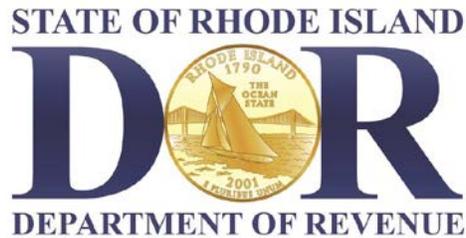


STATE OF RHODE ISLAND
GOVERNOR DANIEL J. MCKEE



Office of Revenue Analysis

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

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. This is especially true in FY 2021 given the impacts of federal fiscal stimulus, the extension of tax payment and tax filing due dates, and the late enactment of the FY 2021 budget relative to the typical fiscal year.

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.

This monthly revenue assessment report compares adjusted revenues to expected revenues based on the revenue estimates enacted in the FY 2021 budget, which was signed into law on December 21, 2020. The revenue estimates enacted in the FY 2021 budget will remain the basis of comparison for the December through April revenue assessment reports. 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.

Year-to-Date Estimate to Actual

| | YTD February Adjusted Revenues FY 2021 | | YTD February Estimate of Enacted FY 2021 Revenues † | Difference | Variance |
|--------------------------------------|--|------------|---|-----------------------|-------------|
| Personal Income Tax ‡ | \$ 991,588,496 | a, b, c, d | \$ 894,983,555 | \$ 96,604,941 | 10.8% |
| General Business Taxes | | | | | |
| Business Corporation ‡ | 86,969,949 | e, f, g | 74,980,347 | 11,989,602 | 16.0% |
| Public Utilities Gross Earnings ‡ | 47,861,254 | | 47,986,287 | (125,033) | -0.3% |
| Financial Institutions ‡ | 6,123,162 | h, i | 7,397,126 | (1,273,964) | -17.2% |
| Insurance Company Gross Premiums ‡ | 64,629,038 | j, k | 59,725,316 | 4,903,722 | 8.2% |
| Bank Deposits ‡ | 1,755,359 | l | 1,432,852 | 322,507 | 22.5% |
| Health Care Provider Assessment | 25,177,307 | | 27,644,390 | (2,467,083) | -8.9% |
| Excise Taxes | | | | | |
| Sales and Use ◊ | 874,185,514 | m | 837,920,528 | 36,264,986 | 4.3% |
| Motor Vehicle License and Reg Fees | 518,139 | | 646,608 | (128,469) | -19.9% |
| Cigarettes | 107,545,365 | | 103,925,266 | 3,620,099 | 3.5% |
| Alcohol | 14,725,356 | | 14,699,938 | 25,418 | 0.2% |
| Controlled Substances | 3,000 | | 3,000 | - | 0.0% |
| Other Taxes | | | | | |
| Estate and Transfer | 27,285,088 | | 33,267,966 | (5,982,878) | -18.0% |
| Racing and Athletics | 208,100 | | 236,886 | (28,786) | -12.2% |
| Realty Transfer | 12,377,718 | n | 11,489,357 | 888,361 | 7.7% |
| Total Taxes | \$ 2,260,952,845 | | \$ 2,116,339,421 | \$ 144,613,423 | 6.8% |
| Departmental Receipts † | \$ 143,323,319 | o, p | \$ 140,056,544 | \$ 3,266,775 | 2.3% |
| Taxes and Departmentals | \$ 2,404,276,163 | | \$ 2,256,395,965 | \$ 147,880,198 | 6.6% |
| Other General Revenue Sources | | | | | |
| Other Miscellaneous Revenues | 2,436,334 | q | 2,436,334 | - | 0.0% |
| Lottery Transfer | 145,477,180 | r | 142,551,569 | 2,925,611 | 2.1% |
| Unclaimed Property + | - | | - | - | n/a |
| Total Other Sources | \$ 147,913,514 | | \$ 144,987,903 | \$ 2,925,611 | 2.0% |
| Total General Revenues | \$ 2,552,189,677 | | \$ 2,401,383,868 | \$ 150,805,809 | 6.3% |

| PIT Component | YTD February Adj. Revenues | | YTD February Enacted Estimates | Difference | Variance |
|---------------------------|-------------------------------|---------|-----------------------------------|----------------------|--------------|
| Estimated payments ‡ | \$ 159,017,643 | a | \$ 153,021,392 | \$ 5,996,251 | 3.9% |
| Final payments ‡ | 100,892,012 | a, b, c | 67,094,190 | 33,797,822 | 50.4% |
| Withholding | 847,516,017 | | 843,040,504 | 4,475,513 | 0.5% |
| Refunds and Adjustments ‡ | (115,837,176) | a, d | (168,172,532) | 52,335,356 | -31.1% |
| Total | \$ 991,588,496 | | \$ 894,983,555 | \$ 96,604,941 | 10.8% |

‡ 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 in the FY 2021 enacted budget signed into law on December 18, 2020. The estimate for personal income tax final payments, departmental receipts, and the lottery transfer were calculated using modified revenue flows to align expected revenues with the actual realization of revenues.

◊ Reflects June 2020-January 2021 activity. Rhode Island entered Phase 2 of ReopeningRI on June 1, 2020 and Phase 3 on June 30, 2020. Phase 3 has been modified several times. Rhode Island began a Pause on November 30, 2020. Please see the body of the report for more information on the impact of COVID-19 on sales and use tax activity.

+ Set equal to actual amounts received.

Detailed notes on the following page

- ^a 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 \$150,386,000 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.
- ^b 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. This amount was accrued back to FY 2020 as personal income tax final/extension payments, and included in the accrual as noted in a. Adds to personal income tax final payments \$43,457,446 in net revenues from pass-through entities made on behalf of shareholders received in August through February 2021 and recorded as business corporation tax payments. ORA adjusted the pass-through entity payments recorded as personal income tax final payments to be consistent with the treatment of said payments in the estimates adopted at the November 2020 REC.
- ^c Adds \$31,010 to personal income tax final payments for historic structures tax credits that were redeemed in February but not reimbursed until March.
- ^d A net adjustment of \$1,931,390 is included in personal income tax refunds and adjustments and reflects transfer(s) to and from business corporation tax to correct for payments received in FY 2013 and FY 2019 - FY 2021.
- ^e Subtracts \$27,209,000 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.
- ^f 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 transferred to personal income tax final/extension payments and accrued back to FY 2020. Subtracts \$68,107,079 in business corporation tax payments made by pass-through entities for the personal income tax of shareholders received in August through February 2021 that were transferred to personal income tax final payments.
- ^g Includes a net adjustment of \$(1,460,893) to correct for payments received in FY 2013 and FY 2019 - FY 2021 that were transferred between business corporation tax and personal income tax. Includes a net adjustment of \$(610,000) in net payments received in FY 2018 - FY 2020 that were transferred between business corporation tax and financial institutions tax. Includes an adjustment of \$120,000 to capture payments received in prior periods that were transferred to business corporation tax from insurance company gross premiums tax.
- ^h 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.
- ⁱ Includes a net adjustment of \$610,000 for transfers between business corporation tax and financial institutions tax for estimated payments received in FY 2018 - FY 2020.
- ^j 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.
- ^k Includes an adjustment of \$(120,000) for transfer(s) to business corporation tax from insurance company gross premiums tax for payment(s) received in December 2018.
- ^l Subtracts \$111,466 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.
- ^m Includes an adjustment of \$(333,053) for transfer(s) from sales and use tax to the compassion center surcharge in departmental receipts for payment(s) received in FY 2020.
- ⁿ Subtracts \$337,939 that is designated to the Housing Resources Commission. The amount reflects the February 2021 transfer that will occur in March 2021.
- ^o Subtracts \$181,641,822 of hospital licensing fee payments received in FY 2021 year-to-date but accrued back to FY 2020.
- ^p Includes an adjustment of \$333,053 for transfer(s) to the compassion center surcharge in departmental receipts from sales and use tax for payment(s) received in FY 2020.
- ^q Adds back \$1,129,870 of revenues transferred from general revenues to the Rhode Island Highway Maintenance Account (RIHMA) to manage Department of Transportation cash flow needs. This amount was originally transferred from RIHMA to general revenues in October 2020. Adds \$1,186,556 of revenues that would have been transferred from RIHMA to general revenues in January 2021. Both amounts are due to the general fund prior to the end of FY 2021.
- ^r Subtracts \$2,863,337 of revenues that were transferred in October 2020 but accrued back to FY 2020.

FY 2021 STATE OF RHODE ISLAND REVENUE ASSESSMENT REPORT
Monthly Estimate to Actual

| | February 2021 Adjusted Revenues FY 2021 | | February 2021 Estimate of Enacted FY 2021 Revenues † | | Difference | Variance |
|--------------------------------------|---|---------|--|---|----------------------|--------------|
| Personal Income Tax ‡ | \$ 85,838,409 | a, b, c | \$ 24,445,056 | | \$ 61,393,353 | 251.1% |
| General Business Taxes | | | | | | |
| Business Corporation ‡ | 4,506,837 | c, d | 5,927,182 | | (1,420,344) | -24.0% |
| Public Utilities Gross Earnings ‡ | 107,766 | | 711,037 | | (603,271) | -84.8% |
| Financial Institutions ‡ | 286,158 | | 371,915 | | (85,757) | -23.1% |
| Insurance Company Gross Premiums ‡ | 537,813 | | 888,386 | | (350,573) | -39.5% |
| Bank Deposits ‡ | - | | (33,837) | | 33,837 | n/a |
| Health Care Provider Assessment | 2,696,775 | | 3,361,521 | | (664,746) | -19.8% |
| Excise Taxes | | | | | | |
| Sales and Use ◊ | 95,892,462 | | 84,965,489 | | 10,926,973 | 12.9% |
| Motor Vehicle License and Reg Fees | 48,775 | | 76,092 | | (27,317) | -35.9% |
| Cigarettes | 12,204,487 | | 10,207,196 | | 1,997,291 | 19.6% |
| Alcohol | 1,306,016 | | 1,410,796 | | (104,780) | -7.4% |
| Controlled Substances | 500 | | 500 | + | - | 0.0% |
| Other Taxes | | | | | | |
| Estate and Transfer | 403,378 | | 3,483,994 | | (3,080,616) | -88.4% |
| Racing and Athletics | 29,544 | | 30,713 | | (1,169) | -3.8% |
| Realty Transfer | 1,029,232 | e | 1,126,987 | | (97,756) | -8.7% |
| Total Taxes | \$ 204,888,152 | | \$ 136,973,027 | | \$ 67,915,125 | 49.6% |
| Departmental Receipts † | \$ 14,735,070 | f, g, h | \$ 16,391,887 | | \$ (1,656,817) | -10.1% |
| Taxes and Departmentals | \$ 219,623,222 | | \$ 153,364,914 | | \$ 66,258,308 | 43.2% |
| Other General Revenue Sources | | | | | | |
| Other Miscellaneous Revenues | 8,078 | | 8,078 | + | - | 0.0% |
| Lottery Transfer | 26,045,097 | | 21,670,593 | | 4,374,504 | 20.2% |
| Unclaimed Property | - | | - | + | - | n/a |
| Total Other Sources | \$ 26,053,175 | | \$ 21,678,671 | | \$ 4,374,504 | 20.2% |
| Total General Revenues | \$ 245,676,397 | | \$ 175,043,585 | | \$ 70,632,812 | 40.4% |

| PIT Component | February 2021 Adj. Revenues | | February 2021 Enacted Estimates | | Difference | Variance |
|---------------------------|--------------------------------|------|------------------------------------|--|----------------------|---------------|
| Estimated payments ‡ | \$ 4,575,487 | | \$ 3,929,938 | | \$ 645,549 | 16.4% |
| Final payments ‡ | 5,594,085 | a, b | 4,698,900 | | 895,185 | 19.1% |
| Withholding | 115,360,983 | | 109,253,722 | | 6,107,261 | 5.6% |
| Refunds and Adjustments ‡ | (39,692,145) | c | (93,437,503) | | 53,745,358 | -57.5% |
| Total | \$ 85,838,409 | | \$ 24,445,056 | | \$ 61,393,353 | 251.1% |

‡ 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 in the FY 2021 enacted budget signed into law on December 18, 2020. The estimate for personal income tax final payments, departmental receipts, and the lottery transfer were calculated using modified revenue flows to align expected revenues with the actual realization of revenues.

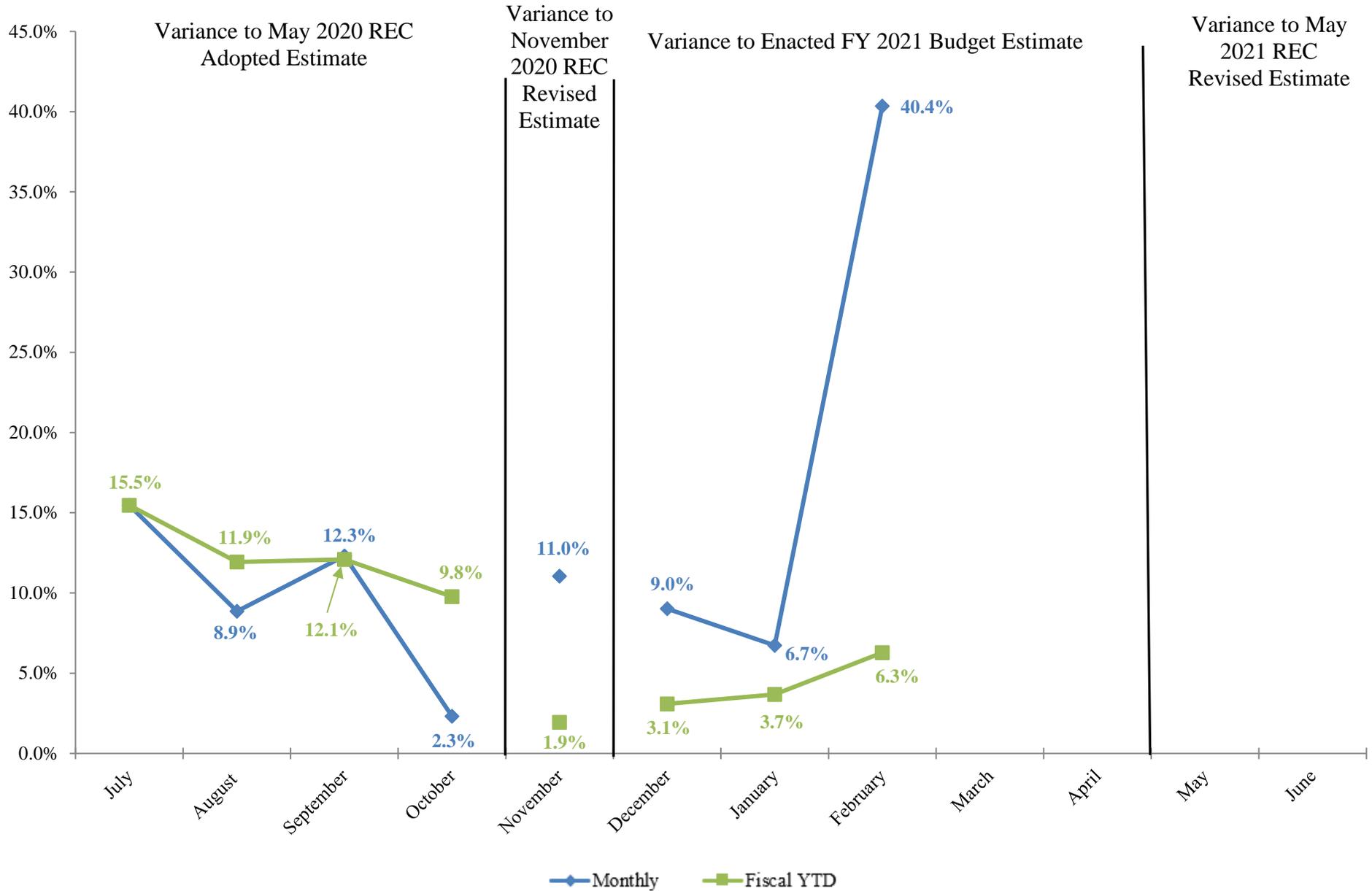
◊ Reflects January 2021 activity. Rhode Island was in a modified Phase 3 for this period. Please see the body of the report for more information on the impact of COVID-19 on sales and use tax activity.

+ Set equal to actual amounts received.

Detailed notes on the following page

- ^a Adds to personal income tax final payments \$420,456 in net revenues from pass-through entities made on behalf of shareholders received in February 2021 and recorded as business corporation tax payments. ORA adjusted the pass-through entity payments recorded as personal income tax final payments to be consistent with the treatment of said payments in the estimates adopted at the November 2020 REC.
- ^b Adds \$31,010 to personal income tax final payments for historic structures tax credits that were redeemed in February but not reimbursed until March.
- ^c Personal income tax refunds and adjustments include a net adjustment of \$(1,198,500) for transfer(s) to business corporation tax from personal income tax for payment(s) received in FY 2019 - FY 2021. The offsetting adjustment of \$1,198,500 is included in business corporation tax.
- ^d Subtracts \$658,945 in business corporation tax payments made by pass-through entities for the personal income tax of shareholders received in February 2021 that were transferred to personal income tax final payments.
- ^e Adds \$260,334 that is designated to the Housing Resources Commission. The amount reflects the difference between the January 2021 transfer that occurred in February 2021 and the February 2021 transfer that will occur in March 2021.
- ^f Subtracts \$1,793,148 of hospital licensing fee payments received in February 2021 but accrued back to FY 2020.
- ^g Subtracts \$321,446 for a late deposit of child support enforcement collections that should have been posted in January 2021 but were not posted until February 2021.
- ^h Includes transfers of \$299,766 from departmental receipts first response wireless and wireline surcharge accounts to restricted receipts E911 wireless and wireline surcharge and E911 education fund accounts for payment(s) made in January 2021.

FY 2021 Variance of Adjusted Revenues to Estimate



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 enacted budget incorporated the impact of these filing and payment due date changes in the FY 2021 revenue estimates.

COVID-19 Pandemic Control Measures That Impacted Sales and Use Tax and the Lottery Transfer

- The Twin River Casino Hotel and the Tiverton Casino Hotel were closed on March 14, 2020. *
- March 17, 2020: Dine-in service at restaurants and bars was halted. *
- March 28, 2020: Governor Raimondo issued a stay-at-home order, which closed all non-essential retail and service businesses on March 30, 2020. *
- May 9, 2020: Phase 1 of Reopening RI commenced, lifting the stay-at-home order and allowing for a limited reopening of certain non-critical retail businesses. *
- May 18, 2020: Restaurants were allowed limited patio seating. *
- June 1, 2020: Indoor dining was allowed at 50% of capacity. *
- June 8, 2020: The Twin River Casino Hotel and Tiverton Casino Hotel reopened with limited capacity. *
- June 30, 2020: Phase 3 of Reopening RI was put in place by Governor Raimondo. Indoor dining was increased to 66% of capacity and larger crowd sizes were permitted at indoor and outdoor venues.
- July 2020: Major League Soccer (MLS), Major League Baseball (MLB), and the National Basketball Association (NBA) started either a shortened season or a championship tournament.
- July 29, 2020: The number of people who could attend catered events was reduced to 50 for indoor events and 100 for outdoor events, and the size of informal gatherings was capped at 15 people.
- August 1, 2020: The National Hockey League (NHL) resumed play in a playoff tournament format.
- August 8, 2020: Bars, including those inside of restaurants, were required to close by 11:00 PM.
- October 28, 2020: Informal gatherings were capped at 10 people.
- November 8, 2020: Indoor dining service was required to end by 10:00 PM on weeknights and 10:30 PM on weekends.

- November 19 – November 30, 2020: Central Falls closed all restaurants to indoor/outdoor dining.
- November 30 – December 20, 2020: Dine-in capacity at restaurants was reduced to 33%; retail capacity was reduced to one customer per 150 square feet of retail space; and recreational venues, gyms, bars, bar areas in restaurants and the Twin River and Tiverton Casino Hotels were closed. The number of people who could attend catered events was reduced to 25 for indoor events and 75 for outdoor events.
- December 21, 2020: Gyms, sports facilities, and indoor recreational venues could reopen with a capacity limit of one person per 150 square feet of space. Restaurants were allowed to increase indoor dining to 50% capacity, though bars remained closed. The number of people who could attend catered events was further reduced to 15 for indoor events and 50 for outdoor events.
- January 29, 2021: Early closure requirements imposed on bars and restaurants were eliminated.
- February 5, 2021: The number of people who could attend catered events was increased to 30 for indoor events and maintained at 50 for outdoor events. All catered events must have pre-event testing for attendees, as well as a designated COVID-19 safety officer. Capacity for gyms, sporting facilities and indoor recreation was increased to one person per 125 square feet of space. *
- February 12, 2021: Bar areas reopened, with a maximum of four people per party and 6 feet of spacing between parties, or 3 feet of spacing between parties with barriers. Guests are limited to 90-minute reservations and bars must close by 11:00 PM. *
- March 5, 2021: Restaurant capacity increased from 50% to 66%, and gym and fitness center capacity increased to one person per 100 square feet of space. *

* These restrictions do not impact the tax collections contained in this report.

Estimate of Enacted FY 2021 Revenues

In order to determine the expected monthly and 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.¹ For business corporation tax, public utilities 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

¹ 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 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.

the estimated payments schedule for these tax types and control for the impact of COVID-19.² 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 control for the impact of COVID-19.³ In prior years, ORA then applied these percentages to the enacted 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 enacted FY 2021 revenue estimate for each revenue item.

Beginning in FY 2020, ORA adopted a new methodology to calculate expected monthly and fiscal year-to-date revenues based on the revised estimates adopted at the November REC. Enacted revenue estimates for all revenue items, except for the lottery transfer, used the revised estimates adopted at the November REC. ORA sets expected revenues equal to adjusted revenues for the months of July through October, including all adjustments and reimbursements of redeemed tax credits, acknowledging that the revised revenue estimates adopted at the November REC are based on actual revenues through October. ORA then subtracts the actual revenues from the revised November 2020 REC estimates for FY 2021 to determine the amount of the remaining revised estimate that will be realized in November through June. ORA takes the monthly percentage noted above and divides it by the sum of the monthly percentages for November through June. This percentage is then multiplied by the amount of remaining revised estimate to yield the monthly expected revenues. Fiscal year-to-date expected revenues are then determined by summing the modified monthly percentages and applying this sum to the remaining revised estimate. 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.

ORA used a similar methodology as above for the lottery transfer, setting expected revenues equal to adjusted revenues for the months of July through November (gaming activity through October), acknowledging that the lottery transfer revenue estimate enacted in the FY 2021 budget is based on actual revenues through November. ORA then subtracts the actual revenues from the enacted revenue estimate for FY 2021 to determine the amount of the remaining enacted estimate that will be realized in December through June. ORA then calculates a Pause adjustment to reflect the number of days each month that Rhode Island casinos were closed in November and December 2020. This adjustment is applied to the lottery transfer for video lottery terminals, table games,

² 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.

³ 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.

and on-site sports betting to create a monthly percentage. ORA takes the monthly percentage and divides it by the sum of the monthly percentages for December through June. This percentage is then multiplied by the amount of remaining enacted estimate to yield the monthly expected revenues. Fiscal year-to-date expected revenues are then determined by summing the modified monthly percentages and applying this sum to the remaining enacted estimate.

An adjustment was made to the methodology used to determine the expected FY 2021 monthly and fiscal year-to-date revenues for personal income tax final payments. FY 2021 expected personal income tax final payment revenues are first determined as described above. Then, since adjusted monthly final payments include pass-through entity payments, a portion of which will be booked as a refund payable at the end of the fiscal year, ORA adds the estimated net pass-through entity cash payments less estimated refunds to be paid to the expected personal income tax final payments estimate. Expected pass-through entity cash payments are allocated by the percentage received in each month in FY 2020 out of the FY 2020 total and adjusted to reflect estimated refunds to be paid. ORA then calculates the weighted average of the monthly percentage of expected pass-through entity payments and the average percentage of total adjusted personal income tax final payments revenues that occurred in a month over the previous five fiscal years. The personal income tax final payments fiscal year-to-date percentages are then determined by summing the weighted monthly percentages.

Table A provides the average percentages used to determine expected monthly and fiscal year-to-date revenues for February. Monthly and fiscal year-to-date average percentages are based on the percent received in February of the total fiscal year revenues using the average five-fiscal year, or ten-fiscal year in the case of estate and transfer tax, periods.⁴

⁴ 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.

| Revenue Item | <u>Percent Received</u> | | Revenue Item | <u>Percent Received</u> | |
|---------------------------------|--------------------------------|------------|-----------------------|--------------------------------|------------|
| | Feb. | YTD | | Feb. | YTD |
| Personal Income Taxes | | | Sales and Use Taxes | 7.2 % | 68.4 % |
| Estimated Payments | 1.8 % | 64.1 % | Motor Vehicles Fees | 7.4 % | 65.7 % |
| Final Payments | 1.8 % | 19.9 % | Cigarettes Taxes | 6.6 % | 66.7 % |
| Withholding Payments | 8.5 % | 65.7 % | Alcohol Excise Taxes | 6.5 % | 66.4 % |
| Refunds/Adjustments | 25.1 % | 40.2 % | Estate and Transfer | 7.3 % | 69.9 % |
| Business Corporation Taxes | 3.7 % | 56.9 % | Racing and Athletics | 7.1 % | 62.1 % |
| Utilities Gross Earnings Taxes | 0.6 % | 43.7 % | Realty Transfer | 7.7 % | 70.5 % |
| Financial Institutions Taxes | 2.7 % | 20.3 % | Departmental Receipts | 7.1 % | 61.7 % |
| Insurance Co. Gross Premiums | 0.7 % | 39.0 % | Lottery Transfer | 8.5 % | 56.0 % |
| Bank Deposits | -1.1 % | 46.2 % | Other Misc. Revenues | n/a | n/a |
| Health Care Provider Assessment | 8.0 % | 65.9 % | Unclaimed Property | 0.0 % | 0.0 % |

The health care provider assessment consists of an assessment on nursing homes. Motor vehicle license and registration 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. The lottery transfer does not begin in a given fiscal year until August, and fiscal year-to-date percentages reflect gaming activity from July through the prior month, while monthly percentages reflect the prior month's gaming activity. The unclaimed property transfer occurs only in June of each fiscal year.

The FY 2021 estimates by revenue item as enacted in the FY 2021 budget are as follows:

| Table B. FY 2021 Enacted Revenue Estimates by Major Revenue Item | | | |
|---|---------------------------------|---------------------------------|---------------------------------|
| Revenue Item | Enacted FY 2021 Estimate | Revenue Item | Enacted FY 2021 Estimate |
| Personal Income Taxes | | Sales and Use Taxes | \$ 1,212,800,000 |
| Estimated Payments † | \$ 259,300,000 | Motor Vehicles Fees | 1,000,000 |
| Final Payments †, ‡ | 425,000,000 | Cigarettes Taxes | 155,000,000 |
| Withholding Payments | 1,281,800,000 | Alcohol Excise Taxes | 22,000,000 |
| Refunds/Adjustments † | (410,000,000) | Estate and Transfer | 58,100,000 |
| Business Corporation Taxes | 151,300,000 | Racing and Athletics | 400,000 |
| Public Utilities Gross Earnings | 109,600,000 | Realty Transfer | 15,400,000 |
| Financial Institutions Taxes | 18,500,000 | Departmental Receipts ^ | 390,000,000 |
| Insurance Co. Gross Premiums | 133,700,000 | Lottery * | 254,500,000 |
| Bank Deposits | 3,100,000 | Other Misc. Revenues | 10,325,000 |
| Health Care Provider Assessment | 42,000,000 | Unclaimed Property | 10,300,000 |
| | | Total General Revenues * | \$ 4,056,425,000 |
| * Total general revenues estimate includes a personal income tax net accrual of \$(105,700,000). | | | |
| † The estimates for these revenue items include cash receipts that were received or disbursed in July 2020 but were accrued back to FY 2020. Modified revenue flows were calculated by ORA and adjusted revenues were compared to these modified amounts. | | | |
| ^ 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. | | | |

Additional Footnotes to Table B:

‡ Personal income tax final payments revenue estimate includes \$18.1 million in estimated net pass-through entity payments. Personal income tax final payments were modified by adding in the estimated pass-through entity payments as allocated by the percentage received in each month in FY 2020. This figure was included in the \$425,000,000 enacted estimate noted above and this figure will be the basis of comparison through April 2021.

* Lottery transfer revenue estimate includes an adjustment of \$(10,023,034) to reflect the number of days each month that Rhode Island casinos were closed from November 30 – December 21 during the Rhode Island Pause and applied this adjustment to the relevant lottery components. The realization of this law change will impact revenue flows in December 2020 through January 2021. Actual revenues for the lottery transfer through November (gaming activity through October) were \$89,058,009, leaving an estimated \$165,441,991 to be collected. ORA will assess adjusted December through April revenue flows against “base” lottery transfer revenues of \$155,418,957 for November 2020 through January 2021, and \$165,441,991 for February 2021 through April 2021.

The enacted estimates for personal income tax estimated and final payments and personal income tax refunds and adjustments are cash estimates as the personal income tax net accrual is estimated

separately. The revenue assessment report assesses adjusted revenues versus expected revenues. In order to make this comparison properly, ORA subtracted from the cash estimates for personal income tax estimated and final payments and refunds and adjustments, the cash receipts accrued back to FY 2020 to arrive at modified revenues to which adjusted revenues are compared. The following amounts were subtracted from each personal income tax item: estimated payments, \$29,000,000; final payments, \$150,386,000; refunds and adjustments, \$(19,311,000).

Results for Enacted FY 2021 Revenues through February

The table, *Year-to-Date Estimate to Actual*, gives the results for FY 2021 through February. The Department of Revenue finds that FY 2021 adjusted total general revenues through February exceeded the enacted FY 2021 expected total general revenues estimate through February by \$150.8 million, a variance of 6.3%. In total taxes, fiscal year-to-date through February adjusted revenues were more than the enacted FY 2021 year-to-date expected revenues estimate by \$144.6 million, a difference of 6.8%. For departmental receipts, FY 2021 through February adjusted revenues led the enacted FY 2021 expected fiscal year-to-date revenues estimate by \$3.3 million, a variance of 2.3%. For other general revenue sources, adjusted FY 2021 through February revenues were above the enacted FY 2021 expected fiscal year-to-date revenues by \$2.9 million, a variance of 2.0%.

Seven revenue items had adjusted revenues in FY 2021 through February that exceeded expected FY 2021 revenue estimates, based on the enacted FY 2021 budget, by more than \$1.0 million.

- Personal income tax adjusted revenues through February were \$96.6 million more than expected FY 2021 through February personal income tax revenues, a variance of 10.8%.
 - Adjusted FY 2021 personal income tax refunds and adjustments revenues through February were \$52.3 million less than expected fiscal year-to-date personal income tax refunds and adjustments revenues, a difference of -31.1%.
 - Adjusted and expected FY 2021 through February personal income tax refunds and adjustments revenues include the accrual of \$19.3 million of revenues to FY 2020.
 - Due to the numerous changes to federal tax law that were included in the Consolidated Appropriations Act of 2021, the Internal Revenue Service and the Rhode Island Division of Taxation did not begin accepting TY 2020 returns until February 12, 2021, which is approximately two weeks later than expected. February was expected to be the month with the highest percentage of refunds and adjustments revenues. ORA anticipates that much of this refund activity will shift to March and April.
 - Adjusted FY 2021 through February personal income tax final payments revenues were \$33.8 million, or 50.4%, more than expected FY 2021 through February personal income tax final payments revenues.
 - Adjusted FY 2021 personal income tax final payments revenues through February include \$8.7 million of reimbursed Historic Structures Tax Credits (HSTCs).

- Adjusted fiscal year-to-date personal income tax final payments revenues also include \$43.5 million of personal income tax payments received from pass-through entities on behalf of shareholders.
 - Finally, adjusted and expected FY 2021 through February personal income tax final payments revenues include the accrual of \$(150.4 million) of revenues to FY 2020.
 - Adjusted fiscal year-to-date personal income tax estimated payments revenues were \$6.0 million more than expected year-to-date FY 2021 personal income tax estimated payments, a variance of 3.9%.
 - Adjusted and expected FY 2021 through February personal income tax estimated payments revenues include the accrual of \$(29.0 million) of revenues to FY 2020.
 - Adjusted fiscal year-to-date personal income tax withholding payments revenues were \$4.5 million more than the \$843.0 million of expected FY 2021 year-to-date personal income tax withholding payments, a variance of 0.5%.
 - Personal income tax withholding tax revenues in fiscal year-to-date 2021 include, to the extent recipients opted to withhold personal income tax: (i) withholding on the federal \$600 Pandemic Unemployment Compensation payments made to unemployment insurance recipients in July 2020; (ii) the Federal Emergency Management Agency’s \$300 Lost Wages Supplemental Payment Assistance payments made to unemployment recipients in September 2020 for unemployment during the weeks ending on August 1, 2020 through September 5, 2020; (iii) the Federal Emergency Management Agency’s \$300 Lost Wages Supplemental Payment Assistance payments made to unemployment recipients in January – February 2021 for unemployment during the weeks ending on January 2, 2021 through February 27, 2021, and this program will continue through the end of the fiscal year.
 - Personal income tax withholding payments adjusted revenues also include \$7.2 million of large, infrequently occurring payment(s) received in September 2020. These payments were also accounted for in the enacted estimate included in the FY 2021 budget.
- FY 2021 year-to-date sales and use tax adjusted revenues were \$36.3 million more than expected fiscal year-to-date sales and use tax revenues based on the enacted estimate, a difference of 4.3%.
 - Please see the section “Impact on General Revenues from the COVID-19 Pandemic” for an explanation of how changes in the operation of Rhode Island’s economy may have impacted sales and use tax revenues.
- Adjusted fiscal year-to-date revenues from business corporation tax were up \$12.0 million, or 16.0%, over expected business corporation tax enacted revenues for FY 2021 year-to-date.
 - This increase may be due in part to the late enactment of the federal Coronavirus Relief Package, which favorably altered the deductibility of expenses paid with

Paycheck Protection Program (PPP) loan proceeds from the law in place when business corporation tax estimated payments were due on December 15, 2020. As a result, the increase in business corporation tax revenues may be temporary as overpayments made in fiscal year-to-date through February are refunded in the coming months.

- Adjusted year-to-date revenues for insurance company gross premiums tax were \$4.9 million, or 8.2%, more than expected insurance company gross premiums tax revenues based on the enacted budget.
 - The fiscal year-to-date revenues from health insurers were \$3.9 million more than expected. Adjusted FY 2021 year-to-date health insurance gross premiums tax revenues include \$2.2 million of reimbursed HSTCs.
 - The fiscal year-to-date gross premiums tax revenues from property, casualty, and life insurance companies were \$1.0 million more than expected for FY 2021 through February.
- Adjusted year-to-date cigarette and other tobacco products (OTP) taxes revenues were \$3.6 million more than the expected revenues based on the enacted budget, a difference of 3.5%.
 - FY 2021 through February cigarette excise tax adjusted revenues were \$3.7 million more than expected revenues for the same period.
 - The fiscal year-to-date OTP excise tax adjusted revenues were \$49,323 less than expected.
- Departmental receipts adjusted revenues through February were \$3.3 million more than FY 2021 through February departmental receipts expected revenues, a variance of 2.3%.
- Adjusted FY 2021 year-to-date revenues for the lottery transfer were \$2.9 million more than expected fiscal year-to-date lottery transfer enacted revenues, a difference of 2.1%.
 - The transfer of net income from traditional lottery games (i.e. scratch tickets, Daily Numbers, Powerball, etc.) and lottery monitor games (i.e. Keno, etc.) in FY 2021 through February was \$2.6 million more than expected.
 - The transfer of gross profit from on-site sports wagering in FY 2021 through February was \$1.7 million more than expected fiscal year-to-date revenues. The transfer of gross profit from remote sports betting was \$800,058 more than expected for FY 2021 through February.
 - The transfer of net terminal income from video lottery terminals (VLTs) in FY 2021 through February was \$1.4 million less than expected.
 - The transfer of operating income from table games had a shortfall of \$747,757 in FY 2021 through February.

FY 2021 adjusted revenues through February for realty transfer tax, bank deposits tax, and alcohol excise tax were above the expected FY 2021 year-to-date enacted revenue estimates but by less than \$1.0 million each.

On the negative side, three revenue items had adjusted revenues through February that fell short of the expected FY 2021 through February enacted revenue estimates by \$1.0 million or more.

- Adjusted FY 2021 year-to-date estate and transfer tax revenues were \$6.0 million less than expected fiscal year-to-date estate and transfer tax enacted revenues, a difference of -18.0%.
- Health care provider assessment adjusted revenues for FY 2021 through February were below expected revenues by \$2.5 million, or 8.9%.
- Financial institutions tax had adjusted revenues in FY 2021 year-to-date that were less than the expected fiscal year-to-date enacted estimate by \$1.3 million, or 17.2%.

FY 2021 adjusted revenues through February for motor vehicle license and registration fees, public utilities gross earnings tax, and racing and athletics tax were below their expected FY 2021 year-to-date enacted revenue estimates but by less than \$1.0 million each.

Results for the Month of February 2021

The table, *Monthly Estimate to Actual*, gives the results for February 2021. The Department of Revenue finds that FY 2021 adjusted total general revenues for February exceeded the enacted February expected total general revenues estimate by \$70.6 million, a variance of 40.4%. In total taxes, February adjusted revenues were more than the enacted monthly expected revenues estimate by \$67.9 million, a difference of 49.6%. For departmental receipts, February adjusted revenues trailed the enacted February expected fiscal year-to-date revenues estimate by \$1.7 million, a variance of -10.1%. For other general revenue sources, adjusted February revenues were above the enacted expected monthly revenues by \$4.4 million, a variance of 20.2%.

Four revenue items had adjusted revenues in February that exceeded expected monthly revenue estimates, based on the enacted revenue estimates, by more than \$1.0 million.

- Personal income tax adjusted revenues in February were \$61.4 million more than expected February personal income tax revenues, a variance of 251.1%.
 - Adjusted February personal income tax refunds and adjustments revenues were \$53.7 million less than expected monthly personal income tax refunds and adjustments revenues, a difference of -57.5%.
 - Due to the numerous changes to federal tax law that were included in the Consolidated Appropriations Act of 2021, the Internal Revenue Service and the Rhode Island Division of Taxation did not begin accepting TY 2020 returns until February 12, 2021, which is approximately two weeks later than expected. February was expected to be the month with the highest percentage of refunds and adjustments revenues. ORA anticipates that much of this refund activity will shift to March and April.
 - Adjusted fiscal year-to-date personal income tax withholding payments revenues were \$6.1 million more than the \$109.3 million of expected February personal income tax withholding payments, a variance of 5.6%. Personal income tax withholding tax revenues in February 2021 include the Federal Emergency Management Agency's \$300 Lost Wages Supplemental Payment Assistance payments made to unemployment recipients in February 2021.

- Adjusted February personal income tax final payments revenues were \$895,185, or 19.1%, more than expected February personal income tax final payments revenues.
 - Adjusted personal income tax final payments revenues in February include \$31,010 of Historic Structures Tax Credits (HSTCs) that were redeemed in February but reimbursed in March.
 - Adjusted February personal income tax final payments revenues also include \$420,456 of net personal income tax payments received from pass-through entities on behalf of shareholders.
- Adjusted February personal income tax estimated payments revenues were \$645,549 more than expected monthly personal income tax estimated payments, a variance of 16.4%.
- February sales and use tax adjusted revenues were \$10.9 million more than expected February sales and use tax revenues based on the enacted estimate, a difference of 12.9%.
 - Please see the section “Impact on General Revenues from the COVID-19 Pandemic” for an explanation of how changes in the operation of Rhode Island’s economy may have impacted sales and use tax revenues.
 - The receipt of the \$600 coronavirus recovery rebate included in the Consolidated Appropriations Act of 2021 likely boosted sales and use tax revenues in February 2021.
- Adjusted revenues from the lottery transfer were above the enacted monthly estimate by \$4.4 million, or 20.2%.
 - The transfer of net income from traditional lottery games (i.e. scratch tickets, Daily Numbers, Powerball, etc.) and lottery monitor games (i.e. Keno, etc.) in February was \$2.3 million more than expected.
 - The transfer of net terminal income from video lottery terminals (VLTs) in February was \$1.7 million more than expected.
 - The transfer of gross profit from on-site sports wagering in February was \$315,467 more than expected fiscal year-to-date revenues. The transfer of gross profit from remote sports betting was \$189,765 more than expected for February.
 - The transfer of operating income from table games had a shortfall of \$84,077 in February.
- Cigarette and other tobacco products (OTP) taxes adjusted revenues for February were \$2.0 million, or 19.6%, more compared to the expected monthly estimate.
 - February cigarette excise tax adjusted revenues were \$2.0 million more than expected revenues for the same period.
 - OTP excise tax adjusted revenues were \$21,964 less than expected.

Adjusted revenues in February for bank deposits tax were above the expected monthly enacted revenue estimates but by less than \$1.0 million.

On the negative side, three revenue items had adjusted revenues in February that fell short of the expected February enacted revenue estimate by \$1.0 million or more.

- Estate and transfer tax adjusted February revenues were below the expected monthly estimate by \$3.1 million, or a difference of -88.4%.
- Departmental receipts adjusted revenues in February were \$1.7 million less than monthly departmental receipts expected revenues, a variance of -10.1%.
- Adjusted February revenues for business corporation tax were \$1.4 million, or 24.0%, less than expected February revenues based on the enacted budget.

Adjusted revenues in February for the health care provider assessment, public utilities gross earnings tax, insurance company gross premiums tax, alcohol excise tax, realty transfer tax, financial institutions tax, motor vehicle license and registration fees, and racing and athletics tax were below their expected monthly enacted revenue estimates but by less than \$1.0 million each.



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Department of Revenue
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