



May 2025 REC Follow-Up

May 5th, 2025



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QUESTION 24, page 58: Bank Excise Estimate

Revenue Estimating Question: Q24

Issue raised: What additional information was gained after November that led to the revised estimate in FY 2025 from \$38,569,157 in November 2024 to \$11,407,713 in May 25?

Division of Taxation Response:

The methodology for estimating the current year of Bank Excise cash remains unchanged. The difference between the November 2024 REC and May 2025 REC is that for the November 2024 REC, those taxpayers who filed returns on extension were still being processed and the Tax Year 2023 liabilities were not available for reporting at the November REC. Further, certain returns were amended after the November 2024 REC, which resulted in greater overpayments. As such, additional cash paid previously as estimated payments/carryforwards for Tax Year 2023 was deemed to be equated with an increase in liability/payments for Tax Year 2023. Between November 2024 and May 2025, returns on extension were received and the taxpayers' periods were re-evaluated. Upon re-evaluation, it was determined that liability had not increased, and that additional cash paid made the period further overpaid, increasing an already large carryforward. As a result, and after analyzing and considering Taxpayer payments/liabilities/carryforwards over several years, the Division of Taxation revised the FY 25 estimate for May 2025 REC.

QUESTION 39, page 90: Impact of Proactive Enhanced Collections and Compliance Tools

Revenue Estimating Question: Q39

Issue raised: Please give an update on each of the four initiatives, including how much is expected to be collected in FY 2025 and any impacts in future years.

Division of Taxation Response:

In the FY 2025 budget, there were four Division of Taxation initiatives with positive revenue expectations to increase revenue using enhanced collections and compliance tools and techniques:

Initiatives	Description	Revenue Expectation	Revenue Generation	Recurrence
DOR Proactive Tax Collection Initiative - Overtime Collections / 3 FTEs	New tax revenues from personnel enhancements including overtime for current trained staff to work on proactive collection initiatives that would result in additional collections, and increased staff to handle the increased volume of inquiry.	\$5,000,000	Through 4/28/25, more than \$12,000,000 has been collected as a result in business process improvements and personnel enhancements associated with this initiative. <i>See Slides 74/75.</i>	Overtime Collections are expected to be one-time. Collections resulting from an additional 3 FTEs will be recurring.

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DOR Proactive Tax Collection Initiative - Tax Delinquent Public Disclosure List (\$50K+)	Expanding the existing top 100 tax delinquent list to include those owing at least \$50,000.	\$3,427,327	Through 4/28/25, \$3,301,414 has been paid for taxpayers' debts associated with this initiative. <i>See Slide 91.</i>	Collections resulting from this process will be recurring.
DOR Proactive Tax Collection Initiative - Data Vendor	Initiate a Request for Proposal to hire a vendor to do work focused on reducing the tax gap.	\$1,500,000	Contract initiated in FY25. The original expectation of \$1.5M may be understated based on information provided by the vendor through the RFP process. Given the timing and impact of the procurement process and implementation, the \$1.5M may be realized in FY 26.	Collections resulting from this process will be recurring and dependent on funding.
DOR Proactive Tax Collection Initiative - Out-of-State Attorney	Hiring out-of-state attorneys to enforce collections against nonresidents with Rhode Island state tax liabilities.	\$500,000	Counsel to be retained in FY25, with revenues expected in mid-to-late FY26.	Collections resulting from this process will be recurring.

The FY2026 estimate includes \$5.8M of gross revenues expected to be reoccurring.