

# STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS



## DEPARTMENT OF REVENUE

### State of Rhode Island Revenue Assessment Report Year-to-Date FY 2011 through March 2011

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year as the Revenue Estimating Conference (see RI General Law § 35-16-1) convenes and modifies the revenue estimates originally enacted by the General Assembly.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. As of the December 2010 report, the revenue estimates adopted at the November 2010 Revenue Estimating Conference are used as the basis of comparison for fiscal year-to-date adjusted cash collections.**

### 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 March of the fiscal year over the past five fiscal years is approximately 75.6 percent. This percentage applied to the November 2010 REC estimate for Sales and Use taxes for FY 2011 yields the Year-To-Date March Estimate of revised FY 2011 Sales and Use taxes of \$608.8 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 March:

<b>Revenue Item</b>	<b>Percent of Total Collected through Fiscal YTD</b>	<b>Revenue Item</b>	<b>Percent of Total Collected through Fiscal YTD</b>
Personal Income Tax		Motor Vehicles	62.9 %
Estimated Payments	66.3 %	Motor Carrier Fuel	62.4 %
Final Payments	23.8 %	Cigarettes	74.5 %
Withholding Payments	76.0 %	Alcohol	72.7 %
Refunds Paid	64.5 %	Inheritance & Gift	70.8 %
Business Corporations Taxes	62.9 %	Racing & Athletics	73.4 %
Public Utilities Gross Earnings	43.9 %	Realty Transfer	77.8 %
Financial Institutions Taxes	31.7 %	Departmental Rcpts.	65.3 %
Insurance Co. Gross Premiums	44.6 %	Lottery	64.9 %
Bank Deposits	39.9 %	Other Misc. Revs.	n/a
Health Care Provider Assessment	74.8 %	Unclaimed Property	0.0 %
Sales and Use Tax	75.6 %		

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 Governor Carcieri 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 items are as follows:

<b>Revenue Item</b>	<b>Revised FY 2011 Estimate</b>	<b>Revenue Item</b>	<b>Revised FY 2011 Estimate</b>
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		
		<b>Total General Revenues</b>	<b>\$3,037,355,000</b>

### **Results for the First Nine Months of FY 2011**

The attached table gives the results for the first nine months of FY 2011. As is apparent from the table, the Department of Revenue finds that adjusted year-to-date March cash collections for Total General Revenues exceed expected revenue collections based on the November 2010 REC revised FY 2011 revenue estimates by \$49.5 million, or 2.5 percent. In Total Taxes, the variance from the November 2010 REC revised expected revenues is \$44.8 million, or 2.8 percent. For Departmental Receipts, the difference from the November 2010 REC revised

expected revenues is \$3.3 million or 2.6 percent. For Other General Revenue Sources, fiscal year-to-date March adjusted cash collections are more than the November 2010 REC revised estimate by \$1.4 million or 0.6 percent.

It is important to note that eight 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 \$38.2 million or 5.8 percent. It should be noted that fiscal year-to-date Personal Income Tax adjusted cash collections include \$6.0 million of reimbursed Historic Structures Tax Credits. Total adjusted Sales and Use Taxes are \$4.0 million or 0.6 percent more than revised expected revenues through March. Adjusted Motor Vehicle License and Registration cash collections exceed expected revenues by \$2.7 million or 8.3 percent. Total adjusted Public Utilities Gross Premiums cash collections exceed expected revenues by \$2.2 million or 5.1 percent. Total Cigarette Taxes are \$1.9 million more or 1.8 percent greater than expected cash collections through the third quarter of FY 2011. The adjusted Lottery Transfer cash collections exceed revised revenues by \$1.4 million or 0.6 percent. Insurance Gross Premiums Tax cash collections exceed expected revenues by \$1.1 million or 2.5 percent. It should be noted that fiscal year-to-date Insurance Companies Gross Premiums adjusted cash collections include \$6.3 million of reimbursed Historic Structures Tax Credits. The last general revenue source which is \$1.0 million higher than expected revenues is the Inheritance and Gift tax which is \$1.1 million or 5.5 percent more through March. Finally, Financial Institutions, Bank Deposits, Racing and Athletics, and Health Care Provider Assessment taxes adjusted cash collections are all greater than expected revised revenues but by less than \$1.0 million through the third quarter of the fiscal year.

On the negative side, only one revenue item has an adjusted cash collection that trails revised expected revised revenues by more than \$1.0 million. The largest shortfall in General Revenues are adjusted Business Corporations Taxes which are \$6.8 million or 8.7 percent less than expected revised cash collections through March. It should be noted that fiscal year-to-date Business Corporations Taxes adjusted cash collections include \$818,010 of reimbursed Historic Structures Tax Credits. Alcohol, Motor Fuel Use, and Realty Transfer adjusted tax cash collections are below expected revised revenues but by less than \$1.0 million through March of FY 2011.



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

	YTD March Estimate of Revised FY 2011		YTD March Adjusted Cash FY 2011		Difference	Variance
<b>Personal Income Tax</b>	\$ 654,989,514		\$ 693,225,915		\$ 38,236,401	5.8%
<b>General Business Taxes</b>						
Business Corporations	77,615,278		70,838,739	*	(6,776,540)	-8.7%
Public Utilities Gross Earnings	42,628,367		44,817,799	**	2,189,433	5.1%
Financial Institutions	79,185		709,846	***	630,661	796.4%
Insurance Companies	43,832,312		44,924,303		1,091,991	2.5%
Bank Deposits	757,371		879,271		121,900	16.1%
Health Care Provider Assessment	30,279,542		30,316,414		36,872	0.1%
<b>Excise Taxes</b>						
Sales and Use	608,834,756		612,785,633		3,950,877	0.6%
Motor Vehicle	32,765,785		35,474,694		2,708,909	8.3%
Motor Fuel	686,633		630,978		(55,655)	-8.1%
Cigarettes	100,643,238		102,498,366		1,855,128	1.8%
Alcohol	8,718,627		8,504,306		(214,321)	-2.5%
<b>Other Taxes</b>						
Inheritance and Gift	20,033,340		21,140,790		1,107,450	5.5%
Racing and Athletics	917,396		954,821		37,425	4.1%
Realty Transfer	4,978,139		4,885,772		(92,367)	-1.9%
<b>Total Taxes</b>	<b>\$ 1,627,759,483</b>		<b>\$ 1,672,587,646</b>		<b>\$ 44,828,163</b>	<b>2.8%</b>
<b>Total Departmental Receipts</b>	<b>\$ 126,043,370</b>		<b>\$ 129,359,384</b>	^	<b>\$ 3,316,014</b>	<b>2.6%</b>
<b>Taxes and Departmentals</b>	<b>\$ 1,753,802,853</b>		<b>\$ 1,801,947,030</b>		<b>\$ 48,144,177</b>	<b>2.7%</b>
<b>Other General Revenue Sources</b>						
Other Miscellaneous Revenues	7,573,804	+	7,573,804	^^	-	0.0%
Lottery Transfer	225,676,110		227,042,243	^^^	1,366,133	0.6%
Unclaimed Property	-	+	-		-	n/a
<b>Total Other Sources</b>	<b>\$ 233,249,914</b>		<b>\$ 234,616,047</b>		<b>\$ 1,366,133</b>	<b>0.6%</b>
<b>Total General Revenues</b>	<b>\$ 1,987,052,768</b>		<b>\$ 2,036,563,077</b>		<b>\$ 49,510,310</b>	<b>2.5%</b>

\* Deducts \$25.1 million in Business Corporations cash receipts received in FY 2011 that was accrued back to FY 2010 and a refund of \$2.2 million paid timely but not posted until March.

\*\* 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 \$123,422,612 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.

<b>PIT Component</b>	<b>YTD Estimates</b>		<b>YTD Actuals</b>		<b>Difference</b>	<b>Variance</b>
Estimateds	\$ 120,240,849		\$ 107,843,913		\$ (12,396,936)	-10.3%
Finals	37,576,705		51,456,699		13,879,995	36.9%
Withholding	687,921,646		701,542,629		13,620,983	2.0%
Refunds	(190,749,686)		(167,617,327)		23,132,359	-12.1%
<b>Total</b>	<b>\$ 654,989,514</b>		<b>\$ 693,225,915</b>		<b>\$ 38,236,401</b>	<b>5.8%</b>