security Act.

- *Insurance Companies Gross Premiums Tax Rate:* The General Assembly passed legislation to increase the tax rate on the gross premiums of non-profit medical service insurers, non-profit hospital service insurers, non-profit dental service insurers, and health maintenance organizations to 2.0 percent effective January 1, 2009.

Under prior law, for calendar year 2009, the tax rate on the gross premiums of non-profit medical service insurers, non-profit hospital service insurers, non-profit dental service insurers and health maintenance organizations was 1.75 percent.

The enacted increase in the tax rate on the gross premiums of non-profit medical service insurers, non-profit hospital service insurers, non-profit dental service insurers, and health maintenance organizations is estimated to increase Insurance Companies Gross Premiums tax revenues by \$3,731,822 in FY 2009 and \$3,802,788 in FY 2010.

- *Exemption from the Insurance Companies Gross Premiums Tax:* The General Assembly enacted legislation to eliminate the exemption from the Insurance Companies Gross Premiums tax for insurers of managed care plans under Title XIX of the Social Security Act (“Medicaid”) effective January 1, 2009.

Under prior law, for calendar year 2009, insurers of managed care Medicaid plans were not subject to the Insurance Companies Gross Premiums tax.

The legislation repealing the exemption from the Insurance Companies Gross Premiums tax for insurers of managed care plans under Title XIX of the Social Security Act is estimated to increase insurance Companies Gross Premiums revenues by \$9,040,000 in FY 2009 and \$9,763,200 in FY 2010.

Health Care Provider Assessments: The General Assembly enacted legislation to repeal the Health Care Provider Assessment as it applies to group homes for the developmentally disabled. In December 2008, the state received approval for the *Rhode Island Global Compact Choice Waiver*, also known as the Global Medicaid Waiver. As part of the approval of this waiver, other Medicaid waivers the state had received previously were terminated. In one of those earlier waivers, the state had been approved to impose the health care provider assessment on group homes for the developmentally disabled.

Under prior law, the state imposed a health care provider assessment of 25.0 percent “upon the gross patient revenue received by every provider for the provision of residential services” for individuals with developmental disabilities such that “the assessment rate...does not exceed the maximum rate of assessment that the laws of the United States and/or any rules, regulations, or standards issued under those laws, relating to health care provider assessments will allow without reduction in federal financial participation.” As a result of this restriction, the actual health care provider assessment imposed was 5.5 percent of gross patient revenue.

The enacted change in tax revenues resulting from the repeal of the Health Care Provider Assessment on providers of residential services to persons with developmental disabilities is a loss of \$(11,100,000) in FY 2010.

Sales and Use Taxes: The General Assembly enacted legislation to expand the definition of retailer subject to the state’s sales and use tax. In particular, the General Assembly added as a category of retailer, “[E]very person making sales of tangible personal property through an independent contractor or other representative, if the retailer enters into an agreement” with a Rhode Island resident under which the Rhode Island resident receives “a commission or other consideration” for “directly or indirectly, whether by a link on an Internet website” or by other means referring potential customers to the retailer. The definition only applies to retailers for whom the “cumulative gross receipts” from Rhode Island customers that are referred to the retailer via Rhode Island based independent contractors or other representatives exceed \$5,000 during the preceding four quarterly periods.

Under prior law, a retailer was defined as “[E]very person engaged in...sales at retail”, including the storage, use or other consumption of tangible personal property, claims stakes horse races, the “renting of living quarters in any hotel, rooming house or tourist camp”, and “[E]very person maintaining a business within or outside” of Rhode Island “who engages in the regular or systematic solicitation of sales of tangible personal property” in Rhode Island via print advertising, telephone, or electronic media.

The additional definition of retailer, popularly referred to as the “Amazon tax” had no FY 2010 estimated revenue attached to it when passed by the General Assembly.

Cigarettes Taxes: Rhode Island Cigarettes taxes consist of cigarette excise tax stamps and a tax on the wholesale price of other tobacco products which includes cigars, pipe tobacco products, and smokeless tobacco other than snuff. In the 2009 Session, the General Assembly enacted tax increases on both of these items.

- *Cigarette Excise Tax Stamp Rate:* The General Assembly approved legislation to increase the state’s cigarette excise tax stamp rate to 173 mills per cigarette, or \$3.46 per pack of

20 cigarettes. In addition to the increase in the cigarette excise tax stamp rate, the General Assembly instituted a floor stock tax rate of 50 mills per cigarette, or \$1.00 per pack of 20 cigarettes, on the “stamped cigarette inventory of distributors”, “any unaffixed tax stamps in the possession of a distributor or dealer”, and any unsold cigarettes in the possession of a dealer as of 12:01 a.m. on April 10, 2009.

Under prior law, the state’s cigarette excise tax stamp rate was 123 mills per cigarette, or \$2.46 per pack of 20 cigarettes. A floor stock tax is only imposed as part of an increase in the cigarette excise tax stamp rate. Thus, no floor stock tax was in effect before 12:01 a.m. on April 10, 2009.

The legislation enacting the increase in the cigarette excise tax stamp rate is estimated to increase Cigarettes tax revenues by \$7.0 million in FY 2009 and \$27,452,967 in FY 2010. The implementation of a floor stock tax on the “stamped cigarette inventory of distributors”, “any unaffixed tax stamps in the possession of a distributor or dealer”, and any unsold cigarettes in the possession of a dealer as of 12:01 a.m. on April 10, 2009 is estimated to increase in Cigarettes tax revenues by \$5.0 million in FY 2009 with no revenue impact in FY 2010. In addition to the increases in Cigarettes tax revenues, the enacted increase in the cigarette excise tax stamp rate increases sales and use taxes collected by the state. For FY 2009, the increased sales and use tax revenues is estimated to be \$1.1 million. For FY 2010, it is estimated to be \$2,737,504.

- *Other Tobacco Products Tax:* The General Assembly passed legislation to increase the rate of tax on other tobacco products to 80.0 percent of the wholesale cost of cigars, pipe tobacco products and smokeless tobacco other than snuff. In the case of cigars, the tax is capped at a maximum of \$0.50 per cigar.

Under prior law, the state’s other tobacco products tax rate was 40.0 percent of the wholesale cost of cigars, pipe tobacco products, and smokeless tobacco other than snuff. The provision capping the tax on cigars at \$0.50 per cigar was also provided for under prior law.

The legislation enacting the increase in the other tobacco products tax rate is estimated to increase Cigarettes revenues by \$333,333 in FY 2009 and \$1.0 million in the enacted FY 2010 budget.

Inheritance Taxes: In the 2009 session, the General Assembly enacted an increase in the exemption amount for net taxable estates subject to the state’s estate tax. In particular, the General Assembly increased the exemption amount to \$850,000 for the net taxable estates of decedents whose death occurs on or after January 1, 2010. In addition, the General Assembly indexed this exemption amount beginning on January 1, 2011 to the Consumer Price Index for all Urban Consumers as of September 30 of the prior calendar year. This inflation adjustment is to be compounded annually and rounded up to the nearest five dollar (\$5.00) increment.

Under prior law, the exemption amount for net taxable estates subject to the state’s estate tax was \$675,000 and had been this amount since 2001. This exemption amount will continue to apply to the net taxable estates of decedents whose deaths occur prior to January 1, 2010.

The legislation enacting the increase in the exemption amount for net taxable estates subject to the state's estate tax is estimated to decrease Inheritance Tax collections by \$(800,300) in FY 2010.

Fee Changes Enacted by the General Assembly

Division of Motor Vehicles Reinstatement Fees: The 2009 General Assembly enacted increases to the fees charged by the Division of Motor Vehicles for the reinstatement of a suspended operator's license, a suspended vehicle registration, or a suspended certificate of title.

- *Operator's License Reinstatement Fee:* The General Assembly passed legislation to increase the fee for reinstating a suspended operator's license to \$150 for all operator's license suspensions that were not due to driving-under-the-influence (DUI) violations. For operator's license suspensions that were due to DUI violations, the reinstatement fee was increased to \$350.

Under prior law, the fee for reinstating a suspended operator's license regardless of the reason for the suspension was \$75.00.

The enacted fee increase of \$75.00 for the reinstatement of an operator's license that wasn't suspended because of a DUI violation is estimated to generate an additional \$394,500 in the Licenses and Fees category of Departmental Receipts in FY 2009 and \$1,578,000 in FY 2010. The enacted fee increase of \$275.00 for the reinstatement of an operator's license that was suspended as the result of a DUI violation is estimated to increase the collections in the Licenses and Fees component of Departmental Receipts by \$367,331 in FY 2009 and \$1,469,325 in FY 2010.

- *Vehicle Registration and Title Reinstatement Fee:* The General Assembly enacted legislation to increase the fee for reinstating a suspended vehicle registration or a motor vehicle title certificate to \$250 for all such suspensions regardless of cause.

Under prior law, the fee for reinstating a suspended vehicle registration or certificate of title was \$50.00.

The enacted fee increase of \$200.00 for the reinstatement of a suspended vehicle registration or certificate of title is estimated to generate an additional \$215,050 in the Licenses and Fees category of Departmental Receipts in FY 2009 and \$860,200 in FY 2010.

Division of Motor Vehicles Certificate of Title Fees: In the 2009 Session, the General Assembly passed legislation to increase the fee for the issuance of a motor vehicle title certificate to \$50.00 for any transaction.

Under prior law, the fee for the issuance of a motor vehicle certificate of title was \$25.00.

The enacted fee increase of \$25.00 for the issuance of a motor vehicle title certificate is estimated to generate an additional \$1,131,032 in the Licenses and Fees category of Departmental Receipts in FY 2009 and \$3,877,825 in FY 2010.

Department of Human Services Hospital Licensing Fee: In the 2009 Session, the General Assembly passed legislation to increase the state's hospital licensing fee for FY 2009 to 5.473 percent applied to each hospital's 2007 fiscal year net patient revenues. For FY 2010, the General Assembly reinstated the hospital licensing fee at a rate of 5.237 percent applied to each hospital's 2008 fiscal year net patient revenues.

Under prior law, the FY 2009 hospital licensing fee rate was set at 4.78 percent of each hospital's fiscal year 2007 net patient revenues. The hospital licensing fee expires at the end of each state fiscal year and must be reinstated for the following state fiscal year. Thus, under prior law, no hospital licensing fee was in place for FY 2010.

The enacted increase in the hospital licensing fee rate for FY 2009 is estimated to bring in an additional \$16,151,170 in the Licenses and Fees category of Departmental Receipts. For FY 2010, the reinstatement of the hospital licensing fee at the stated rate and applied to the new base is estimated to generate \$128,847,188 in the Licenses and Fees component of Departmental Receipts. The incremental change in hospital licensing fee revenues from FY 2009 to FY 2010 is \$1,292,561.

Small and Consumer Claims Court Mediation Fee: The 2009 General Assembly enacted an increase in the fee to access small and consumer claims court mediation to \$50.00. This is a fee increase of \$20.00 with one-half, or \$10.00, to be deposited as general revenue and the other \$10.00 to be deposited as a restricted receipt for use by the Judiciary to finance the operations of the court.

Under prior law, the small and consumer claims court mediation fee was \$30.00 with two-thirds, or \$20.00, of this amount being deposited as a restricted receipt for use by the Judiciary to finance the operations of the court and one-third, or \$10.00, being deposited as general revenue.

The enacted \$20.00 increase in the small and consumer claims court mediation fee is estimated to increase the Licenses and Fees category of Departmental Receipts by \$78,929 in FY 2009 and \$198,901 in FY 2010. These estimates reflect only the portion of the fee increase that will be deposited as general revenues.

Office of the Attorney General Expungement Fee: In the 2009 Session, the General Assembly passed legislation instituting a fee for the expunging of criminal records. The fee is set at \$100.00 and is paid by petitioners who want to expunge misdemeanor and felony convictions as allowed by current law.

Under prior law, no fee was charged to any petitioner who wanted to have a criminal conviction expunged.

The institution of a \$100.00 fee to expunge a criminal record is estimated to generate \$1.2 million in revenue in the Licenses and Fees component of Departmental Receipts in FY 2010. The fee for expunging a criminal record did not go into effect until July 1, 2009.

Department of Business Regulation Business Activity Fees: The 2009 General Assembly enacted an increase of 20.0 percent in the fees assessed by the Department of Business Regulation for a variety of business activities. The affected business activities, the prior law fee amount, and the new fee amount are as follows:

<u>Business Activities</u>	<u>Prior Fee Amount</u>	<u>New Fee Amount</u>
Sales of Checks License, Check Cashing Licenses, Electronic Money Transfer License	\$ 300	\$ 360
Application of Initial Registration of a Franchise	500	600
Filing a Notice of Exemption for a Franchise	300	360
Application for a Renewal of Franchise Registration	250	300
Filing an Amendment to a Franchise Application	100	120
Securities Broker Dealer License	250	300
Securities Sales Representative License	50	60
Investment Adviser License	250	300
Investment Adviser Representative License	50	60
Registration of a Charitable Organization	75	90
Professional Fund Raiser Registration	200	240
Application Filing Fee for Foreign Insurance Company	1,000	1,200
Review of Application Fee for Foreign Insurance Company	1,500	1,800
Insurance Claims Adjuster License	Unspecified	120
Reinstatement of Suspended or Revoked Insurance Claims Adjuster License	50	60
Insurance Claims Adjuster License for Appraisal of Motor Vehicle Claims	50	60
Approval Fee for a Course or Program to Qualify as Continuing Education for Licensed Insurance Producers	Not Applicable	60
Sterilization Permits	70	84
License for Manufacturer, Repairer-Renovator, or Supply Dealer of New Bedding for Sale	175	210
License for Repairer-Renovator or Retailer of Used Bedding	50	60
Certificate of Registration for Engineers	125 to 150	150 to 180
Fee for Certificate of Authorization for Engineering Firms Organized as Partnerships, LLPs, LLCs, etc.	125	150
Registration Certificate for Professional Land Surveyors	≤ 150	≤ 180
Fee for Certificate of Authorization for Professional Land Surveyor Firms Organized as Partnerships, LLPs, LLCs, etc	50	60
Certificate of Registration for Architects	50	60
Certificate of Registration for Landscape Architects	30	36
Restoration of Expired Registration for Landscape Architects	≤ 125	≤ 150
Renewal of Registration for Landscape Architects	≤ 125	≤ 150
Certificate of Registration for Out-of-State Landscape Architects	≤ 150	≤ 180
Initial Certificate of Authorization for Landscape Architects	≤ 125	≤ 150
Renewal or Reinstatement of Expired Certificate of Authorization for Landscape Architects	50	60

The fees charged under prior law are given in the table above.

The 20.0 percent increase in the above noted licenses and fees is estimated to increase collections in the Licenses and Fees component of Departmental Receipts by \$1.6 million.

Coastal Resources Management Council Fees: In the 2009 Session, the General Assembly accepted the administratively promulgated fee increases put forth by the Coastal Resources Management Council. The fee increases accepted by the General Assembly are an increase in the Recreational Vehicle Permit Fee to \$100.00 Resident and \$200 Non-Resident, an increase in the Residential Dock Application Fee to \$1,500, and an increase in the Structural Shoreline Protection Application Fee to \$1,500 for the first 100 feet and \$15 for each additional foot.

Under prior law, the fees charged by the Coastal Resources Management Council were as follows: Recreational Vehicle Permit Fee, \$50 Resident/\$100 Non-Resident; Residential Dock Application Fee, \$500; and Structural Shoreline Protection Application Fee, \$750 for first 100 feet and \$10 for each additional foot.

The accepted increase in the Recreational Vehicle Permit Fee is estimated to increase state general revenues by \$100,000. The increase in the Residential Dock Permit Fee is estimated to increase general revenues by \$55,000. The increase in the Shoreline Protection Application Fee is estimated to increase general revenues by \$30,000. Each of these fees is part of the Licenses and Fees category of Departmental Receipts.

Lottery Revenue Changes Enacted by the General Assembly

Division of Lottery Video Lottery Terminal Operations: The 2009 General Assembly let sunset prior law provisions that allowed the state's two gaming facilities, Twin River and Newport Grand, to operate its video lottery terminals (VLTs) 24 hours a day, three days a week¹(24/3). The Department of Revenue's Division of Lottery had determined previously that it had the authority to regulate the hours of operation at both Twin River and Newport Grand, absent statutory provisions regarding the hours of operation. As a result, the Division of Lottery administratively extended 24/3 operations effective July 1, 2009 for Twin River under the same terms and conditions allowed under the law that the General Assembly allowed to sunset.

In addition, in the 2009 Session, the General Assembly passed legislation to allow Twin River to operate 24 hours a day, seven days a week (24/7). This legislation has been vetoed by the Governor and it is not known with certainty whether the General Assembly will override this veto. If the Governor's veto is not overridden, it is possible that the Division of Lottery could use its regulatory powers to allow Twin River to adopt 24/7 VLT operations.

In the 2008 Session, the General Assembly passed legislation to allow Twin River and Newport Grand to operate the VLTs sited at their facilities 24 hours a day, three days a week with the state's share of the net terminal income generated by these extended hours dedicated to the Permanent School Fund. This legislation had a sunset provision of June 30, 2009.

¹ Twenty-four hours a day, three days a week operations allows the state's gaming facilities to remain open 24 hours a day from 10:00 am on Friday through 3:00 am on Monday. If the Monday is a state or federal holiday, then the facilities are allowed to remain open continuously from 10:00 am on Friday through 3:00 am on Tuesday. Only Twin River took advantage of these extended hours in FY 2009.

The extended hours of operation for VLTs at Twin River are estimated to generate \$7.6 million for 24/3 and \$3.1 million more for 24/7. Thus, a total of \$10.7 million more is estimated for the Lottery transfer in FY 2010 as a result of the potential institution of 24/7 operations at Twin River.

2009 Non-General Revenue Tax Changes Enacted by the General Assembly

Motor Fuel Taxes: The 2009 General Assembly enacted an increase in the state's motor fuel tax to \$0.32 per gallon effective July 1, 2009. In addition, the General Assembly approved legislation that exempts from the state's motor fuel tax the manufactured biodiesel portion of any gallon of blended biodiesel and petroleum diesel fuel provided that the manufactured biodiesel consists of "[M]ono-alkyl esters of long chain fatty acids derived from vegetable oils or animal fats which conform to ASTM D6751 specifications for use in diesel engines" and the production of which "results in employment in Rhode Island at a fixed location at a manufacturing facility for biodiesel fuel". The 2009 General Assembly also relinquished the general fund's claim to \$0.01 per gallon of the motor fuel tax allowing it to remain with the Department of Transportation (DOT). Finally, the General Assembly reduced to one-half cent (\$0.005) per gallon the motor fuel assessment that is dedicated to the Rhode Island Underground Storage Tank Review Board.

Under prior law, Rhode Island's motor fuel tax was \$0.30 per gallon and only fuel that was 100.0 percent manufactured biodiesel was exempt from the state's motor fuel tax. In addition, one cent per gallon (\$0.01) of the motor fuel tax was available as general revenue and the Rhode Island Underground Storage Tank Review Board received a one cent (\$0.01) per gallon motor fuel assessment.

The enacted \$0.02 per gallon increase in the state's motor fuel tax is estimated to increase motor fuel tax collections by \$8.8 million. These receipts, as is the case with all other motor fuel tax receipts, are deposited into the Intermodal Surface Transportation Fund for distribution to the Department of Transportation, the Department of Human Services, and the Rhode Island Public Transit Authority (RIPTA). The revenue generated from the additional \$0.02 per gallon in motor fuel tax has been designated for RIPTA. The Rhode Island Budget Office estimates that the exemption of the biodiesel portion of a gallon of blended biodiesel and petroleum diesel fuel will lower motor fuel tax revenues by \$(900,000) in FY 2010. The \$0.01 per gallon of the motor fuel tax that was transferred to DOT is estimated to generate \$4.4 million in FY 2010. The one-half cent per gallon motor fuel assessment was transferred from the Rhode Island Underground Storage Tank Review Board to RIPTA for FY 2010 and beyond. This transfer amounts to \$2,200,000 of additional motor fuel revenue for RIPTA in FY 2010.

Unemployment Insurance Taxes: In the 2009 Session the General Assembly passed legislation to suspend the statutory imposition of a surtax of 0.3 percent on the taxable wages of eligible individual employers that is mandated "[W]henver the amount in the employment security fund available for benefits, net of obligations owed to the federal government, is less than zero at the end of the second month in any calendar quarter". The suspension provision is in effect for any quarter of calendar years 2009 and 2010 in which the interest on federal advances under Title XII of the Social Security Act has been waived. This waiver is part of the American Recovery and Reinvestment Act of 2009.

Under prior law, the 0.3 percent surtax would be imposed when the criteria noted above is reached.

No revenue impact from the suspension of this provision was estimated for either FY 2009 or FY 2010.