

# STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS



## DEPARTMENT OF REVENUE

### State of Rhode Island Revenue Assessment Report Year-to-Date FY 2012 through July 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year as the Revenue Estimating Conference (see RI General Law § 35-16-1) convenes and modifies the revenue estimates originally enacted by the General Assembly.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.*

#### **Fiscal Year-to-Date Estimate of Enacted FY 2012 Revenues**

In order to determine the expected year-to-date revenue collections based on the enacted FY 2012 revenue estimates signed into law by Governor Chafee on June 30, 2011, 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 enacted 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 enacted FY 2012 revenue estimate for the health care provider assessment is \$41.3 million. The average percentage of adjusted cash total health care provider assessments that were collected through July of the fiscal year over the past five fiscal years is approximately 7.9 percent. This percentage is applied to the enacted estimate for the health care provider assessment for FY 2012 yields the year-to-date July estimate of enacted FY 2012 health care provider assessment of \$3.3 million. This process is repeated for all enacted FY 2012 revenue items except other miscellaneous revenues.

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

<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	6.3 %
Estimated Payments	1.8 %	Motor Carrier Fuel	0.9 %
Final Payments	1.6 %	Cigarettes	9.2 %
Withholding Payments	7.2 %	Alcohol	10.3 %
Refunds Paid	2.8 %	Inheritance & Gift	7.8 %
Business Corporations Taxes	3.6 %	Racing & Athletics	8.1 %
Public Utilities Gross Earnings	0.4 %	Realty Transfer	10.6 %
Financial Institutions Taxes	-2.1 %	Departmental Rcpts.	4.4 %
Insurance Co. Gross Premiums	0.3 %	Lottery	0.0 %
Bank Deposits	1.9 %	Other Misc. Revs.	n/a
Health Care Provider Assessment	7.9 %	Unclaimed Property	0.0 %
Sales and Use Tax	9.3 %		

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 FY 2012 revenue estimates enacted by the General Assembly and signed into law by Governor Chafee by revenue item are as follows:

<b>Revenue Item</b>	<b>Enacted FY 2012 Estimate</b>	<b>Revenue Item</b>	<b>Enacted FY 2012 Estimate</b>
Personal Income Tax		Motor Vehicles	\$51,600,000
Estimated Payments	\$ 172,100,000	Motor Carrier Fuel	1,100,000
Final Payments	178,379,965	Cigarettes	133,500,000
Withholding Payments	943,700,000	Alcohol	12,100,000
Refunds Paid	(278,858,543)	Inheritance & Gift	29,300,000
Business Corporations Taxes	121,224,665	Racing & Athletics	1,200,000
Public Utilities Gross Earnings	99,400,000	Realty Transfer	6,500,000
Financial Institutions Taxes	500,000	Departmental Rcpts.	343,543,141
Insurance Co. Gross Premiums	102,600,000	Lottery	361,042,103
Bank Deposits	2,000,000	Other Misc. Revs	6,325,000
Health Care Provider Assessment	41,327,129	Unclaimed Property	6,200,000
Sales and Use Tax	846,512,902		
		<b>Total General Revenues</b>	<b>\$3,175,996,362</b>

It should be noted that the enacted FY 2012 revenue estimate for sales and use taxes is \$846.5 million. This figure includes \$17.2 million in increased sales tax revenue resulting from the sales tax base expansion that was passed into law. The sales tax base expansion, however, does not take effect until October 1, 2011. Thus, for the first quarter of the fiscal year the enacted FY 2012 revenue estimate for the sales and use tax is \$829.3 million. The average percentage of adjusted cash total sales and use taxes that were collected through July of the fiscal year over the past five fiscal years is approximately 9.3 percent. This percentage is applied to the enacted July through October estimate for sales and use taxes for FY 2012 yields the year-to-date July estimate of enacted FY 2012 sales and use taxes of \$77.4 million.

### **Results for the First Month of FY 2012**

The attached table gives the results for the first eleven months of FY 2011. As is apparent from the table, the Department of Revenue finds that fiscal year-to-date July adjusted cash collections for total general revenues exceed expected revenue collections based on the enacted FY 2012 revenue estimates by \$8.3 million, or 4.6 percent. In total taxes, the variance from the enacted FY 2012 expected revenues is \$6.3 million, or 3.7 percent. For departmental receipts, the difference from the enacted FY 2012 expected revenues is \$1.9 million or 22.3 percent. For other general revenue sources, fiscal year-to-date July adjusted cash collections are equal to the enacted FY 2012 revenue estimate by assumption.

It is important to note that three revenue items in addition to departmental receipts have adjusted cash collections that exceed enacted expected revenues by \$1.0 million or more. Personal

income tax adjusted cash collections exceed enacted FY 2012 expected revenues by \$4.0 million, or 6.0 percent, with \$3.8 million of this difference attributable to refunds. Fiscal year-to-date personal income tax adjusted tax collections include \$81,322 of reimbursed Historic Structures Tax Credits (HSTCs). Inheritance and gift tax adjusted cash collections exceed enacted FY 2012 expected revenues by 95.0 percent or \$2.2 million. Business corporations tax adjusted cash collections are \$1.2 million or 28.3 percent more than enacted FY 2012 expected revenues. Finally, public utilities gross earnings taxes, motor vehicle operator's license and registration fees, health care provider assessments, motor carrier fuel use taxes, alcohol excise taxes, financial institutions income taxes, and racing and athletics taxes adjusted cash collections are all greater than expected FY 2012 enacted revenues but by less than \$1.0 million through July of the fiscal year.

On the negative side, one revenue item has adjusted cash collection that trail expected enacted revenues by more than \$1.0 million. The largest shortfall is in cigarette and other tobacco products taxes which are \$1.4 million or 11.0 percent below expected FY 2012 enacted collections. Sales and use taxes, insurance companies gross premiums taxes, realty transfer taxes, and bank deposits taxes adjusted cash collections are below expected enacted revenues but by less than \$1.0 million through July of FY 2012.



Rosemary Booth Gallogly, Director  
Department of Revenue

August 12, 2011

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

	YTD July Estimate of Enacted FY 2012	YTD July Adjusted Cash FY 2012	Difference	Variance
<b>Personal Income Tax</b>	\$ 66,425,587	\$ 70,434,758	\$ 4,009,171	6.0%
<b>General Business Taxes</b>				
Business Corporations	4,380,542	5,620,874	1,240,332	28.3%
Public Utilities Gross Earnings	378,834	749,404	370,570	97.8%
Financial Institutions	(10,642)	2,100	12,742	-119.7%
Insurance Companies	304,147	136,873	(167,274)	-55.0%
Bank Deposits	37,153	-	(37,153)	
Health Care Provider Assessment	3,275,928	3,466,025	190,097	5.8%
<b>Excise Taxes</b>				
Sales and Use	77,429,681	76,957,295	(472,386)	-0.6%
Motor Vehicle	3,248,343	3,612,607	364,264	11.2%
Motor Carrier Fuel Use	10,039	94,995	84,956	846.3%
Cigarettes	12,259,788	10,906,417	(1,353,371)	-11.0%
Alcohol	1,243,658	1,324,695	81,037	6.5%
<b>Other Taxes</b>				
Inheritance and Gift	2,288,310	4,461,073	2,172,763	95.0%
Racing and Athletics	97,098	97,778	680	0.7%
Realty Transfer	687,756	535,119	(152,637)	-22.2%
<b>Total Taxes</b>	\$ 172,056,220	\$ 178,400,013	\$ 6,343,793	3.7%
<b>Total Departmental Receipts</b>	\$ 8,729,193	\$ 10,677,286 <sup>^</sup>	\$ 1,948,093	22.3%
<b>Taxes and Departmentals</b>	\$ 180,785,413	\$ 189,077,299	\$ 8,291,886	4.6%
<b>Other General Revenue Sources</b>				
Other Miscellaneous Revenues	36,080 +	36,080	-	0.0%
* Lottery Transfer	-	-	-	
Unclaimed Property	- +	-	-	n/a
<b>Total Other Sources</b>	\$ 36,080	\$ 36,080	\$ -	0.0%
<b>Total General Revenues</b>	\$ 180,821,493	\$ 189,113,379	\$ 8,291,886	4.6%

\* The Lottery Transfer does not begin until August of the fiscal year

<sup>^</sup> Deducts \$128,425,043 in Hospital Licensing Fees cash receipts received in FY 2012 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	\$ 3,177,630	\$ 2,992,820	\$ (184,810)	-5.8%
Finals	2,924,738	2,729,303	(195,435)	-6.7%
Withholding	68,001,867	68,571,146	569,279	0.8%
Refunds	(7,678,648)	(3,858,511)	3,820,138	-49.8%
<b>Total</b>	\$ 66,425,587	\$ 70,434,758	\$ 4,009,171	6.0%

**STATE OF RHODE ISLAND REVENUE ASSESSMENT REPORT**  
**Monthly Estimate to Actual**

	July Estimate of Enacted FY 2012	July Adjusted Cash FY 2012	Difference	Variance
<b>Personal Income Tax</b>	\$ 66,425,587	\$ 70,434,758	\$ 4,009,171	6.0%
<b>General Business Taxes</b>				
Business Corporations	4,380,542	5,620,874	1,240,332	28.3%
Public Utilities Gross Earnings	378,834	749,404	370,570	97.8%
Financial Institutions	(10,642)	2,100	12,742	-119.7%
Insurance Companies	304,147	136,873	(167,274)	-55.0%
Bank Deposits	37,153	-	(37,153)	
Health Care Provider Assessment	3,275,928	3,466,025	190,097	5.8%
<b>Excise Taxes</b>				
Sales and Use	77,429,681	76,957,295	(472,386)	-0.6%
Motor Vehicle	3,248,343	3,612,607	364,264	11.2%
Motor Carrier Fuel Use	10,039	94,995	84,956	846.3%
Cigarettes	12,259,788	10,906,417	(1,353,371)	-11.0%
Alcohol	1,243,658	1,324,695	81,037	6.5%
Controlled Substances	-	-	-	-
<b>Other Taxes</b>				
Inheritance and Gift	2,288,310	4,461,073	2,172,763	95.0%
Racing and Athletics	97,098	97,778	680	0.7%
Realty Transfer	687,756	535,119	(152,637)	-22.2%
<b>Total Taxes</b>	<b>\$ 172,056,220</b>	<b>\$ 178,400,013</b>	<b>6,343,793</b>	<b>3.7%</b>
<b>Total Departmental Receipts</b>	<b>\$ 8,729,193</b>	<b>\$ 10,677,286</b> ^	<b>1,948,093</b>	<b>22.3%</b>
<b>Taxes and Departmentals</b>	<b>\$ 180,785,413</b>	<b>\$ 189,077,299</b>	<b>8,291,886</b>	<b>4.6%</b>
<b>Other General Revenue Sources</b>				
Gas Tax Transfer	-	-	-	
Other Miscellaneous Revenues	36,080 +	36,080	-	0.0%
* Lottery Transfer	-	-	-	
Unclaimed Property	-	-	-	
<b>Total Other Sources</b>	<b>\$ 36,080</b>	<b>\$ 36,080</b>	<b>-</b>	<b>0.0%</b>
<b>Total General Revenues</b>	<b>\$ 180,821,493</b>	<b>\$ 189,113,379</b>	<b>8,291,886</b>	<b>4.6%</b>

\* The Lottery Transfer does not begin until August of the fiscal year

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

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<b>Total</b>	<b>\$ 66,425,587</b>	<b>\$ 70,434,758</b>	<b>\$ 4,009,171</b>	<b>6.0%</b>