STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

DEPARTMENT OF REVENUE

State of Rhode Island Revenue Assessment Report
Year-to-Date FY 2012 through August 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year as the Revenue Estimating Conference (see RI General Law § 35-16-1) convenes and modifies the revenue estimates originally enacted by the General Assembly.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 August of the fiscal year over the past five fiscal years is approximately 15.9 percent. This percentage is applied to the FY 2012 enacted estimate for the health care provider assessment to yield the year-to-date August estimate of enacted FY 2012 health care provider assessment of $6.6 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 August:

Revenue Item	**Percent of Total Collected through Fiscal YTD**	**Revenue Item**	**Percent of Total Collected through Fiscal YTD**
Personal Income Tax		Motor Vehicles	11.9 %
Estimated Payments	3.6 %	Motor Carrier Fuel	14.1 %
Final Payments	3.5 %	Cigarettes	18.1 %
Withholding Payments	15.3 %	Alcohol	18.5 %
Refunds Paid	4.7 %	Inheritance & Gift	16.2 %
Business Corporations Taxes	3.5 %	Racing & Athletics	17.6 %
Public Utilities Gross Earnings	0.6 %	Realty Transfer	21.1 %
Financial Institutions Taxes	-7.4 %	Departmental Rcpts.	12.4 %
Insurance Co. Gross Premiums	0.3 %	Lottery	8.6 %
Bank Deposits	1.9 %	Other Misc. Revs.	n/a
Health Care Provider Assessment	15.9 %	Unclaimed Property	0.0 %
Sales and Use Tax	18.6 %		

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:

Revenue Item	Enacted FY 2012 Estimate	Revenue Item	Enacted FY 2012 Estimate
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		
		Total General Revenues	**$3,175,996,362**

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 August of the fiscal year over the past five fiscal years is approximately 18.6 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 August estimate of enacted FY 2012 sales and use taxes of $154.2 million.

Results for the First Two Months of FY 2012

The attached table gives the results for the first two months of FY 2012. As is apparent from the table, the Department of Revenue finds that fiscal year-to-date August adjusted cash collections for total general revenues exceed expected revenue collections based on the enacted FY 2012 revenue estimates by $13.8 million, or 3.4 percent. In total taxes, the variance from the enacted FY 2012 expected revenues is $13.3 million, or 3.8 percent. For departmental receipts, the difference from the enacted FY 2012 expected revenues is -$944,308 or -3.8 percent. For other general revenue sources, fiscal year-to-date August adjusted cash collections differ from the enacted FY 2012 revenue estimate by $1.4 million or 4.4 percent.

It is important to note that four revenue items 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 $6.2 million, or 4.3 percent, with $5.4 million of this difference attributable to refunds. Fiscal year-to-date personal income tax adjusted tax collections include $123,759 of reimbursed Historic Structures Tax Credits (HSTCs). Inheritance and gift tax adjusted cash collections exceed enacted FY 2012 expected revenues by 80.8 percent or $3.8 million. Business corporations tax adjusted cash collections are $2.2 million or 52.6 percent more than enacted FY 2012 expected revenues. Fiscal year-to-date lottery transfer cash collections exceed enacted FY 2012 expected revenue by $1.4 million, or 4.4 percent. Finally, motor vehicle operator's license and registration fees, public utilities gross earnings taxes, sales and use taxes, health care provider assessments, financial institutions income taxes, and motor carrier fuel use taxes adjusted cash collections are all greater than expected FY 2012 enacted revenues but by less than $1.0 million through August of the fiscal year.

On the negative side, no revenue items have adjusted cash collections that trail expected enacted revenues by more than $1.0 million. Departmental Receipts, cigarette and other tobacco products taxes, realty transfer taxes, insurance companies gross premiums taxes, bank deposits taxes, racing and athletics taxes and alcohol excise taxes adjusted cash collections are below expected enacted revenues but by less than $1.0 million each through August of FY 2012.

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September 14, 2011

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

	YTD August Estimate of Enacted FY 2012	YTD August Adjusted Cash FY 2012	Difference	Variance
Personal Income Tax	$ 143,817,749	$ 150,050,418	$ 6,232,669	4.3%
General Business Taxes				
Business Corporations	4,221,525	6,442,262	2,220,737	52.6%
Public Utilities Gross Earnings	621,428	1,226,828	605,400	97.4%
Financial Institutions	(36,824)	2,100	38,924	-105.7%
Insurance Companies	343,927	203,820	(140,107)	-40.7%
Bank Deposits	37,901	-	(37,901)	
Health Care Provider Assessment	6,570,814	6,980,005	409,191	6.2%
Excise Taxes				
Sales and Use	154,220,184	154,671,729	451,545	0.3%
Motor Vehicle	6,148,120	6,797,504	649,384	10.6%
Motor Carrier Fuel Use	154,931	183,553	28,622	18.5%
Cigarettes	24,161,794	23,376,855	(784,939)	-3.2%
Alcohol	2,243,723	2,242,401	(1,322)	-0.1%
Other Taxes				
Inheritance and Gift	4,732,949	8,557,139	3,824,190	80.8%
Racing and Athletics	211,003	209,308	(1,695)	-0.8%
Realty Transfer	1,373,916	1,221,174	(152,742)	-11.1%
Total Taxes	**$ 348,823,140**	**$ 362,165,096**	**$ 13,341,957**	**3.8%**
Total Departmental Receipts	**$ 24,718,726**	**$ 23,774,418 ^**	**$ (944,308)**	**-3.8%**
Taxes and Departmentals	**$ 373,541,866**	**$ 385,939,514**	**$ 12,397,649**	**3.3%**
Other General Revenue Sources				
Other Miscellaneous Revenues	36,668 +	36,668 *	-	0.0%
Lottery Transfer	30,953,431	32,313,837	1,360,406	4.4%
Unclaimed Property	- +	-	-	n/a
Total Other Sources	**$ 30,990,098**	**$ 32,350,505**	**$ 1,360,406**	**4.4%**
Total General Revenues	**$ 404,531,964**	**$ 418,290,019**	**$ 13,758,055**	**3.4%**

^ Deducts $128,993,416 in Hospital Licensing Fees for cash receipts received in FY 2012 that were accrued back to FY 2011 and deducts $839,301 from Imaging Service Surcharge for the "payment of bills" from an audit recovery for prior years.

* Deducts $1,951,166 in Tobacco Settlement 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	$ 6,243,195	$ 5,823,973	$ (419,222)	-6.7%
Finals	6,277,648	5,471,756	(805,892)	-12.8%
Withholding	144,510,525	146,555,710	2,045,185	1.4%
Refunds	(13,213,619)	(7,801,020)	5,412,598	-41.0%
Total	**$ 143,817,749**	**$ 150,050,418**	**$ 6,232,669**	**4.3%**

STATE OF RHODE ISLAND REVENUE ASSESSMENT REPORT
Monthly Estimate to Actual

		August Estimate of Enacted FY 2012		August Adjusted Cash FY 2012		Difference	Variance
Personal Income Tax	$	77,392,162	$	79,615,661	$	2,223,498	2.9%
General Business Taxes							
Business Corporations		(159,017)		821,388		980,405	-616.5%
Public Utilities Gross Earnings		242,593		477,424		234,831	96.8%
Financial Institutions		(26,182)		-		26,182	
Insurance Companies		39,780		66,947		27,167	68.3%
Bank Deposits		749		-		(749)	
Health Care Provider Assessment		3,294,887		3,513,980		219,093	6.6%
Excise Taxes							
Sales and Use		76,790,503		77,714,434		923,931	1.2%
Motor Vehicle		2,899,777		3,184,897		285,120	9.8%
Motor Carrier Fuel Use		144,892		88,558		(56,334)	-38.9%
Cigarettes		11,902,005		12,470,438		568,433	4.8%
Alcohol		1,000,066		917,706		(82,360)	-8.2%
Controlled Substances		-		-		-	-
Other Taxes							
Inheritance and Gift		2,444,639		4,096,066		1,651,427	67.6%
Racing and Athletics		113,906		111,530		(2,376)	-2.1%
Realty Transfer		686,160		686,055		(105)	0.0%
Total Taxes	**$**	**176,766,919**	**$**	**183,765,084**		**6,998,164**	**4.0%**
Total Departmental Receipts	**$**	**15,989,533**	**$**	**13,097,132**	^	**(2,892,401)**	**-18.1%**
Taxes and Departmentals	**$**	**192,756,453**	**$**	**196,862,216**		**4,105,763**	**2.1%**
Other General Revenue Sources							
Gas Tax Transfer		-		-		-	
Other Miscellaneous Revenues		36,080	+	36,080	*	-	**0.0%**
Lottery Transfer		30,953,431		32,313,837		**1,360,406**	**4.4%**
Unclaimed Property		-	+	-		-	
Total Other Sources	**$**	**30,989,511**	**$**	**32,349,917**		**1,360,406**	**4.4%**
Total General Revenues	**$**	**223,745,963**	**$**	**229,212,133**		**5,466,169**	**2.4%**

^ Deducts $568,373 in Hospital Licensing Fees for cash receipts received in FY 2012 that were accrued back to FY 2011 and deducts $839,301 from Imaging Service Surcharge for the "payment of bills" from an audit recovery for prior years.

* Deducts $1,951,166 in Tobacco 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	$	3,065,564	$	2,831,153	$	(234,412)	-7.6%
Finals		3,352,910		2,742,453		(610,457)	-18.2%
Withholding		76,508,658		77,984,564		1,475,906	1.9%
Refunds		(5,534,970)		(3,942,509)		1,592,461	-28.8%
Total	**$**	**77,392,162**	**$**	**79,615,661**	**$**	**2,223,498**	**2.9%**