

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS



DEPARTMENT OF REVENUE

State of Rhode Island Revenue Assessment Report FY 2012 Monthly and Fiscal Year-to-Date January 2012

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year as the Revenue Estimating Conference (see RI General Law § 35-16-1) convenes and modifies the revenue estimates originally enacted by the General Assembly.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.

Estimates of Revised FY 2012 Revenues Adopted at the November 2011 REC

In order to determine the expected monthly and fiscal year-to-date revenue collections based on the estimates adopted at the November 2011 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. For monthly estimates, these percentages are applied to the November 2011 REC revised FY 2012 estimate for each revenue item. For fiscal year-to-date estimates, the monthly percentages are summed and then applied to the November 2011 REC revised FY 2012 estimate for each revenue item. In the case of other miscellaneous revenues,

the actual year-to-date collections are used in place of an estimate due to the discrete and unpredictable nature of the timing of these receipts.

Thus, for example, the November 2011 REC revised revenue estimate for the health care provider assessment for FY 2012 is \$41.8 million. The average percentage of adjusted cash total health care provider assessments that were collected through January of the fiscal year over the past five fiscal years is approximately 58.2 percent. For the month of January, the relevant percentage is 8.8 percent. These percentages are applied to the revised FY 2012 estimate for the health care provider assessment adopted at the November 2011 Revenue Estimating Conference to yield the monthly and fiscal-year-to-date November estimates of \$3.7 million and \$24.3 million respectively. This process is repeated for all November 2011 REC revised FY 2012 revenue estimates except other miscellaneous revenues and the unclaimed property transfer.

The table below provides the rounded five year or ten year average percentages for monthly and fiscal year-to-date collections for January:

Revenue Item	<u>Percent Collected</u>		Revenue Item	<u>Percent Collected</u>	
	Month	YTD		Month	YTD
Personal Income Tax			Motor Vehicles Fees	6.8 %	42.7 %
Estimated Payments	22.3 %	62.5 %	Motor Carrier Fuel Use	13.8 %	53.8 %
Final Payments	1.5 %	15.2 %	Cigarettes Tax	7.8 %	60.2 %
Withholding Payments	9.2 %	57.7 %	Alcohol Excise Tax	8.6 %	60.6 %
Refunds & Adjustments	4.4 %	22.0 %	Inheritance & Gift Tax	7.4 %	60.1 %
Business Corporations Tax	1.4 %	17.9 %	Racing & Athletics Tax	7.9 %	56.5 %
Utilities Gross Earnings Tax	0.0 %	1.8 %	Realty Transfer Tax	8.2 %	64.0 %
Financial Institutions Tax	3.0 %	34.4 %	Departmental Receipts	10.5 %	51.3 %
Insurance Gross Premiums Tax	0.3 %	1.0 %	Lottery Transfer	7.5 %	48.3 %
Bank Deposits Tax	1.8 %	6.1 %	Other Misc. Revenues	n/a	n/a
Health Care Provider Assmnt.	8.8 %	58.2 %	Unclaimed Property	0.0 %	0.0 %
Sales and Use Tax ¹	9.1 %	61.3 %			

¹ Percentages are a weighted average of the standard monthly and fiscal year-to-date percentages for base sales and use tax adjusted cash collections and monthly and fiscal year-to-date percentages calculated by the Office of Revenue Analysis for sales and use tax revenues generated by the expansion of the State's sales and use tax base that went into effect on October 1, 2011. See below for a more detailed discussion of this methodology.

It should be noted that the health care provider assessment consists only of an assessment on nursing homes. Racing and athletics taxes consist 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, generally 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 2012 revenue estimates adopted at the November 2011 Revenue Estimating Conference by revenue item are as follows:

Revenue Item	Revised FY 2012 Estimate	Revenue Item	Revised FY 2012 Estimate
Personal Income Tax		Motor Vehicles	\$48,200,000
Estimated Payments	\$ 187,000,000	Motor Carrier Fuel	1,100,000
Final Payments	175,000,000	Cigarettes	131,500,000
Withholding Payments	945,500,000	Alcohol	11,800,000
Refunds Paid	(269,600,000)	Inheritance & Gift	34,000,000
Business Corporations Taxes	112,600,000	Racing & Athletics	1,200,000
Public Utilities Gross Earnings	99,400,000	Realty Transfer	6,100,000
Financial Institutions Taxes	1,000,000	Departmental Rcpts.	340,500,000
Insurance Co. Gross Premiums	99,500,000	Lottery	367,200,000
Bank Deposits	2,000,000	Other Misc. Revs	11,015,000
Health Care Provider Assessment	41,800,000	Unclaimed Property	7,800,000
Sales and Use Tax ¹	845,100,000		
		Total General Revenues	\$3,195,415,000

¹ The Office of Revenue Analysis determines that the revised FY 2012 sales and use tax estimate adopted at the November 2011 Revenue Estimating Conference is comprised of \$829.1 million of “base” sales and use tax revenues and \$16.0 million of “additional” sales and use tax revenues that are the result of the sales and use tax base expansion that went into effect on October 1, 2011.

As noted above, the estimate adopted at the November 2011 Revenue Estimating Conference (REC) for sales and use taxes is \$845.1 million. The Office of Revenue Analysis has determined that this figure is comprised of \$829.1 million of “base” sales and use tax revenues and \$16.0 million of “additional” sales and use tax revenues generated by the expansion of the State’s sales and use tax base effective October 1, 2011. (Sales and use taxes collected in October 2011 are not remitted to the Division of Taxation until November.) Beginning in November, the Office of Revenue Analysis altered the methodology for estimating FY 2012 expected revised sales and use tax revenues to account for this change in the sales and use tax base.

In particular, the standard methodology for estimating expected FY 2012 revised sales and use tax revenues was used to determine the monthly and fiscal year-to-date expected FY 2012

revised “base” sales and use tax revenues. That is, average percentages based on the ratio of monthly adjusted cash collections to total fiscal year adjusted cash collections for July through June for the past five fiscal years were calculated. These percentages, 9.0 percent for the month of January and 61.0 percent for the fiscal year-to-date period through January, were applied to the \$829.1 million of estimated “base” sales and use tax expected FY 2012 revised revenues to arrive at monthly and fiscal year-to date estimates of \$77.2 million and \$512.0 million respectively.

Once these “base” expected sales and use tax revenues were determined, the “additional” sales and use tax expected FY 2012 revised revenues due to the expansion of the State’s sales and use tax base were estimated. In this case, average percentages based on the ratio of monthly adjusted cash collections to total adjusted cash collections for November through June for the past five fiscal years were calculated. These percentages, 14.4 percent on a monthly and 39.3 percent on a partial fiscal year-to-date basis for January, were applied to the \$16.0 million of estimated “additional” sales and use tax expected FY 2012 revised revenues to arrive at month of January and partial fiscal year-to-date through January estimates of \$2.3 million and \$6.3 million respectively.

The estimates of expected FY 2012 revised “base” sales and use tax revenues and expected FY 2012 revised “additional” sales and use tax revenues were then summed to arrive at total expected FY 2012 revised sales and use tax revenues. These are the values that are displayed in the Year-to-Date Estimate to Actual and Monthly Estimate to Actual tables that accompany this report.

Results for Year-to-Date FY 2012 through January 2012

The table Year-to-Date Estimate to Actual gives the results for the first seven months of FY 2012. As is apparent from the table, the Department of Revenue finds that FY 2012 year-to-date through January 2012 adjusted cash collections for total general revenues exceed expected FY 2012 revised revenue collections based on the estimates adopted at the November 2011 Revenue Estimating Conference by \$57.2 million, or 3.6 percent. In total taxes, the variance from the November 2011 REC expected FY 2012 revised revenues is \$45.2 million, or 3.4 percent. For departmental receipts, the difference from the November 2011 REC expected FY 2012 revised revenues is \$7.3 million or 7.3 percent. For other general revenue sources, FY 2012 year-to-date adjusted cash collections through January differ from the November 2011 REC revised FY 2012 revenue estimate by \$4.6 million or 2.6 percent.

In addition to departmental receipts, eight other revenue items have fiscal year-to-date adjusted cash collections that exceed expected FY 2012 year-to-date revised revenues by \$1.0 million or more. Personal income tax fiscal year-to-date adjusted cash collections exceed year-to-date expected FY 2012 revised revenues by \$24.4 million, or 3.9 percent. This positive difference is attributable to fiscal year-to-date adjusted cash estimated payments exceeding year-to-date expected FY 2012 revised estimated payments by \$6.3 million, or 5.4 percent; fiscal year-to-date adjusted cash refunds trailing year-to-date expected FY 2012 revised refunds by \$10.8 million,

or -18.1 percent; adjusted cash withholding payments exceeding year-to-date expected FY 2012 revised withholding payments by \$4.2 million, or 0.8 percent; and adjusted cash final payments exceed year-to-date expected FY 2012 revised final payments by \$3.0 million, or 11.4 percent. Fiscal year-to-date personal income tax adjusted cash collections include \$988,230 of reimbursed Historic Structures Tax Credits (HSTCs). Business corporations taxes fiscal year-to-date adjusted cash collections are \$10.0 million or 49.8 percent more than year-to-date expected FY 2012 revised business corporations tax revenues. Fiscal year-to-date business corporations tax adjusted cash collections include \$369,855 of reimbursed Historic Structures Tax Credits (HSTCs). Inheritance and gift tax fiscal year-to-date adjusted cash collections exceed year-to-date expected FY 2012 revised revenues by 25.8 percent or \$5.3 million. The fiscal year-to-date lottery transfer exceeds the year-to-date expected FY 2012 revised lottery transfer by \$4.6 million, or 2.6 percent. Motor vehicle operator license and registration fees year-to-date adjusted cash collections are \$1.9 million or 9.3 percent more than year-to-date expected FY 2012 revised motor vehicle operator license and registration fees. Fiscal year-to-date sales and use taxes exceed expected FY 2012 revised revenues by \$1.6 million or 0.3 percent. Financial institution taxes year-to-date adjusted cash collections are \$1.5 million more than year-to-date expected FY 2012 revised financial institution taxes. Public utilities gross earnings taxes exceed expected FY 2012 revised revenues by 73.4 percent or \$1.3 million. Finally, fiscal year-to-date bank deposits taxes, alcohol excise taxes, and racing and athletics taxes adjusted cash collections are all greater than year-to-date expected FY 2012 revised revenues through January of the fiscal year in each of these revenue categories but by less than \$1.0 million.

On the negative side, no revenue items have fiscal year-to-date adjusted cash collections that trail year-to-date expected FY 2012 revised revenues by more than \$1.0 million. Fiscal year-to-date adjusted cash collections for insurance companies gross premiums taxes, cigarettes and other tobacco products taxes, motor carrier fuel use taxes, the health care provider assessment, and realty transfer taxes are below year-to-date expected FY 2012 revised revenues through January 2012 for each of these revenue categories but by less than \$1.0 million each. It should be noted that fiscal year-to-date insurance companies gross premiums taxes include \$2,346 of reimbursed Historic Structures Tax Credits (HSTCs).

Results for the Month of January

The table Monthly Estimate to Actual gives the results for January of FY 2012. As is apparent from the table, the Department of Revenue finds that January adjusted cash collections for total general revenues exceed expected January revenue collections based on the estimates adopted at the November 2011 REC by \$12.6 million, or 4.7 percent. In total taxes, the variance from expected FY 2012 revised January revenues is 4.6 million or 2.1 percent. For departmental receipts, the difference from the expected FY 2012 revised revenues for January is \$4.7 million or 22.7 percent. For other general revenue sources, January adjusted cash collections differ from the expected FY 2012 revised revenue estimate for January by \$2.7 million or 10.0 percent.

In addition to departmental receipts, two other revenue items have adjusted cash collections for January that exceed expected FY 2012 revised revenues for January by \$1.0 million or more.

Sales and use taxes adjusted cash collections for January are \$3.0 million or 3.9 percent greater than monthly expected FY 2012 revised sales and use taxes for January. The January lottery transfer adjusted cash collections are \$2.7 million or 10.0 percent more than January expected FY 2012 revised lottery transfer revenues. January business corporation taxes, public utilities gross earnings taxes, financial institution taxes, inheritance and gift taxes, cigarette and other tobacco product taxes, motor vehicle operator license and registration fees, realty transfer taxes, alcohol excise taxes, and racing and athletics taxes adjusted cash collections are all greater than January expected FY 2012 revised revenues for each of these revenue categories but by less than \$1.0 million.

On the negative side, no revenue items have January adjusted cash collections that trail expected FY 2012 revised revenues for January by more than \$1.0 million. January adjusted cash collections for the health care provider assessment, insurance companies gross premiums taxes, motor carrier fuel use taxes, bank deposits taxes, and personal income taxes are below monthly FY 2012 expected revised revenues for each of these revenue categories but by less than \$1.0 million for January. It should be noted that January 2012 personal income taxes and insurance companies gross premiums taxes include \$10,683 and \$2,346 of reimbursed Historic Structures Tax Credits (HSTCs) respectively.



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

	YTD January Estimate of Revised FY 2012		YTD January Adjusted Cash FY 2012		Difference	Variance
Personal Income Tax	\$ 629,955,361		\$ 654,319,351		\$ 24,363,990	3.9%
General Business Taxes						
Business Corporations	20,181,519		30,224,893	*	10,043,374	49.8%
Public Utilities Gross Earnings	1,765,447		3,060,575	^	1,295,128	73.4%
Financial Institutions	343,762		1,802,802	*	1,459,040	424.4%
Insurance Companies	1,012,119		438,655		(573,464)	-56.7%
Bank Deposits	121,778		205,546		83,768	68.8%
Health Care Provider Assessment	24,308,969		24,290,447		(18,522)	-0.1%
Excise Taxes						
Sales and Use	511,987,423		513,610,980	**	1,623,557	0.3%
Motor Vehicle	20,569,880		22,491,584		1,921,704	9.3%
Motor Carrier Fuel Use	592,013		521,998		(70,015)	-11.8%
Cigarettes	79,213,024		78,957,031		(255,993)	-0.3%
Alcohol	7,153,590		7,207,094		53,504	0.7%
Other Taxes						
Inheritance and Gift	20,429,356		25,691,007		5,261,651	25.8%
Racing and Athletics	678,497		710,696		32,199	4.7%
Realty Transfer	3,904,357		3,896,380		(7,977)	-0.2%
Total Taxes	\$ 1,322,217,095		\$ 1,367,429,039		\$ 45,211,945	3.4%
Total Departmental Receipts	\$ 100,870,222		\$ 108,209,273	^^	\$ 7,339,050	7.3%
Taxes and Departmentals	\$ 1,423,087,317		\$ 1,475,638,312		\$ 52,550,995	3.7%
Other General Revenue Sources						
Other Miscellaneous Revenues	356,022	+	356,022	^^^	-	0.0%
Lottery Transfer	177,212,044		181,815,560	***	4,603,516	2.6%
Unclaimed Property	-	+	-		-	n/a
Total Other Sources	\$ 177,568,065		\$ 182,171,582		\$ 4,603,516	2.6%
Total General Revenues	\$ 1,600,655,382		\$ 1,657,809,894		\$ 57,154,511	3.6%

- * Incorporates transfer of \$425,000 from Business Corporations Taxes to Financial Institution Taxes for prior year posting errors corrected for in January 2012
- ^ Includes \$628,000 from field audit recoveries for tax years 2007-2009.
- ** Deducts \$1,314,139 from the Sales and Use Tax to account for the receipt of tax payments from the audit of prior year sales activity.
- ^^ Deducts \$132,971,862 in Hospital Licensing Fees for cash receipts received in FY 2012 that were accrued back to FY 2011, deducts \$839,301 from the Imaging Services Surcharge for the "payment of bills" from an audit recovery for prior years and deducts \$245,585 in Interim Medicaid Hospital Rate Settlement cash receipts received in FY 2012 that were accrued back to FY 2011.
- ^^^ Deducts \$1,951,166 in Tobacco Settlement cash receipts received in FY 2012 that were accrued back to FY 2011.
- *** Deducts \$2,731,761 from the Lottery Transfer to account for the receipt of revenues that were accrued back to FY 2011.
- + Set equal to actual amounts received due to general receipt of transfers in June.

PIT Component	YTD Estimates		YTD Actuals		Difference	Variance
Estimateds	\$ 116,836,358		\$ 123,158,361		\$ 6,322,004	5.4%
Finals	26,635,837		29,676,238		3,040,401	11.4%
Withholding	545,892,151		550,117,039		4,224,887	0.8%
Refunds	(59,408,986)		(48,632,287)		10,776,699	-18.1%
Total	\$ 629,955,361		\$ 654,319,351		\$ 24,363,990	3.9%

STATE OF RHODE ISLAND REVENUE ASSESSMENT REPORT
Monthly Estimate to Actual

	January Estimate of Revised FY 2012	January Adjusted Cash FY 2012		Difference	Variance
Personal Income Tax	\$ 119,485,059	\$ 119,459,423		\$ (25,635)	0.0%
General Business Taxes					
Business Corporations	1,582,134	2,246,385	*	664,251	42.0%
Public Utilities Gross Earnings	40,948	662,592	^	621,644	1518.1%
Financial Institutions	29,733	426,900	*,^^	397,167	1335.8%
Insurance Companies	352,713	238,406	^^	(114,307)	-32.4%
Bank Deposits	35,887	-		(35,887)	
Health Care Provider Assessment	3,665,550	3,358,345		(307,205)	-8.4%
Excise Taxes					
Sales and Use	77,240,013	80,215,023	***	2,975,010	3.9%
Motor Vehicle	3,299,202	3,559,717		260,515	7.9%
Motor Carrier Fuel Use	151,794	102,515		(49,279)	-32.5%
Cigarettes	10,197,127	10,583,826		386,699	3.8%
Alcohol	1,015,297	1,031,978		16,681	1.6%
Controlled Substances	-	-		-	-
Other Taxes					
Inheritance and Gift	2,501,986	2,889,312		387,326	15.5%
Racing and Athletics	94,583	96,601		2,018	2.1%
Realty Transfer	497,425	525,979		28,554	5.7%
Total Taxes	\$ 220,189,451	\$ 225,397,002		\$ 5,207,552	2.4%
Total Departmental Receipts	\$ 20,626,870	\$ 25,317,473	^^^	\$ 4,690,604	22.7%
Taxes and Departmentals	\$ 240,816,320	\$ 250,714,476		\$ 9,898,155	4.1%
Other General Revenue Sources					
Gas Tax Transfer	-	-		-	
Other Miscellaneous Revenues	2,107	2,107	+	-	0.0%
Lottery Transfer	27,556,871	30,300,851		2,743,980	10.0%
Unclaimed Property	-	-	+	-	
Total Other Sources	\$ 27,558,978	\$ 30,302,958		\$ 2,743,980	10.0%
Total General Revenues	\$ 268,375,298	\$ 281,017,434		\$ 12,642,135	4.7%

* Incorporates transfer of \$425,000 from Business Corporations Taxes to Financial Institution Taxes for prior year posting errors corrected for in January 2012

^ Includes \$628,000 from field audit recoveries for tax years 2007-2009.

*** Adds back \$778,203 for the transfer of interest payments in January 2012 that were received in November 2011 from an audit of prior year sales activity.

^^ Deducts \$100,000 from Financial Institutions Taxes and adds back \$100,000 to Insurance Companies Gross Premiums Taxes to account for the transfer of cash received in December 2011 but transferred in January 2012.

^^^ Deducts \$568,373 in Hospital Licensing Fees for cash receipts received in FY 2012 that were accrued back to FY 2011 and deducts \$35,752 in Interim Medicaid Hospital Rate Settlement cash receipts received in FY 2012 that were accrued back to FY 2011.

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

PIT Component	Estimates	Actuals	Difference	Variance
Estimateds	\$ 41,738,090	\$ 44,924,034	\$ 3,185,944	7.6%
Finals	2,560,979	4,897,883	2,336,904	91.3%
Withholding	87,065,738	87,484,155	418,417	0.5%
Refunds	(11,879,749)	(17,846,649)	(5,966,900)	50.2%
Total	\$ 119,485,059	\$ 119,459,423	\$ (25,635)	0.0%

FY 2012 Variance of Adjusted Cash Collections to Estimate

