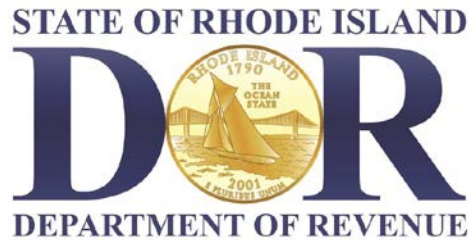


STATE OF RHODE ISLAND  
GOVERNOR GINA M. RAIMONDO



Office of Revenue Analysis

State of Rhode Island Revenue Assessment Report  
FY 2021 Monthly and Year-to-Date as of July 2020

**Revised October 19, 2020**

**The Office of Revenue Analysis was informed of an error that it had made with respect to the estimate of the FY 2021 hospital licensing fee. The error effectively understated the base departmental receipts revenues against which adjusted actual departmental receipts revenues were compared and impacted the results of the *FY 2021 Monthly and Year-to-Date Revenue Assessment Report* for July. As a result of the error, the original July 2020 Revenue Assessment Report overstated the difference between adjusted and expected departmental receipts and total general revenues. This document replaces the earlier document produced by the Department of Revenue and contains the corrected numbers for the July 2020 report. ORA apologizes for any inconvenience or confusion the correction of this error may cause readers and users of the report.**

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 estimates of expected revenues based on the current fiscal year revenue estimates. It should be noted that the fiscal year revenue estimates will vary over the course of the fiscal year as the Revenue Estimating Conference (REC) (see Rhode Island General Laws § 35-16-1 et seq.) 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 estimates were 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 fiscal year-end in*

*June. Thus, even if the assessment of actual fiscal year-to-date revenues trails the fiscal year-to-date revenue estimates, it is possible for the fiscal year-end accrual to make up any shortfall.*

Normally, the July Revenue Assessment Report uses the revenue estimates from the enacted budget for the fiscal year as the basis of comparison. At this time, the FY 2021 budget has not yet been enacted and, as a result, this report uses the revised FY 2021 revenue estimates adopted at the May 2020 REC as the basis of comparison for FY 2021 adjusted revenues. Once the FY 2021 budget is enacted, the revenue estimates included in that enactment will become the basis of comparison for all subsequent revenue assessment reports through October 2020. Beginning with the November 2020 Revenue Assessment Report, the basis of comparison will be revenue estimates adopted at the November 2020 REC. For the May 2021 Revenue Assessment Report, the basis of comparison will be revenue estimates adopted at the May 2021 REC. There is no Revenue Assessment Report issued for the month of June. Instead, a Special Report on Preliminary Revenues for FY 2021 will be prepared and issued in September 2021.

**FY 2021 STATE OF RHODE ISLAND REVENUE ASSESSMENT REPORT**  
**Year-to-Date and Monthly Estimate to Actual**

	July and FY 2021 Adjusted Revenues FY 2021		July and FY 2021 Estimate of May 2020 REC FY 2021 Revenues †		Difference	Variance
<b>Personal Income Tax ‡</b>	\$ 101,216,220	a, b	\$ 88,290,975		\$ 12,925,245	14.6%
<b>General Business Taxes</b>						
Business Corporation ‡	5,751,052	c, d	5,207,975		543,077	10.4%
Public Utilities Gross Earnings ‡	921,158		366,615		554,543	151.3%
Financial Institutions ‡	596,184	e	-		596,184	n/a
Insurance Company Gross Premiums ‡	591,053	f	(868,570)		1,459,623	-168.0%
Bank Deposits ‡	(2,313)	g	-		(2,313)	n/a
Health Care Provider Assessment	3,652,683		3,605,407		47,276	1.3%
<b>Excise Taxes</b>						
Sales and Use ◊	114,600,813		100,689,146		13,911,667	13.8%
Motor Vehicle License and Reg Fees	179,735		159,890		19,845	12.4%
Cigarettes	15,808,581		10,997,739		4,810,842	43.7%
Alcohol	1,975,494		2,048,178		(72,684)	-3.5%
Controlled Substances	-		-	+	-	n/a
<b>Other Taxes</b>						
Estate and Transfer	4,513,632		3,279,975		1,233,657	37.6%
Racing and Athletics	-		75,348		(75,348)	n/a
Realty Transfer	1,721,268		1,342,386		378,882	28.2%
<b>Total Taxes</b>	\$ <b>251,525,560</b>		\$ <b>215,195,063</b>		\$ <b>36,330,497</b>	<b>16.9%</b>
<b>Departmental Receipts †</b>	\$ 12,851,510	h	\$ 13,761,566		\$ (910,056)	-6.6%
<b>Taxes and Departmentals</b>	\$ <b>264,377,070</b>		\$ <b>228,956,629</b>		\$ <b>35,420,441</b>	<b>15.5%</b>
<b>Other General Revenue Sources</b>						
Other Miscellaneous Revenues	4,566	+	4,566	+	-	0.0%
Lottery Transfer	-		-		-	n/a
Unclaimed Property	-	+	-	+	-	n/a
<b>Total Other Sources</b>	\$ <b>4,566</b>		\$ <b>4,566</b>		\$ <b>-</b>	<b>0.0%</b>
<b>Total General Revenues</b>	\$ <b>264,381,636</b>		\$ <b>228,961,195</b>		\$ <b>35,420,441</b>	<b>15.5%</b>

PIT Component	July and FY 2021 Adj. Revenues		July and FY 2021 May 2020 REC Estimates		Difference	Variance
Estimated payments ‡	\$ 5,271,682	a	\$ 4,058,931		\$ 1,212,751	29.9%
Final payments ‡	5,278,163	a, b	3,673,366		1,604,797	43.7%
Withholding	98,595,900		89,100,631		9,495,269	10.7%
Refunds and Adjustments ‡	(7,929,525)	a	(8,541,953)		612,428	-7.2%
<b>Total</b>	\$ <b>101,216,220</b>		\$ <b>88,290,975</b>		\$ <b>12,925,245</b>	<b>14.6%</b>

‡ On March 20, 2020, the United States Treasury and Governor Raimondo extended the payment and filing due date for personal income tax and most general business taxes estimated and final payments from April 15, 2020 to July 15, 2020.

† FY 2021 estimated revenues are based on estimates adopted at the May 2020 Revenue Estimated Conference (REC). The estimate for departmental receipts was calculated using modified revenue flows to align expected revenues with the actual realization of revenues.

◊ Reflects June 2020 activity. Rhode Island entered Phase 2 of ReopeningRI on June 1, 2020 and Phase 3 on June 30, 2020. Phase 2 allowed restaurants to open for dine-in seating at a 50% capacity and for personal service businesses to open at a reduced capacity. Phase 3 allowed for indoor establishments to open at a 66% capacity and allowed for larger crowd sizes at indoor and outdoor entertainment establishments.

+ Set equal to actual amounts received.

Detailed notes on the following page

**FY 2021 STATE OF RHODE ISLAND REVENUE ASSESSMENT REPORT**  
**Year-to-Date and Monthly Estimate to Actual**

- <sup>a</sup> An adjustment of \$324,288 is included in personal income tax refunds and adjustments and reflects transfer(s) from business corporation tax to correct for payment(s) received in August 2012. Subtracts \$29,000,000 of estimated payments received in July 2020 that were accrued back to FY 2020 due to deferral of estimated payments due dates from April 15, 2020 and June 15, 2020 to July 15, 2020. Subtracts \$150,368,000 of final and extension payments received and reduces refund payments made in July 2020 by \$19,311,000. These amounts were accrued back to FY 2020 due to deferral of the filing deadline from April 15, 2020 to July 15, 2020.
- <sup>b</sup> Adds \$5,794,553 of personal income tax payments made by pass-through entities on behalf of shareholders that were deposited as business corporation tax, accrued back to FY 2020 as personal income tax final/extension payments, and included in the \$150,368,000 accrual as noted in a.
- <sup>c</sup> Includes a net adjustment of \$(224,288) to correct for payments received in FY 2013 and FY 2018. Subtracts \$27,210,000 of net payments received in July 2020 that were accrued back to FY 2020 due to the delay in the tax filing deadline and estimated payments due dates to July 15, 2020.
- <sup>d</sup> Subtracts \$5,794,553 of payments received from pass-through entities for personal income taxes of shareholders that were deposited as business corporation tax but accrued back to FY 2020 as personal income tax final/extension payments.
- <sup>e</sup> Includes an adjustment of \$(100,000) for a transfer to business corporation tax for estimated payment(s) received in March 2018. Subtracts \$347,000 of payments received in July 2020 that were accrued back to FY 2020 due to the delay in the tax filing deadline and estimated payments due dates to July 15, 2020.
- <sup>f</sup> Subtracts \$13,709,000 of payments received in July 2020 that were accrued back to FY 2020 due to the delay in the tax filing deadline and estimated payments due dates to July 15, 2020.
- <sup>g</sup> Subtracts \$111,466 of late payments received in July 2020 that were accrued back to FY 2020.
- <sup>h</sup> Subtracts \$167,296,638 of hospital licensing fee payments received in July 2020 but accrued back to FY 2020.

## **Impact on General Revenues from the COVID-19 Pandemic**

Due to the COVID-19 pandemic, on March 20, 2020, the Division of Taxation, in conjunction with announcements made by the United States Treasury and Governor Gina M. Raimondo, postponed the filing-and-payment deadline for income tax filings and income tax payments for individuals and certain businesses from April 15, 2020 to July 15, 2020. For the affected tax types, the change in the filing date provided taxpayers three additional months to file returns and pay balances due, and no penalties or interest would accrue on these balances if paid on or before July 15, 2020. Tax year 2019 payments made in July 2020 that normally would have been received before July 1, 2020 were booked as a FY 2020 revenue accrual. This report adjusts the cash collections received in July 2020 for these revenue accruals, both payables and receivables. The principals at the May 2020 REC incorporated the impact of these filing and payment due date changes in the FY 2021 adopted revenue estimates.

Phase 3 of Reopening RI was put in place by Governor Raimondo on June 30, 2020.<sup>1</sup> In Phase 3, indoor dining establishments could operate at 66% of capacity and larger crowd sizes were permitted at indoor and outdoor venues. On July 29, 2020, Governor Raimondo reduced the number of people who could attend catered events to 50 for indoor events and 100 for outdoor events and capped the size of informal gatherings at 15 people. On August 8, 2020, the Governor required bars, including those inside of restaurants, to close by 11:00 PM daily.

## **Estimate of Revised FY 2021 Revenues Adopted at the May 2020 REC**

In order to determine the expected monthly and fiscal year-to-date revenues for the fiscal year, ORA first calculated the average percentage of total adjusted revenues that occurred in a given month over the previous five fiscal years for each revenue item, except for estate and transfer taxes for which the previous ten fiscal years are used.<sup>2</sup> For business corporation tax, public utilities

---

<sup>1</sup> Due to the COVID-19 pandemic, major sporting events were cancelled or postponed beginning March 11, 2020; the Twin River and Tiverton Casino Hotels were closed at midnight on March 14, 2020; Governor Raimondo suspended dine-in service at restaurants and bars on March 17, 2020; and on March 28, 2020 the Governor issued a stay-at-home order which closed all non-essential retail and service businesses effective March 30, 2020.

Phase 1 of Reopening RI commenced on May 9, 2020, which lifted the stay-at-home order and allowed for a limited reopening of certain non-critical retail businesses. Restaurants were opened subject to limited patio seating beginning on May 18, 2020. Rhode Island entered Phase 2 of Reopening RI on June 1, 2020, which included the reopening of dine-in service at 50% capacity. The Twin River Casino Hotel and Tiverton Casino Hotel reopened on June 8, 2020, albeit with limited capacity.

Major League Soccer (MLS), Major League Baseball (MLB), and the National Basketball Association (NBA) started either a shortened season or a championship tournament during July 2020. Further, the National Hockey League (NHL) resumed play in a playoff tournament format on August 1, 2020.

<sup>2</sup> The previous five fiscal years are FY 2016 through FY 2020, and the previous ten fiscal years are FY 2011 through FY 2020. In the case of personal income tax refunds and adjustments revenues, FY 2013 through FY 2015 and FY 2018 through FY 2019 were used in computing the five-fiscal year average percentages. These fiscal years were selected due to the impact on refund processing in FY 2016 and FY 2017 that resulted from the implementation of the new personal income tax system by the Division of Taxation. For personal income tax estimated and final payment revenues, FY 2015 through FY 2019 were used in computing the five fiscal year average percentages due to the delay in the return and payment due dates to July 15, 2020 in FY 2020. FY 2015 through FY 2019 was also used to compute the five fiscal year average percentages for racing and athletics taxes and the lottery transfer due to the pandemic

gross earnings tax, financial institutions tax, insurance company gross premiums tax, and bank deposits tax revenues, ORA continued to use adjusted FY 2019 percentages to account for the change in the estimated payments schedule for these tax types and the impact of COVID-19.<sup>3</sup> For motor vehicle license and registration fees adjusted FY 2019 percentages were used to account for the change in the transfer to the Rhode Island Highway Maintenance Account (RIHMA) and the impact of COVID-19.<sup>4</sup> ORA then applied these percentages to the revised FY 2021 revenue estimate for each revenue item. For the fiscal year-to-date estimates, the monthly percentages were summed and then applied to the revised FY 2021 revenue estimate for each revenue item. For controlled substances and other miscellaneous revenues, the actual monthly and fiscal year-to-date revenues are used in place of an estimate due to the discrete and unpredictable nature in the timing of these receipts.

Table A provides the average percentages used to determine expected monthly and fiscal year-to-date revenues for July. Monthly and fiscal year-to-date average percentages are based on the average percent received in July of the total collections using rounded five-year, or ten-year in the case of estate and transfer tax, revenues.<sup>5</sup>

---

induced closure of the Twin River and Tiverton Casino Hotels and the cessation of thoroughbred and greyhound races and major sporting events beginning in March of FY 2020.

<sup>3</sup> Prior to tax year 2018, these taxpayers paid 100 percent of their projected tax year liability by the sixth month of their tax year. For taxpayers with a tax year that coincided with the calendar year, this meant that 100 percent of their projected tax liability had to be paid by June of the calendar year, which was the end of the state fiscal year. Effective for tax year 2018 and beyond, these same taxpayers now pay 50 percent of their projected tax year liability by the sixth month of their tax year. For these business taxes, the delay in the return and payment due dates to July 15, 2020 impacted revenue flows in an unpredictable way in FY 2020.

<sup>4</sup> In FY 2019, all motor vehicle license and registration fees were transferred to the Rhode Island Highway Maintenance Account except for duplicate license and license update fees, which were retained as general revenues. In FY 2020, operations at the Division of Motor Vehicles were interrupted by the pandemic and the federal government delayed the mandatory use of Real ID compliant credentials from October 1, 2020 to October 1, 2021. Both of these factors impacted revenue flows in FY 2020 in an atypical way. As a result, ORA chose to use the FY 2019 percentages for FY 2021 since only duplicate license and license update fees will be retained as general revenues in FY 2021 as they were in FY 2019.

<sup>5</sup> As noted previously, FY 2019 percentages were used for business corporation tax, public utilities gross earnings tax, financial institutions tax, insurance company gross premiums tax, and bank deposits tax revenues due to the change in the estimated payments schedule beginning in tax year 2018 and the impact of the pandemic on collections in FY 2020. FY 2019 percentages were also used for motor vehicle license and registration fees due to the impact of the pandemic on collections in FY 2020 and because only duplicate license and license update fees will be retained as general revenues in FY 2021, as they were in FY 2019.

<b>Revenue Item</b>	<b><u>Percent Received</u></b>		<b>Revenue Item</b>	<b><u>Percent Received</u></b>	
	<b>July</b>	<b>YTD</b>		<b>July</b>	<b>YTD</b>
Personal Income Taxes			Sales and Use Taxes	9.1 %	9.1 %
Estimated Payments	1.9 %	1.9 %	Motor Vehicles Fees	8.0 %	8.0 %
Final Payments	1.4 %	1.4 %	Cigarettes Taxes	8.2 %	8.2 %
Withholding Payments	7.4 %	7.4 %	Alcohol Excise Taxes	10.0 %	10.0 %
Refunds/Adjustments	2.2 %	2.2 %	Estate and Transfer	9.0 %	9.0 %
Business Corporation Taxes	3.9 %	3.9 %	Racing and Athletics	7.5 %	7.5 %
Utilities Gross Earnings Taxes	0.4 %	0.4 %	Realty Transfer	9.3 %	9.3 %
Financial Institutions Taxes	0.0 %	0.0 %	Departmental Receipts	5.7 %	5.7 %
Insurance Co. Gross Premiums	-0.7 %	-0.7 %	Lottery Transfer	0.0 %	0.0 %
Bank Deposits	0.0 %	0.0 %	Other Misc. Revenues	n/a	n/a
Health Care Provider Assessment	8.6 %	8.6 %	Unclaimed Property	0.0 %	0.0 %

The health care provider assessment consists of an assessment on nursing homes. Motor vehicle fees are comprised of fees paid to issue updated or duplicate operators' licenses. Racing and athletics taxes consist of a tax on wagers placed on out-of-state greyhound and horse races that are broadcast to Rhode Island via closed circuit television. The "Percent Received" for monthly and year-to-date departmental receipts is calculated excluding hospital licensing fee revenues, which are large and generally made only once in the 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.

The revised FY 2021 estimates by revenue item as adopted at the May 2020 REC are as follows:

<b>Table B. FY 2021 Revised Revenue Estimates by Major Revenue Item</b>			
<b>Revenue Item</b>	<b>May 2020 Revised FY 2021 Estimate</b>	<b>Revenue Item</b>	<b>May 2020 Revised FY 2021 Estimate</b>
Personal Income Taxes		Sales and Use Taxes	\$ 1,109,100,000
Estimated Payments	\$ 217,700,000	Motor Vehicles Fees	2,000,000
Final Payments	254,800,000	Cigarettes Taxes	130,600,000
Withholding Payments	1,210,300,000	Alcohol Excise Taxes	20,500,000
Refunds/Adjustments	(388,000,000)	Estate and Transfer	44,900,000
Business Corporation Taxes	132,300,000	Racing and Athletics	1,000,000
Public Utilities Gross Earnings	98,900,000	Realty Transfer	14,500,000
Financial Institutions Taxes	21,200,000	Departmental Receipts <sup>^</sup>	403,000,000
Insurance Co. Gross Premiums	120,700,000	Lottery	265,200,000
Bank Deposits	3,100,000	Other Misc. Revenues	12,050,000
Health Care Provider Assessment	42,000,000	Unclaimed Property	9,000,000
		<b>Total General Revenues *</b>	<b>\$ 3,725,850,000</b>
* Total general revenues estimate includes a personal income tax net accrual of \$1,000,000.			
<sup>^</sup> Includes hospital licensing fee revenues of \$161,541,471. These revenues will be booked as a receivable in June and are not included in the FY 2021 departmental receipts estimated revenues.			

### **Results for FY 2021 through July**

The table, *Year-to-Date Estimate to Actual*, gives the results for FY 2021 through July. As is apparent from the table, the FY 2021 adjusted total general revenues through July exceeded the revised FY 2021 expected total general revenues estimate through July by \$35.4 million, a variance of 15.5%. In total taxes, fiscal year-to-date through July adjusted revenues were more than the revised FY 2021 year-to-date expected revenues estimate by \$36.3 million, a difference of 16.9%. For departmental receipts, FY 2021 through July adjusted revenues trailed the revised FY 2021 expected fiscal year-to-date revenues estimate by \$910,056, a variance of -6.6%. For other general revenue sources, adjusted FY 2021 through July revenues were equal to revised FY 2021 expected fiscal year-to-date revenues.

Five revenue items had adjusted revenues in FY 2021 through July that exceeded expected FY 2021 revenue estimates, based on the revised revenue estimates adopted at the May 2020 REC, by more than \$1.0 million.

- FY 2021 year-to-date sales and use tax adjusted revenues were \$13.9 million more than expected fiscal year-to-date sales and use tax revenues based on the revised estimate, a difference of 13.8%. Phase 2 of Reopening RI commenced on June 1, 2020, which included the reopening of dine-in service at a 50% capacity with the reopening of the



state's two casinos on June 8, 2020 with limited capacity. Phase 3 of Reopening RI commenced on June 30, 2020, which allowed indoor establishments to open at 66% capacity and larger crowd sizes at indoor and outdoor venues.

- Personal income tax adjusted revenues through July were \$12.9 million more than expected FY 2021 through July personal income tax revenues, a variance of 14.6%.
  - Adjusted fiscal year-to-date personal income tax withholding payments revenues were \$9.5 million more than the \$89.1 million of expected FY 2021 year-to-date personal income tax withholding payments, a variance of 10.7%. It is believed that some of the increase in personal income tax withholding tax revenues in July 2021 is attributable to the federal \$600 unemployment "bonus" payments made to unemployment insurance recipients which were subject to personal income tax withholding.
  - Adjusted FY 2021 through July personal income tax final payments revenues were \$1.6 million, or 43.7%, more than expected FY 2021 through July personal income tax final payments revenues. Adjusted FY 2021 through July personal income tax final payments revenues include \$5.8 million of personal income tax payments received from pass-through entities on behalf of shareholders and the accrual of \$(150.4 million) of revenues to FY 2020.
  - Adjusted fiscal year-to-date personal income tax estimated payments revenues were \$1.2 million more than expected year-to-date FY 2021 personal income tax estimated payments, a variance of 29.9%. Adjusted FY 2021 through July personal income tax estimated payments revenues include the accrual of \$(29.0 million) of revenues to FY 2020.
  - Adjusted FY 2021 personal income tax refunds and adjustments revenues through July were \$612,428 less than expected fiscal year-to-date personal income tax refunds and adjustments revenues, a difference of -7.2%. Adjusted FY 2021 through July personal income tax refunds and adjustments revenues include the accrual of \$19.3 million of revenues to FY 2020.
- Cigarette and other tobacco products (OTP) adjusted revenues through July were \$4.8 million more than expected FY 2021 through July cigarette and OTP tax revenues, a variance of 43.7%. It should be noted that effective June 1, 2020, Massachusetts banned the sale of menthol and other flavored cigarettes and other tobacco products in the state.
- Adjusted FY 2021 year-to-date insurance company gross premiums tax revenues were \$1.5 million more than expected fiscal year-to-date insurance company gross premiums tax revenues, a difference of -168.2%. Adjusted FY 2021 through July insurance company gross premiums tax revenues include the accrual of \$(13.7 million) of revenues to FY 2020.
- Adjusted FY 2021 year-to-date estate and transfer tax revenues were \$1.2 million more than expected fiscal year-to-date estate and transfer tax revenues, a difference of 37.6%.

FY 2021 adjusted revenues through July for financial institutions tax, public utilities gross earnings tax, business corporation tax, realty transfer tax, health care provider assessment, and motor vehicle license and registration fees were above the expected FY 2021 through July revised May 2020 REC revenue estimates but by less than \$1.0 million each.

On the negative side, one revenue item had adjusted revenues through July that fell short of the expected FY 2021 through July revenues estimates by \$1.0 million or more.

- Departmental receipts adjusted revenues were \$910,056 below revised monthly departmental receipts expected revenues for July, a difference of -6.6%.

FY 2021 adjusted revenues through July for racing and athletics tax, alcohol excise tax, and bank deposits tax were below their expected FY 2021 through July revised May 2020 REC revenue estimates but by less than \$1.0 million each.

Lottery transfer had no adjusted or expected revenues in July 2020. Thus, the FY 2021 year-to-date adjusted revenues and the FY 2021 year-to-date expected revenues based on the revised estimates adopted at the May 2020 REC were equal for this revenue item.

### **Results for the Month of July 2020**

The table, *Monthly Estimate to Actual*, gives the results for July 2020. Given that July is the first month of the fiscal year, the monthly adjusted revenues to expected revenues assessment is the same as the above year-to-date nominal differences.



Mark A. Furcolo, Director  
Department of Revenue  
October 19, 2020