

Rhode Island Revenue & Caseload Estimating Conference

Departmental Testimony

November 3, 2009

Unclaimed Property -- General Treasurer's Office

Elizabeth Leach, Associate Director of Finance for the General Treasurer;

David A. Salvatore, Unclaimed Property Manager

Complete testimony posted on Poverty Institute Website

Unclaimed Property:

Definition: Unclaimed property consists of money and other assets that are considered lost or abandoned after an owner cannot be located for a specific period of time. It includes bank accounts; stocks and dividends; wages; refunds; safe deposit boxes; insurance payments; gift certificates; credit memos; account receivable credits and payables, just to name a few. Most property is turned over to the Treasury if it has been inactive for three years. However, wages and utility deposits become unclaimed after one year.

Testimony indicates that the total revenue received in FY2010 will increase from the current estimate of \$18.7 million to \$19.0 million a change of \$0.3 million. Revenue from Stock Sales are projected to increase \$214,660 from \$785,340 to \$1.0 million.

Operating Expenditures are expected to remain about the same as used to calculate the current transfer to the State. The transfer to the State's General Fund is expected to increase by \$187,782 from \$5.0 million to \$5.2 million.

For FY2011 the testimony indicates that total revenue will increase to \$19.1 million. The transfer to the State also increases from \$5.2 million to \$5.3 million.

Motion Picture Tax Credits -- RI Film and Television Office

Steven Fineburg, Executive Director

Rhode Island Division of Taxation -- David Sullivan, Tax Administrator

Complete testimony posted on Poverty Institute Website

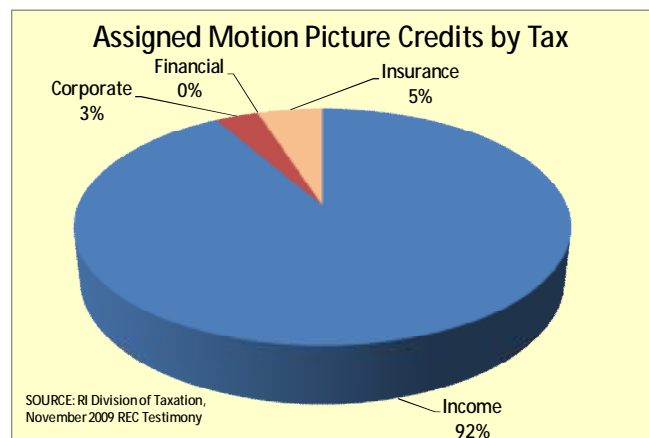
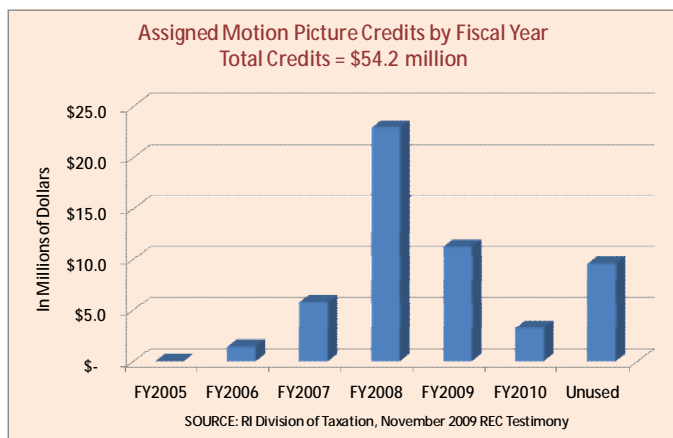
TAX CREDIT: Provides a tax credit of 25.0% of the state certified production costs incurred that are directly attributable to activity within the state provided that the primary locations are within the State of Rhode Island and the total production budget is at least \$300,000. The tax credit is transferable from the motion picture production company to other individuals or companies. The 2008 General Assembly imposed a \$15.0 million cap on these credits claimed in any one future fiscal year.

The following information was taken from the report presented.

Motion Picture Production Costs and Credits					
Year	Projects	Applications		Approvals	
		Estimated Productions Costs	Estimated Tax Credits	Final Production Costs	Final Tax Credits
2005	3	\$ 30.3	\$ 7.6	\$ 30.3	\$ 7.6
2006	12	\$ 102.7	\$ 24.9	\$ 91.2	\$ 22.8
2007	7	\$ 55.3	\$ 13.8	\$ 43.7	\$ 10.9
2008	10	\$ 59.4	\$ 14.8	\$ 51.2	\$ 12.8
2009	11	\$ 85.0	\$ 21.2	\$ 4.5	\$ 1.1
2010	No Estimates			No Estimates	

It does not appear that the \$15.0 million annual cap will be reached in 2009. In 2010 it appears that the biographical drama “Paz” as well as sessions 5 and 6 of the series “Cultivating Life” will be filmed in RI.

The Division of Taxation testified that \$54.2 million of these credits have actually been assigned. The two graphs below show the impact by fiscal year and by tax. In FY2010, \$3.3 million will be used. 92% of the credits will be applied against the Income Tax.



Historic Tax Credits

Historical Preservation & Heritage Commission Steven -- Edward Sanderson, Executive Director

Rhode Island Division of Taxation -- David Sullivan, Tax Administrator

Complete testimony posted on Poverty Institute Website

TRUST FUND: The FY2009 Budget Act established a trust fund to pay anticipated Historic Tax Credits redeemed over the next thirteen years. The fund will be used to reimburse the General Fund for Historic Tax Credit redemptions, in order to stabilize budget projections and streamline the annual impacts of Historic Tax Credits. The amount authorized to borrow for the Historic Preservation Tax Credit Trust Fund was \$356.2 million. The cost included \$299.9 million in bonds to establish the Trust Fund, along with \$4.2 million in financing, and \$50.6 million deposited in a debt service reserve fund at an interest rate not to exceed 5.92%.

Historic Tax Credit Trust Fund Transfers FY2010 -- 1 July 2008 to 31 October 2010 (In Millions of Dollars)	
Tax	Amount
Income	\$ 5.8
Financial	\$ -
Coporate	\$ 0.1
Insurance	\$ 3.1
Total	\$ 8.9

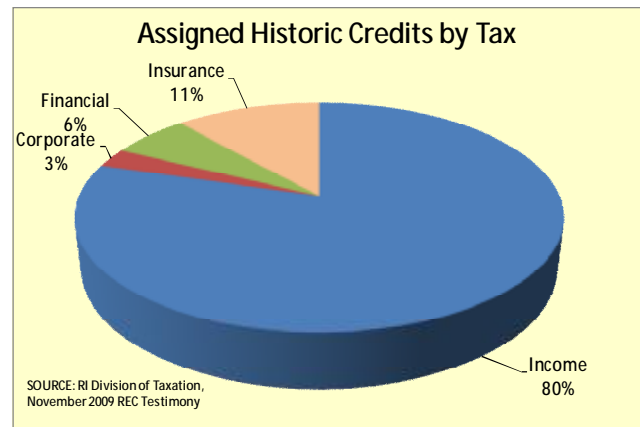
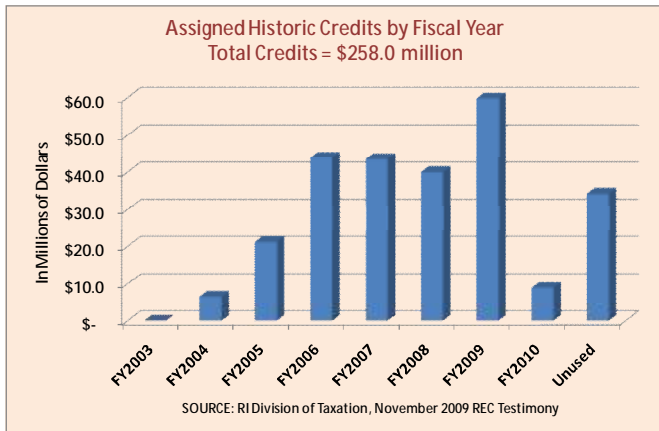
Source: RI Division of Taxation, November 2009 REC Testimony

The Division of Taxation testified that for FY2010, as of the end of October, 2009, \$8.9 million has been transferred from the Trust Fund to reimburse the General Fund.

The Completed Projects report presented by Historic Preservation indicates that since 2002 completed projects total 217. These projects represent total project costs of \$1,150.3 million, with final rehabilitation expenses of \$931.6 million, equaling \$270.9 million in tax credits.

The Active Projects report presented by Historic Preservation indicates that there are still an additional 112 projects to be completed. These projects represent estimated project costs of \$807.4 million, equaling \$201.9 million in additional tax credits.

The Division of Taxation testified that \$258.0 million of these credits have actually be assigned. The two graphs below show the impact by fiscal year and by tax. In FY2010, \$8.9 million will be used. 80% of the credits will be applied against the Income Tax.



When the Historic Tax Credit Trust Fund was created the Processing Fees were changed and deadlines set. 84 projects qualified. 19 projects have been completed, 6 are currently under review, and 6 projects have been abandoned.

RI Lottery, Department of Revenue

Gerald S. Aubin, Executive Director, Daniel Sarro, Finance Administrator;

& Sandra Lee, Comptroller – Lottery Proceeds.

Complete testimony posted on Poverty Institute Website

Lottery proceeds are reported in three categories – Games, Monitors and Video Lottery. The Games include Power Ball, Wild Money, The Numbers, Instant Games and Million Dollar Raffle. Monitor games include Keno and Rhody Poker. Video Lottery includes sales at both the Lincoln and Newport Facilities.

As can be seen below sales for the Games and Monitors are running ahead the same time period last year by 2.1% and 3.7% respectively. Positive growth is different from last year. The Lottery has transferred \$14.5 million to the State’s General Fund when the revenue from Games and Monitors is added together.

The Lottery is entering into an agreement with Mega Millions game which is projected to increase RI Lottery sales by \$30.1 million. Currently the Lottery participates in Power Ball and Wild Money games which are similar. Based on sales per capita the increase sales will generate \$6.8 million in additional profit.

Video Lottery sales are running ahead of last year by 5.7%. The State’s share is not based on sales. The State’s share is based on total Net Terminal Income (NTI). Next to the Video Lottery sales data displayed below is the NTI data for the same time frame. This indicates a decrease of -1.6%. For this time period, the Video Lottery has transferred \$72.5 million to the State’s General Fund.

In total, from June to September, the Lottery has transferred to the State’s General Fund \$87.0 million.

SALES -- July to September	FY2008	FY2009	Compare	Percent					
Games Total									
Total	\$ 40.4	\$ 41.2	\$ 0.9	2.1%					
TRANSFER TO STATE		\$ 10.5							
Monitor Total									
Total	\$ 18.22	\$ 18.90	\$ 0.7	3.7%					
TRANSFER TO STATE		\$ 4.0							
					NET TERMINAL INCOME				
Video Lottery Total					Video Lottery Total	FY2008	FY2009	Compare	Percent
Total	\$ 584.4	\$ 617.6	\$ 33.2	5.7%	Total	\$ 118.2	\$ 116.4	\$ (1.9)	-1.6%
TRANSFER TO STATE							\$ 72.5		
Lottery Total									
Total	\$ 643.0	\$ 677.7	\$ 34.7	5.4%					
TRANSFER TO STATE		\$ 87.0							

SOURCE: RI Lottery, Department of Revenue, November 2009 REC Testimony

Testimony on Various Revenues, RI Division of Taxation, Department of Revenue

David Sullivan, Tax Administrator

Complete testimony posted on Poverty Institute Website

The Division of Taxation provided testimony on Tax Credits, Personal Income Tax, Corporate / Franchise Taxes, Public Utilities Gross Earnings Tax, Financial Institutions Taxes, Sales and Use Taxes and Cigarette Taxes. Also monthly and year to date reports on Income Tax, Sales Tax, and Corporate Tax collections were presented.

The estimate of the impact of the Personal Income Flat Tax option was updated based on the 2007 Tax file. When fully implemented in Tax Year (TY) 2011 the revenue loss is now estimated to be \$79.13 million per year. It should be noted that this revenue loss is some \$8.49 million more than the estimate presented at the May, 2009 Revenue Estimate Conference based on the 2007 Tax File.

Flat Tax Estimates - 2007 Tax File							
As of November 4, 2009							
SOURCE: RI Division of Taxation, November 2009 REC Testimony							
Tax Year	Rate	# of Resident Taxpayers	Resident Tax Loss (millions)	# of Non-Resident Taxpayers	Non-Resident Loss (millions)	# of Taxpayers	Total Loss (millions)
2008	7.00%	1,616	\$19.32	2,315	\$5.78	3,931	\$25.10
2009	6.50%	2,782	\$30.04	3,245	\$8.25	6,027	\$38.29
2010	6.00%	4,608	\$44.90	4,440	\$11.30	9,048	\$56.20
2011	5.50%	7,509	\$64.13	5,983	\$15.00	13,492	\$79.13

Change in TY2011 Estimate, Flat Tax Rate = 5.50%							
		# of Resident Taxpayers	Resident Tax Loss (millions)	# of Non-Resident Taxpayers	Non-Resident Loss (millions)	# of Taxpayers	Total Loss (millions)
2006 Tax File, On 10/17/08		7,921	\$64.63	6,069	\$11.77	13,990	\$76.40
2007 Tax File, On 5/8/09		7,225	\$58.80	6,118	\$11.84	13,343	\$70.64
2007 Tax File, On 11/4/09		7,509	\$64.13	5,983	\$15.00	13,492	\$79.13
Change from 5/8/09		284	\$5.33	-135	\$3.16	149	\$8.49

Data on the year-to-date revenue collections for the Personal Income, Sales, and Business Corporations Taxes was presented. As can be seen below collections have continued to fall behind the prior year's collections. Personal Income Tax is 4.5% behind last year, Sales Tax is 6.6% behind, and Business Corporations Tax is 69.5% behind last year.

Year to Date Revenue Collections			
(in Millions)	Personal Income Tax	Sales Tax	Business Corporation Tax
November 2009 Revenue Estimating Conference			
October Collections			
FY2009	\$ 322.2	\$ 298.3	\$ 14.8
FY2010	\$ 307.8	\$ 278.6	\$ 4.5
Change	\$ (14.3)	\$ (19.8)	\$ (10.3)
Percent Change	-4.5%	-6.6%	-69.5%

SOURCE: RI Division of Taxation, November 2009 REC Testimony