

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS



DEPARTMENT OF REVENUE

State of Rhode Island Revenue Assessment Report
Year-to-Date FY 2011 through December 2010

The monthly revenue assessment report compares revenue collections on a fiscal year-to-date basis to the Office of Revenue Analysis' fiscal year-to-date estimate of revenue collections based on the current fiscal year revenue estimate. It should be noted that the fiscal year revenue estimate will vary over the course of the fiscal year as the Revenue Estimating Conference (see RI General Law § 35-16-1) convenes and modifies the revenue estimates originally enacted by the General Assembly.

The purpose of the Revenue Assessment Report is to give readers a sense of how the state's revenue collections compare to those that might be expected if the official revenue estimate was being met in a predictable way. Caution should be exercised when interpreting this report as actual collections may vary significantly from past collection patterns. In addition, it is important for the reader to understand that enacted and adopted revenue estimates are made on an accrual not a cash basis. Revenue accruals are not determined until at least one month after the close of the fiscal year in June. Thus, even if the assessment of actual fiscal year-to-date revenue collections trails the fiscal year-to-date revenue estimates, it is possible for the fiscal year end accrual to make up any shortfall.

In the July 2010 through September 2010 reports, the Departmental Receipts adjusted cash collections figures failed to take into account that \$7.1 million of disproportionate share revenues received by Eleanor Slater Hospital in July 2010 were accrued back to FY 2010. The effect of this omission was to overstate the amount by which fiscal year-to-date adjusted cash collections exceeded expected enacted revenues. Beginning with the October 2010 report this oversight has been corrected. The December 2010 report uses the revenue estimates adopted at the November 2010 Revenue Estimating Conference as the basis of comparison for fiscal year-to-date adjusted cash collections through December.

Fiscal Year-to-Date Estimate of Revised FY 2011 Revenues

In order to determine the expected year-to-date revenue collections based on the revised FY 2011 revenue estimates adopted at the November 2010 Revenue Estimating Conference (REC), the Office of Revenue Analysis first determines the average percentage of total adjusted cash collections that occurred in a given month over the past five fiscal years. For Inheritance and Gift taxes the past ten fiscal years are used. These percentages are then applied to the November 2010 REC revised FY 2011 revenue estimate for each revenue item. In the case of Other Miscellaneous Revenues and the Unclaimed Property transfer, the actual year-to-date collections are used due to the discrete and unpredictable nature of the timing of these receipts.

Thus, for example, the November 2010 REC revised revenue estimate for Sales and Use taxes for FY 2011 is \$805.5 million. The average percentage of adjusted cash total Sales and Use taxes that were collected through December of the fiscal year over the past five fiscal years is approximately 51.9 percent. This percentage applied to the November 2010 REC estimate for Sales and Use taxes for FY 2011 yields the Year-To-Date December Estimate of revised FY 2011 Sales and Use taxes of \$417.8 million. This process is repeated for all November 2010 REC revised revenue items except Other Miscellaneous Revenues and the Unclaimed Property Transfer.

The table below provides the rounded five year or ten year average percentages for year-to-date collections through December:

Revenue Item	Percent of Total Collected through Fiscal YTD	Revenue Item	Percent of Total Collected through Fiscal YTD
Personal Income Tax		Motor Vehicles	31.6 %
Estimated Payments	39.8 %	Motor Carrier Fuel	38.6 %
Final Payments	13.2 %	Cigarettes	52.1 %
Withholding Payments	48.3 %	Alcohol	51.8 %
Refunds Paid	17.9 %	Inheritance & Gift	49.8 %
Business Corporations Taxes	16.2 %	Racing & Athletics	49.2 %
Public Utilities Gross Earnings	1.9 %	Realty Transfer	56.4 %
Financial Institutions Taxes	24.7 %	Departmental Rcpts.	41.2 %
Insurance Co. Gross Premiums	0.5 %	Lottery	40.9 %
Bank Deposits	4.2 %	Other Misc. Revs.	n/a
Health Care Provider Assessment	49.5 %	Unclaimed Property	0.0 %
Sales and Use Tax	51.9 %		

It should be noted that the FY 2011 Health Care Provider Assessment consists only of an assessment on nursing homes. Also, in the 2010 session, the General Assembly passed legislation signed by the Governor that prohibits the running of live greyhound races anywhere in the state in FY 2011 and beyond. As a result, Racing and Athletics taxes now consist only of a tax on simulcast wagering. In addition, the "Percent of Total Collected through Fiscal YTD" for Departmental Receipts is calculated excluding Hospital Licensing Fee revenues, which are large, made only once in the fiscal year, and not always at the same time each fiscal year. Finally, the Lottery transfer does not begin in a given fiscal year until August while the Unclaimed Property transfer occurs in June of each fiscal year.

The revised FY 2011 revenue estimates adopted at the November 2010 Revenue Estimating Conference by revenue item are as follows:

Revenue Item	Revised FY 2011 Estimate	Revenue Item	Revised FY 2011 Estimate
Personal Income Tax		Motor Vehicles	\$51,800,000
Estimated Payments	\$ 181,400,000	Motor Carrier Fuel	1,100,000
Final Payments	157,800,000	Cigarettes	135,000,000
Withholding Payments	905,000,000	Alcohol	12,000,000
Refunds Paid	(295,600,000)	Inheritance & Gift	28,300,000
Business Corporations Taxes	123,300,000	Racing & Athletics	1,250,000
Public Utilities Gross Earnings	97,000,000	Realty Transfer	6,400,000
Financial Institutions Taxes	250,000	Departmental Rcpts.	334,700,000
Insurance Co. Gross Premiums	98,200,000	Lottery	347,500,000
Bank Deposits	1,900,000	Other Misc. Revs	10,855,000
Health Care Provider Assessment	40,500,000	Unclaimed Property	5,300,000
Sales and Use Tax	805,500,000		
		Total General Revenues	\$3,037,355,000

Results for the First Six Months of FY 2011

The attached table gives the results for the first six months of FY 2011. As is apparent from the table, the Department of Revenue finds that adjusted year-to-date December cash collections for Total General Revenues exceed expected revenue collections based on the November 2010 REC revised FY 2011 revenue estimates by \$45.0 million, or 3.5 percent. In Total Taxes, the variance from the November 2010 REC revised expected revenues is \$41.3 million, or 3.9 percent. For Departmental Receipts, the difference from the November 2010 REC revised expected revenues is \$2.8 million or 3.6 percent. For Other General Revenue Sources, fiscal year-to-date December

adjusted cash collections are more than the November 2010 REC revised estimate by \$899,781 or 0.6 percent.

It is important to note that five revenue items have adjusted cash collections that exceed revised expected revenues by \$1.0 million or more. Within taxes, Personal Income Tax adjusted cash collections have the largest positive difference from expected revenues with a variance of \$30.1 million or 6.3 percent. It should be noted that fiscal year-to-date Personal Income Tax adjusted cash collections include \$4.5 million of reimbursed Historic Structures Tax Credits. Sales and Use Tax adjusted cash collections exceed revised expected revenues by \$4.4 million or 1.1 percent. Adjusted Business Corporations Tax cash collections exceed revised expected collections by \$3.5 million or 17.6 percent. It should be noted that fiscal year-to-date Business Corporations Taxes adjusted cash collections include \$789,010 of reimbursed Historic Structures Tax Credits. The adjusted Motor Vehicle License and Registration cash collections exceed expected revenues by \$3.0 million or 18.2 percent. Total Cigarette Tax adjusted cash collections exceed revised expected revenues by \$1.9 million or 2.7 percent. Finally, Financial Institutions, Insurance Companies Gross Premiums, Health Care Provider Assessment, Racing and Athletics taxes, and the Lottery Transfer adjusted cash collections are all greater than expected revised revenues but by less than \$1.0 million through the second quarter of the fiscal year. It should be noted that fiscal year-to-date Insurance Companies Gross Premiums adjusted cash collections include \$974 of reimbursed Historic Structures Tax Credits.

On the negative side, only one revenue item has an adjusted cash collection that trails revised expected revenues by more than \$1.0 million. The largest shortfall in General Revenue is the Inheritance and Gift tax which is -\$1.8 million or 13.0 percent less than revised expected cash collections through December. Public Utilities Gross Earnings, Bank Deposits, Motor Fuel Use, Alcohol and Realty Transfer taxes adjusted cash collections, however, are below expected revised revenues but by less than \$1.0 million through December of FY 2011.



Rosemary Booth Gallogly, Director
Department of Revenue

January 7, 2010

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

	YTD December Estimate of Revised FY 2011	YTD December Adjusted Cash FY 2011		Difference	Variance
Personal Income Tax	\$ 476,885,431	\$ 507,031,973		\$ 30,146,543	6.3%
General Business Taxes					
Business Corporations	19,929,732	23,442,689	*	3,512,957	17.6%
Public Utilities Gross Earnings	1,810,744	1,081,338	**	(729,406)	-40.3%
Financial Institutions	61,694	349,770	***	288,076	466.9%
Insurance Companies	496,424	1,301,700		805,276	162.2%
Bank Deposits	80,360	3,841		(76,519)	-95.2%
Health Care Provider Assessment	20,050,550	20,162,879		112,329	0.6%
Excise Taxes					
Sales and Use	417,844,686	422,238,676	<>	4,393,991	1.1%
Motor Vehicle	16,418,224	19,413,403	<<>>	2,995,179	18.2%
Motor Fuel	424,058	409,309		(14,749)	-3.5%
Cigarettes	70,368,109	72,280,839		1,912,730	2.7%
Alcohol	6,214,389	6,111,077		(103,312)	-1.7%
Other Taxes					
Inheritance and Gift	14,092,280	12,265,024		(1,827,256)	-13.0%
Racing and Athletics	615,195	639,298		24,103	3.9%
Realty Transfer	3,608,963	3,447,265		(161,698)	-4.5%
Total Taxes	\$ 1,048,900,839	\$ 1,090,179,082		\$ 41,278,243	3.9%
Total Departmental Receipts	\$ 79,449,692	\$ 82,274,004	^	\$ 2,824,312	3.6%
Taxes and Departmentals	\$ 1,128,350,531	\$ 1,172,453,086		\$ 44,102,555	3.9%
Other General Revenue Sources					
Other Miscellaneous Revenues	1,511,933	1,511,933	^^	-	0.0%
Lottery Transfer	142,367,887	143,267,668	^^^	899,781	0.6%
Unclaimed Property	-	-		-	n/a
Total Other Sources	\$ 143,879,820	\$ 144,779,601		\$ 899,781	0.6%
Total General Revenues	\$ 1,272,230,351	\$ 1,317,232,687		\$ 45,002,336	3.5%

* Deducts \$14.4 million in Business Corporations cash receipts received in FY 2011 that was accrued back to FY 2010.

** Deducts \$3.3 million in Public Utilities Gross Earnings cash receipts received in July that was accrued back to FY 2010.

*** Adds back \$1.7 million in Financial Institutions cash receipts that were issued as a refund in October that was accrued back to FY 2010.

<> Deducts for \$67,468 in cash receipts that were supposed to be paid to the City of Warwick in December 2010 but will not be paid until January 2011 and adds back \$2.2 million in cash receipts that were posted in Motor Vehicle for September through December 2010 but should have been posted in Sales and Use

<<>> Deducts for \$54,556 in Rental Vehicle Surcharge cash receipts that were supposed to be paid to the City of Warwick in December 2010 but will not be paid until January 2011 and deducts \$2.2 million in cash receipts that were posted in Motor Vehicle for September through December 2010 and should have been posted in Sales and Use

^ Deducts \$121,446,816 in Hospital Licensing Fees cash receipts and deducts \$7.1 million in disproportionate share revenues received in FY 2011 that were accrued back to FY 2010.

^^ Deducts for \$1.8 million in Other Miscellaneous Revenues cash receipts received in FY 2011 that were accrued back to FY 2010.

^^^ Deducts for \$1.6 million in Lottery Transfer cash receipts received in October 2010 that were accrued back to FY 2010.

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

PIT Component	YTD Estimates	YTD Actuals		Difference	Variance
Estimateds	\$ 72,224,668	\$ 65,291,697		\$ (6,932,971)	-9.6%
Finals	20,908,137	29,782,760		8,874,622	42.4%
Withholding	436,725,088	456,197,792		19,472,704	4.5%
Refunds	(52,972,462)	(44,240,275)		8,732,187	-16.5%
Total	\$ 476,885,431	\$ 507,031,973		\$ 30,146,543	6.3%