

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
GOVERNOR LINCOLN D. CHAFEE



DEPARTMENT OF REVENUE
Office of Revenue Analysis

State of Rhode Island Revenue Assessment Report
Year-to-Date FY 2014 through November 2013

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 estimate of revenues based on the current fiscal year enacted 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 Rhode Island General Laws § 35-16-1) convenes and modifies the fiscal year revenue estimates as enacted by the General Assembly.

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 estimate was 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 close of the fiscal year in June. Thus, even if the assessment of actual fiscal year-to-date revenues trail the fiscal year-to-date revenue estimates, it is possible for the fiscal year-end accruals to make up any shortfall.

Estimate of Revised FY 2014 Revenues Adopted at the November 2013 REC

In order to determine the expected monthly and fiscal year-to-date estimates based on the revised revenue estimates adopted at the November 2013 Revenue Estimating Conference (REC), the Office of Revenue Analysis (ORA) first calculates the average percentage of total adjusted revenues that occurred in a given month over the previous five fiscal years for each revenue item. For estate and transfer taxes the previous ten fiscal years are used. For monthly estimates, these percentages are applied to the revised FY 2014 revenue estimate for each revenue item. For the fiscal year-to-date estimates, the monthly percentages are summed and then applied to

the revised FY 2014 adopted revenue estimate for each revenue item. In the case of other miscellaneous revenues, the actual fiscal year-to-date revenues are used in place of an estimate due to the discrete and unpredictable nature of the timing of these receipts.

The following table provides the rounded five-year or ten-year average percentages used to determine expected monthly and fiscal year-to-date revenues for November:

Revenue Item	<u>Percent Received</u>		Revenue Item	<u>Percent Received</u>	
	November	YTD		November	YTD
Personal Income Taxes			Motor Vehicles Fees	5.6 %	34.2 %
Estimated Payments	1.3 %	28.3 %	Motor Carrier Fuel Use	11.0 %	40.0 %
Final Payments	1.4 %	11.6 %	Cigarettes Taxes	7.8 %	43.8 %
Withholding Payments	8.3 %	38.9 %	Alcohol Excise Taxes	9.1 %	40.5 %
Refunds/Adjustments	5.5 %	13.9 %	Estate and Transfer	7.7 %	42.7 %
Business Corporations Taxes	-2.5 %	11.1 %	Racing and Athletics	8.0 %	41.5 %
Utilities Gross Earnings Taxes	0.5 %	2.1 %	Realty Transfer	8.1 %	46.2 %
Financial Institutions Taxes	18.5 %	24.1 %	Departmental Receipts	6.6 %	35.7 %
Insurance Co. Gross Premiums	0.2 %	0.4 %	Lottery Transfer	8.1 %	33.2 %
Bank Deposits	3.0 %	6.8 %	Other Misc. Revenues	n/a	n/a
Health Care Provider Assessment	8.0 %	40.9 %	Unclaimed Property	0.0 %	0.0 %
Sales and Use Taxes+	8.3 %	44.2 %			

+ Percentages are a weighted average of the monthly and fiscal year-to-date percentages for the “base” sales and use tax adjusted revenues and the monthly and fiscal year-to-date percentages calculated by the ORA for foregone sales and use tax revenues projected from changes to the State’s sales and use tax base effective October 1, 2013 and December 1, 2013. See below for a more detailed discussion of this methodology.

The health care provider assessment consists only of an assessment on nursing homes. Racing and athletics taxes consist of a tax on simulcast wagering. The “Percent Received” for monthly and year-to-date 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 only in June of each fiscal year.

Beginning July 1, 2013, alcoholic beverage tax revenues are subject to a temporary increase in the alcohol excise tax. The period of the tax increase is July 1, 2013 through March 31, 2015. As the alcohol excise taxes generated during the month of July are not remitted to the Division of Taxation until August, the ORA has adapted the average percentages for alcohol excise taxes to take into account the increase in alcohol excise tax revenues beginning in August 2013.

Effective December 1, 2013, a sales tax exemption will apply to the sale of original works by artists, writers and composers who reside and have a principal place of business in Rhode Island. The exemption also applies to sales of these works by galleries located in the State. A temporary sales tax exemption will also apply to wine and spirits beginning December 1, 2013, which is scheduled to terminate on April 1, 2015. ORA has taken into account the anticipated decreases in sales and use tax revenues from these sales tax exemptions when determining the average percentages used to determine expected sales and use tax revenues.

It should also be noted that prior to the November Revenue Estimating Conference, it was the Office of Revenue Analysis' understanding that the State would no longer be in compliance with the Streamlined Sales and Use Tax Agreement (SSUTA) beginning October 1, 2013, due to the enactment of a \$250 per item threshold above which clothing and footwear became taxable that went into effect on October 1, 2012. A potential impact of this non-compliance was that the State would no longer receive voluntary remittances of sales and use tax revenues from remote sellers that are parties to the SSUTA. Based on testimony provided by the Rhode Island Division of Taxation, the principals of the November 2013 Revenue Estimating Conference (REC) determined that any action by the SSUTA Governing Board with regard to Rhode Island's non-compliance with the SSUTA would not be finalized prior to the end of FY 2014. As a result, receipts of voluntary sales and use tax payments for FY 2014 are included in the sales and use tax estimate.

The revised FY 2014 estimates adopted at the November 2013 Revenue Estimating Conference by revenue item are as follows:

Revenue Item	Nov 2013 Revised FY 2014 Estimate	Revenue Item	Nov 2013 Revised FY 2014 Estimate
Personal Income Taxes ^		Motor Vehicles	\$ 50,800,000
Estimated Payments	\$ 202,100,000	Motor Carrier Fuel	700,000
Final Payments	200,000,000	Cigarettes Taxes	136,300,000
Withholding Payments	997,000,000	Alcohol Excise Taxes	18,200,000
Refunds/Adjustments	(275,000,000)	Estate and Transfer	31,800,000
Business Corporations Taxes	136,000,000	Racing and Athletics	1,200,000
Public Utilities Gross Earnings	95,900,000	Realty Transfer	8,000,000
Financial Institutions Taxes	4,300,000	Departmental Receipts ‡	360,100,000
Insurance Co. Gross Premiums	100,600,000	Lottery	394,200,000
Bank Deposits	2,900,000	Other Misc. Revenues	7,455,000
Health Care Provider Assessment	42,600,000	Unclaimed Property	10,900,000
Sales and Use Taxes	904,000,000		
		Total General Revenues ^	\$ 3,426,655,000
^ Total General Revenues include a net accrual for personal income taxes estimated to be \$(3,400,000) in the revised FY 2014 adopted revenues.			
‡ The Departmental Receipts figure includes an estimate for hospital licensing fee revenues of \$152,360,104.			

As the table indicates, the enacted FY 2014 estimate for sales and use taxes is \$904.0 million. The Office of Revenue Analysis (ORA) has estimated that this figure is comprised of \$912.0 million of “base” sales and use tax revenues and \$(8.0 million) of foregone sales and use tax revenues as a result of narrowing the State’s sales and use tax base. The sales tax exemption on wine and spirits is estimated at \$(7.2 million) and original creative works is estimated at \$(825,000). ORA adjusted the methodology used for determining the revised FY 2014 adopted revenue estimate for sales and use taxes to account for the onset of the changes noted above.

The revised FY 2014 estimate for alcohol excise taxes is \$18.2 million. ORA has determined that this figure is comprised of \$12.2 million of “base” alcohol excise tax revenues and \$6.0 million of “additional” alcohol excise tax revenues generated by the temporary increase in the excise tax effective July 1, 2013. ORA adjusted the methodology used for determining the revised FY 2014 adopted revenue estimate for alcohol excise taxes to account for the one month delay in revenues received as noted above.

Results for FY 2014 through November

The table, *Year-to-Date Estimate to Actual*, gives the fiscal year-to-date results for FY 2014 through November. As is apparent from the table, the Department of Revenue finds that fiscal year-to-date adjusted total general revenues through November exceed the revised FY 2014 adopted total general revenues estimate through November by \$21.5 million or 1.8 percent. In total taxes, the fiscal year-to-date adjusted revenues through November are more than the revised FY 2014 adopted total taxes estimate by \$25.3 million or 2.6 percent. For departmental receipts, the difference in the fiscal year-to-date adjusted revenues through November and the revised FY 2014 adopted departmental receipts estimate totaled \$(504,875) or -0.7 percent. For other general revenue sources, fiscal year-to-date adjusted revenues through November are less than the revised FY 2014 adopted other general revenue sources estimate by \$3.3 million or -2.6 percent.

Six revenue items have fiscal year-to-date adjusted revenues through November that exceed the revised FY 2014 adopted revenue estimates through November by \$1.0 million or more.

- Personal income tax adjusted revenues of \$448.2 million are \$18.2 million or 4.2 percent greater than the revised FY 2014 adopted personal income tax estimate of \$429.9 million. This difference is attributed to fiscal year-to-date final payments adjusted revenues exceed the revised FY 2014 adopted final payments estimate by \$2.0 million or 8.8 percent. Fiscal year-to-date personal income tax final payments adjusted revenues include \$3.6 million of reimbursed Historic Structures Tax Credits (HSTCs). In addition, fiscal year-to-date withholding tax adjusted revenues coming in greater than the revised FY 2014 adopted withholding tax estimate by \$1.7 million or 0.4 percent. Fiscal year-to-date refunds and adjustments adjusted revenues are less than the revised FY 2014 adopted refunds and adjustments estimate by \$14.0 million or -36.7 percent and fiscal year-to-date estimated tax payments adjusted revenues are ahead of the revised FY 2014 adopted estimated tax payments estimate by \$517,721 or 0.9 percent.
- Business corporations tax adjusted revenues of \$18.9 million are \$3.7 million or 24.6 percent higher than the revised FY 2014 adopted business corporations tax estimate of \$15.1 million.
- Cigarette and other tobacco product excise tax adjusted revenues of \$61.2 million are \$1.6 million or 2.6 percent higher than the revised FY 2014 adopted revenue estimate of \$60.0 million.
- Estate and transfer tax adjusted revenues of \$15.0 million are \$1.4 million or 10.2 percent more than the adopted FY 2104 revised estate and transfer tax estimate of \$13.6 million.
- Motor vehicle operator's license and vehicle registration fee adjusted revenues of \$18.7 million are \$1.4 million or 7.8 percent higher than the revised FY 2014 adopted motor vehicle operator's license and vehicle registration fee estimate of \$17.4 million.
- Insurance companies gross premiums tax adjusted revenues through November are \$1.0 million higher than the revised FY 2014 adopted revenue estimate of \$422,426.

Fiscal year-to-date, alcohol excise tax, health care provider assessment, realty transfer tax, and motor carrier fuel use tax adjusted revenues through November are greater than the revised FY 2014 adopted revenue estimates through November, but by less than \$1.0 million.

On the negative side, two revenue items' fiscal year-to-date adjusted revenues through November fall short of the revised FY 2014 adopted revenue estimates through November by \$1.0 million or more.

- The lottery transfer adjusted revenues are \$3.3 million or 2.6 percent less than the revised FY 2014 adopted revenue estimate of \$130.7 million.
- Public utilities gross earnings tax adjusted revenues are \$1.4 million or 69.2 percent less than the revised FY 2014 adopted revenue estimate of \$2.1 million.

Fiscal year-to-date departmental receipts, financial institutions income tax, sales and use tax, bank deposits tax, and racing and athletics tax adjusted revenues through November are below the revised FY 2014 adopted revenue estimates through November, but by less than \$1.0 million.

Results for the Month of November 2013

The table, *Monthly Estimate to Actual*, gives the results for November 2013. As is apparent from the table, the Department of Revenue finds that November adjusted total general revenues exceed the revised FY 2014 adopted total general revenues estimate for November by \$10.4 million or 4.8 percent. In total taxes, November adjusted revenues are more than the revised FY 2014 adopted total taxes estimate for November by \$13.3 million or 7.9 percent. For departmental receipts, November adjusted revenues trail the revised FY 2014 adopted departmental receipts estimate for November by \$457,583 or -3.3 percent. For other general revenue sources, November adjusted revenues are less than the revised FY 2014 adopted other general revenue sources estimate for November by \$2.4 million or -7.7 percent.

Two revenue items have November adjusted revenues that exceed the revised FY 2014 adopted revenue estimates for November by \$1.0 million or more.

- Personal income tax adjusted revenues for November are \$11.9 million or 16.2 percent more than the revised FY 2014 adopted monthly personal income tax estimate of \$73.2 million. This increase is attributed to November final payments adjusted revenues exceeding the monthly revised FY 2014 adopted final payments revenue estimate by \$1.5 million or 50.8 percent and November refunds and adjustments adjusted revenues less than the monthly revised FY 2014 adopted refunds and adjustments tax estimate by \$7.3 million or 48.3 percent. November personal income tax final payments adjusted revenues include \$1.8 million of reimbursed Historic Structures Tax Credits (HSTCs). November estimated tax payments adjusted revenues are greater than the monthly revised FY 2014 estimated tax payments estimate by \$530,471 or 20.3 percent. Finally, November withholding tax adjusted revenues are greater than the monthly revised FY 2014 adopted withholding tax revenues by \$2.6 million or 3.2 percent.

- Business corporation tax adjusted revenues for November are \$2.8 million higher than the revised FY 2014 adopted monthly business corporations tax estimate of \$(3.4 million).

In November, the motor vehicle operator's license and vehicle registration fee, realty transfer tax, alcohol excise tax, health care provider assessment, sales and use tax, and motor carrier fuel use tax adjusted revenues are greater than the revised FY 2014 adopted monthly revenue estimates for November, but by less than \$1.0 million.

One revenue item has adjusted revenues in November that fall short of the revised FY 2014 adopted monthly revenue estimate by \$1.0 million or more.

- The lottery transfer adjusted revenues for November are \$2.4 million less than the revised FY 2014 adopted monthly lottery transfer estimate of \$32.0.

In November, financial institutions tax, estate and transfer tax, departmental receipts, public utilities gross earnings tax, cigarette and other tobacco product excise tax, insurance companies gross premiums tax, bank deposits tax, and racing and athletics tax adjusted revenues are below the revised FY 2014 adopted revenue estimates for November, but by less than \$1.0 million.



Rosemary Booth Gallogly, Director
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STATE OF RHODE ISLAND REVENUE ASSESSMENT REPORT
Year-to-Date Estimate to Actual

	YTD November Estimate of Revised FY 2014 Revenues	YTD November Adjusted Revenues FY 2014	Difference	Variance
Personal Income Tax	\$ 429,931,624	\$ 448,173,297	\$ 18,241,672	4.2%
General Business Taxes				
Business Corporations	15,130,986	18,856,317	3,725,331	24.6%
Public Utilities Gross Earnings	2,051,214	631,670	(1,419,544)	-69.2%
Financial Institutions	1,035,746	558,521	(477,225)	-46.1%
Insurance Companies	422,426	1,466,689	1,044,263	247.2%
Bank Deposits	195,988	-	(195,988)	
Health Care Provider Assessment	17,425,207	17,576,452	151,245	0.9%
Excise Taxes				
Sales and Use	399,957,372	399,559,280 ^a	(398,092)	-0.1%
Motor Vehicle	17,363,058	18,725,800	1,362,742	7.8%
Motor Carrier Fuel Use	279,798	319,284	39,486	14.1%
Cigarettes	59,664,538	61,228,535	1,563,997	2.6%
Alcohol	7,364,068	7,560,318	196,250	2.7%
Controlled Substances	-	-	-	
Other Taxes				
Estate and Transfer	13,588,104	14,974,444	1,386,340	10.2%
Racing and Athletics	498,071	482,433	(15,638)	-3.1%
Realty Transfer	3,696,907	3,792,275	95,368	2.6%
Total Taxes	\$ 968,605,106	\$ 993,905,315	\$ 25,300,209	2.6%
Departmental Receipts	\$ 74,154,198	\$ 73,649,323^b	\$ (504,875)	-0.7%
Taxes and Departmentals	\$ 1,042,759,304	\$ 1,067,554,638	\$ 24,795,333	2.4%
Other General Revenue Sources				
Other Miscellaneous Revenues	121,615 ⁺	121,615 ^c	-	0.0%
Lottery Transfer	130,741,395	127,400,164 ^d	(3,341,231)	-2.6%
Unclaimed Property	-	-	-	n/a
Total Other Sources	\$ 130,863,010	\$ 127,521,779	\$ (3,341,231)	-2.6%
Total General Revenues	\$ 1,173,622,314	\$ 1,195,076,417	\$ 21,454,102	1.8%

+ Set equal to actual amounts received.

^a Includes \$944,845 received from a field audit recovery received in November.

^b Deducts \$129,207,068 in Hospital Licensing Fees and \$30,738 in Interim Medicaid Hospital Rate settlements. Each of these revenues were received in FY 2014, but were accrued back to FY 2013.

^c Deducts \$159,971 for a Medicaid fraud drug settlement received in FY 2014 that was accrued back to the prior fiscal year.

^d Deducts \$847,359 for the lottery transfer that accrues back to FY 2013 received in November.

PIT Component	YTD Estimates	YTD Actuals	Difference	Variance
Estimated payments	\$ 57,266,975	57,784,697	\$ 517,721	0.9%
Final payments	23,141,853	25,188,994	2,047,141	8.8%
Withholding	387,700,525	389,365,869	1,665,344	0.4%
Refunds	(38,177,729)	(24,166,263)	14,011,466	-36.7%
Net Accrual			-	
Total	\$ 429,931,624	\$ 448,173,297	\$ 18,241,672	4.2%

STATE OF RHODE ISLAND REVENUE ASSESSMENT REPORT
Monthly Estimate to Actual

	November Estimate of Revised FY 2014 Revenues	November Adjusted Revenues FY 2014	Difference	Variance
Personal Income Tax	\$ 73,198,671	\$ 85,060,895	\$ 11,862,223	16.2%
General Business Taxes				
Business Corporations	(3,369,515)	(576,659)	2,792,856	-82.9%
Public Utilities Gross Earnings	512,451	167,820	(344,631)	-67.3%
Financial Institutions	797,019	15,000	(782,019)	-98.1%
Insurance Companies	238,590	81,028	(157,562)	-66.0%
Bank Deposits	85,920	-	(85,920)	
Health Care Provider Assessment	3,403,966	3,527,082	123,116	3.6%
Excise Taxes				
Sales and Use	75,353,197	75,432,534 ^a	79,337	0.1%
Motor Vehicle	2,830,957	3,035,225	204,268	7.2%
Motor Carrier Fuel Use	77,161	108,509	31,348	40.6%
Cigarettes	10,568,979	10,253,711	(315,268)	-3.0%
Alcohol	1,660,784	1,829,644	168,860	10.2%
Controlled Substances	-	-	-	
Other Taxes				
Estate and Transfer	2,441,032	1,975,569	(465,463)	-19.1%
Racing and Athletics	95,672	94,272	(1,400)	-1.5%
Realty Transfer	644,208	815,087	170,879	26.5%
Total Taxes	\$ 168,539,092	\$ 181,819,717	\$ 13,280,624	7.9%
Departmental Receipts	\$ 13,727,031	\$ 13,269,448	\$ (457,583)	-3.3%
Taxes and Departmentals	\$ 182,266,123	\$ 195,089,165	\$ 12,823,042	7.0%
Other General Revenue Sources				
Other Miscellaneous Revenues	(3,151) +	(3,151)	-	0.0%
Lottery Transfer	31,955,267	29,508,378 ^b	(2,446,889)	-7.7%
Unclaimed Property	- +	-	-	n/a
Total Other Sources	\$ 31,952,116	\$ 29,505,227	\$ (2,446,889)	-7.7%
Total General Revenues	\$ 214,218,239	\$ 224,594,392	\$ 10,376,153	4.8%

+ Set equal to actual amounts received.

^a Includes \$944,845 received from a field audit recovery.

^b Deducts \$847,359 for the lottery transfer that accrues back to FY 2013.

PIT Component	Estimates	Actuals	Difference	Variance
Estimated payments	\$ 2,616,417	3,146,887	\$ 530,471	20.3%
Final payments	2,859,913	4,313,999	1,454,086	50.8%
Withholding	82,741,603	85,363,118	2,621,515	3.2%
Refunds	(15,019,261)	(7,763,109)	7,256,152	-48.3%
Total	\$ 73,198,671	\$ 85,060,895	\$ 11,862,223	16.2%

FY 2014 Variance of Adjusted Revenues to Estimate

