
Overview of Massachusetts Taxes and FY14 Revenue Update

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Commissioner of Revenue

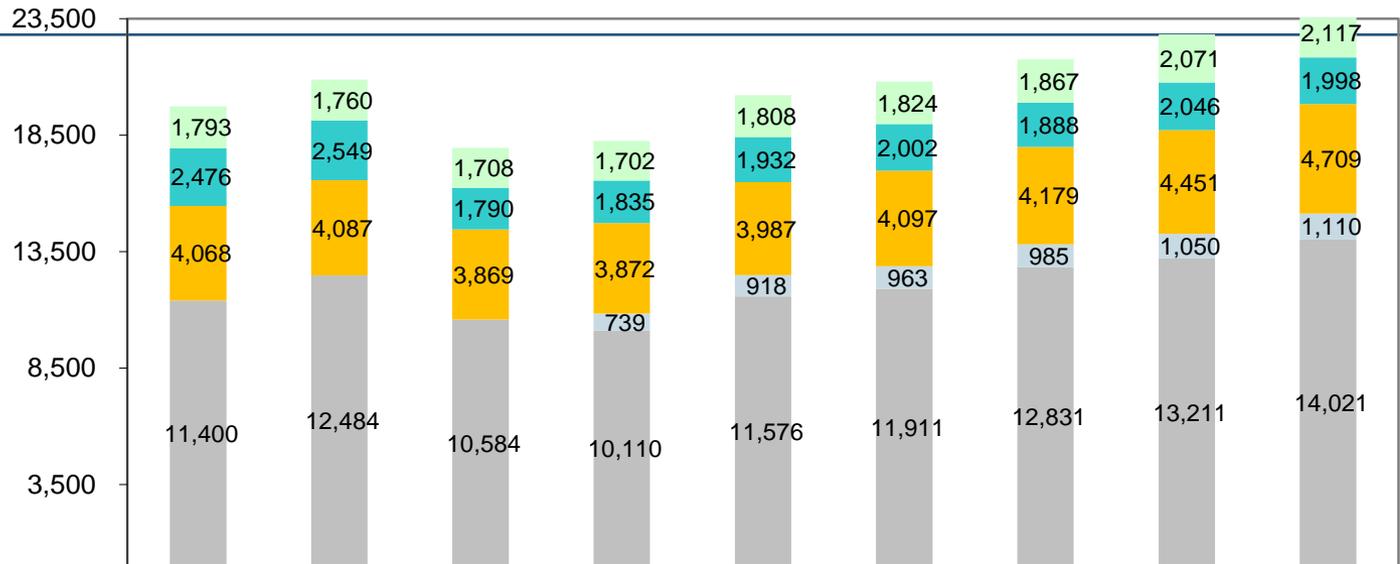
Massachusetts Department of
Revenue

Outline of Presentation

- Tax Collections Trends
- Baseline Tax collections trends
- Fiscal 2014 Revenue Collections Update
- Fiscal 2015 Consensus Tax Revenue Estimate
- Recent Developments -- Personal income tax rate reduction

Tax Revenue Trends in Recent Years

Tax revenue collections by fiscal year and by categories (\$ millions)

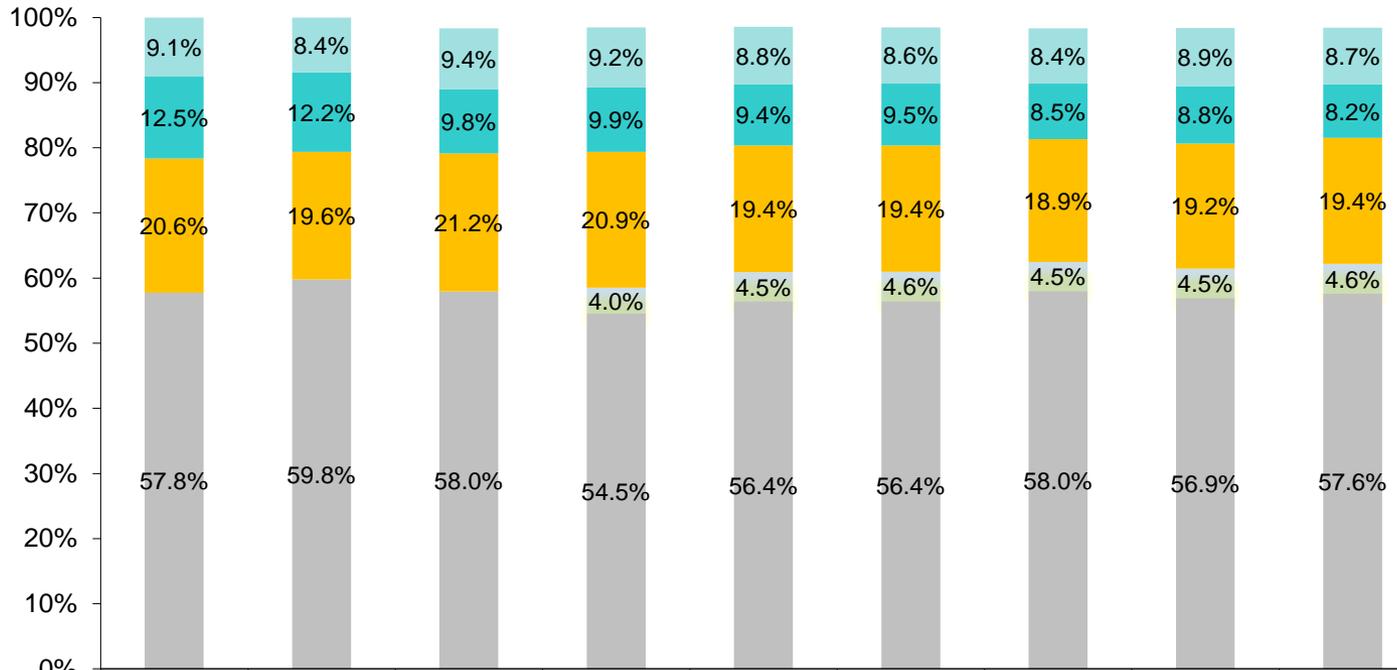


| | FY07 | FY08 | FY09 | FY10 | FY11 | FY12 | FY13 | FY14 Revised Benchmark | FY15 Consensus Estimate |
|-----------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|------------------------|-------------------------|
| All Other | 1,793 | 1,760 | 1,708 | 1,702 | 1,808 | 1,824 | 1,867 | 2,071 | 2,117 |
| Corporate & Business | 2,476 | 2,549 | 1,790 | 1,835 | 1,932 | 2,002 | 1,888 | 2,046 | 1,998 |
| Sales Tax at rate of 5% | 4,068 | 4,087 | 3,869 | 3,872 | 3,987 | 4,097 | 4,179 | 4,451 | 4,709 |
| Impact of Sales Tax Rate Increase | | | | 739 | 918 | 963 | 985 | 1,050 | 1,110 |
| Total Income | 11,400 | 12,484 | 10,584 | 10,110 | 11,576 | 11,911 | 12,831 | 13,211 | 14,021 |
| Total Revenue Collections | 19,736 | 20,879 | 18,259 | 18,544 | 20,517 | 21,115 | 22,123 | 23,200 | 24,337 |



Tax Revenue Trends in Recent Years

Tax revenue collections by fiscal year and by categories (% of total)

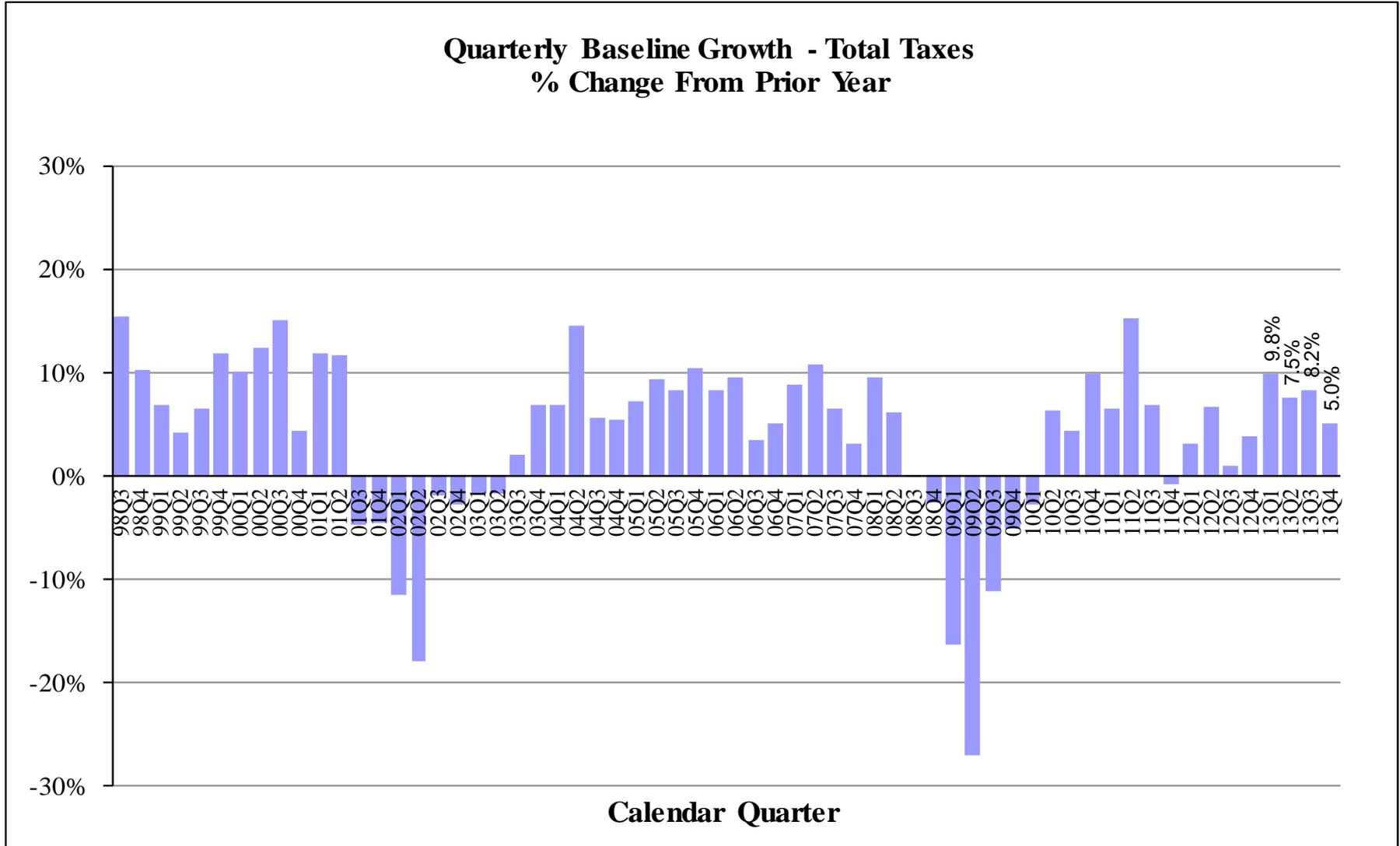


| | FY07 | FY08 | FY09 | FY10 | FY11 | FY12 | FY13 | FY14 Revised Benchmark | FY15 Consensus Estimate |
|-----------------------------------|-------|-------|-------|-------|-------|-------|-------|------------------------|-------------------------|
| All Other | 9.1% | 8.4% | 9.4% | 9.2% | 8.8% | 8.6% | 8.4% | 8.9% | 8.7% |
| Corporate & Business | 12.5% | 12.2% | 9.8% | 9.9% | 9.4% | 9.5% | 8.5% | 8.8% | 8.2% |
| Sales Tax at rate of 5% | 20.6% | 19.6% | 21.2% | 20.9% | 19.4% | 19.4% | 18.9% | 19.2% | 19.4% |
| Impact of Sales Tax Rate Increase | | | | 4.0% | 4.5% | 4.6% | 4.5% | 4.5% | 4.6% |
| Total Income | 57.8% | 59.8% | 58.0% | 54.5% | 56.4% | 56.4% | 58.0% | 56.9% | 57.6% |



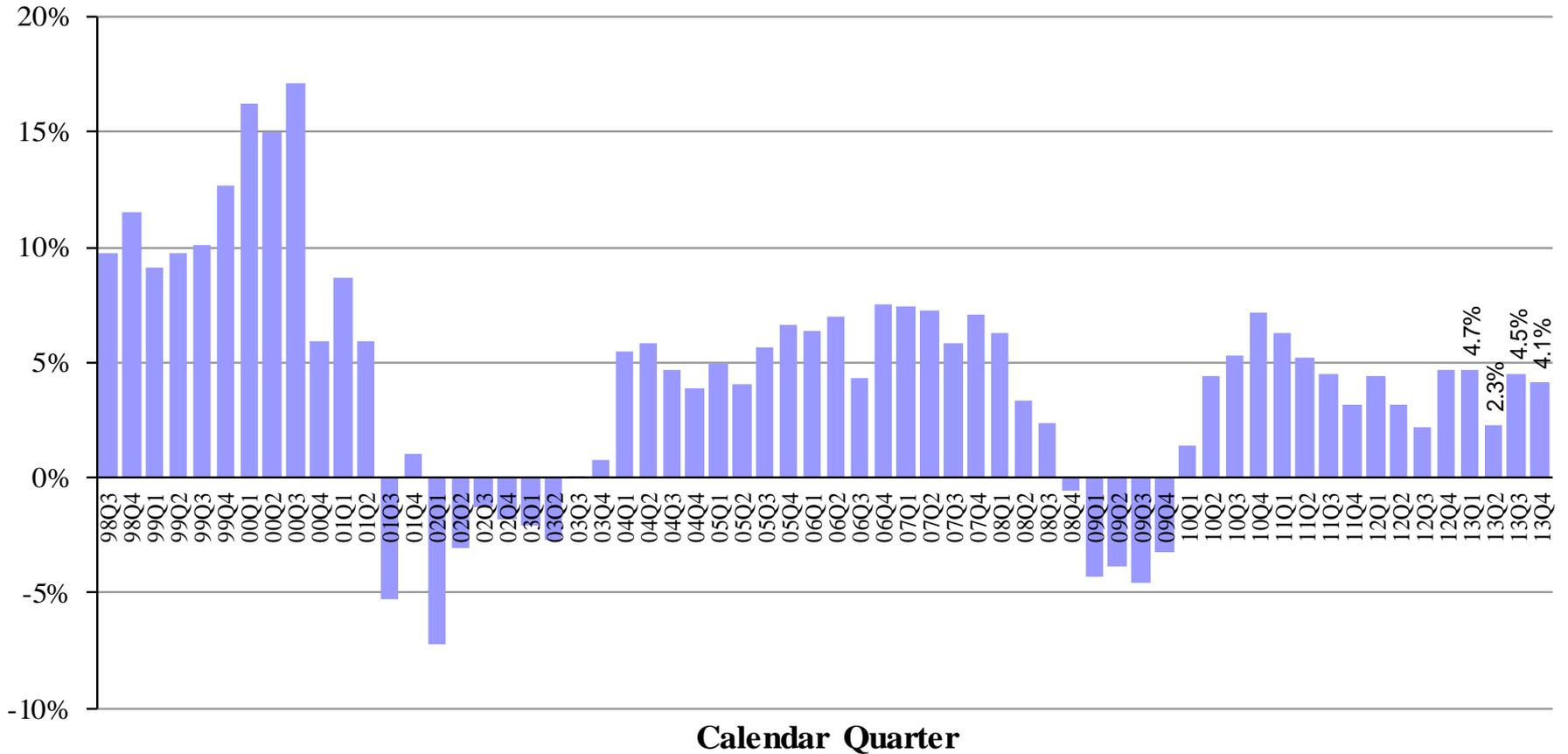
Tax collections trends: Baseline Total Tax collections

Quarterly Baseline Growth - Total Taxes
% Change From Prior Year

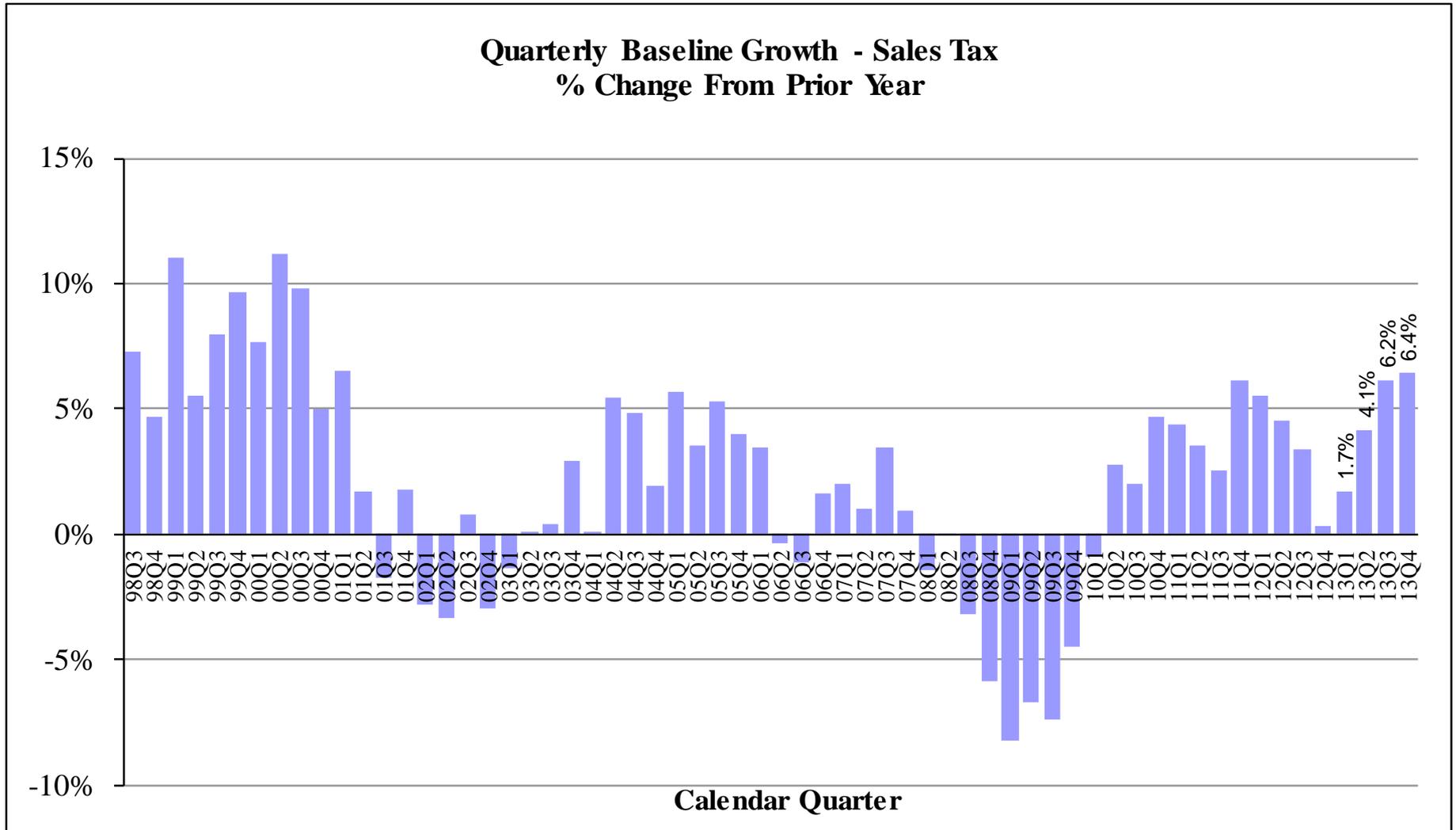


Tax collections trends: Baseline Withholding Tax collections

**Quarterly Baseline Growth - Income Tax Withholding
% Change From Prior Year**

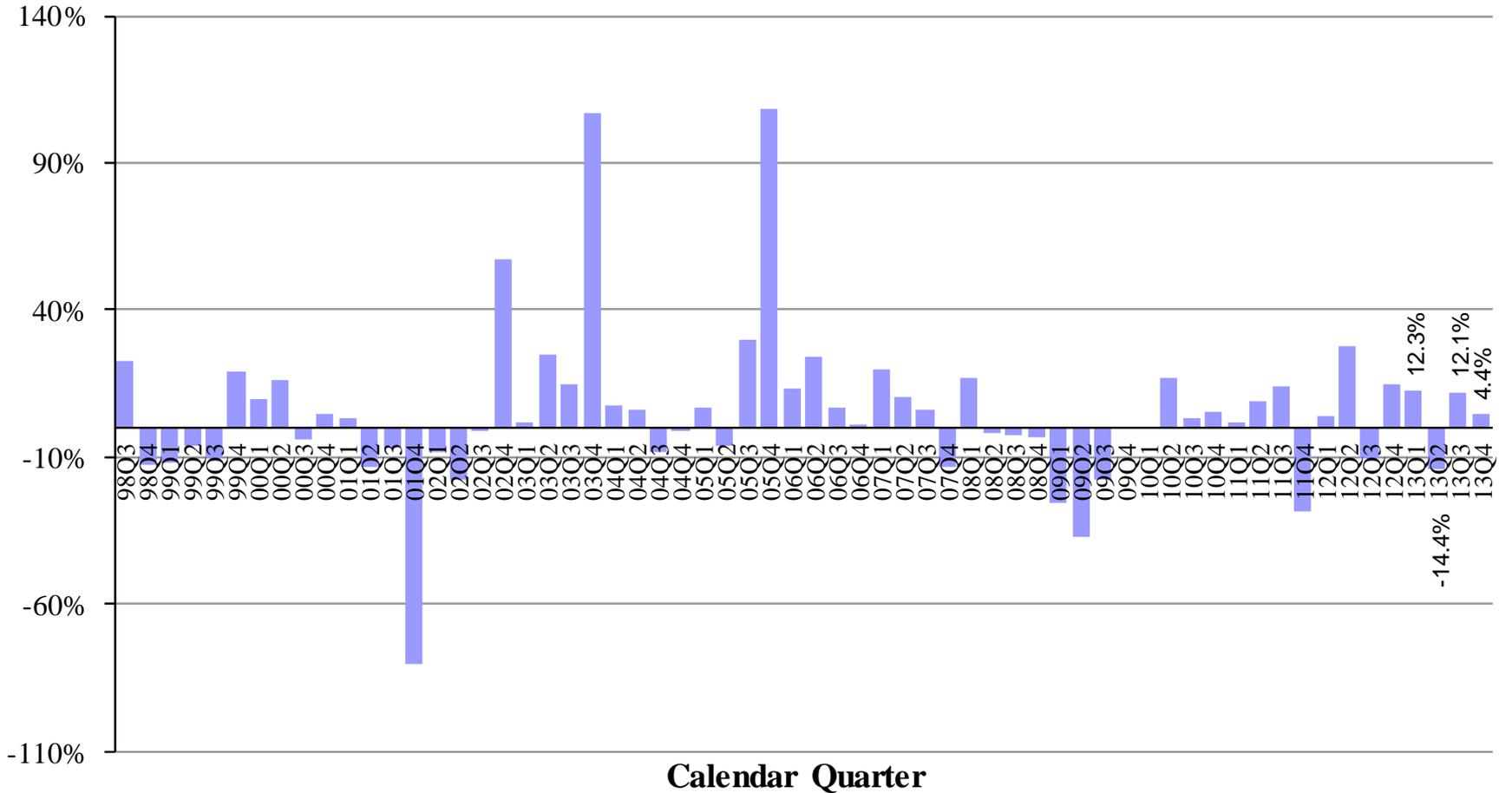


Tax collections trends: Baseline Sales and Use Tax collections



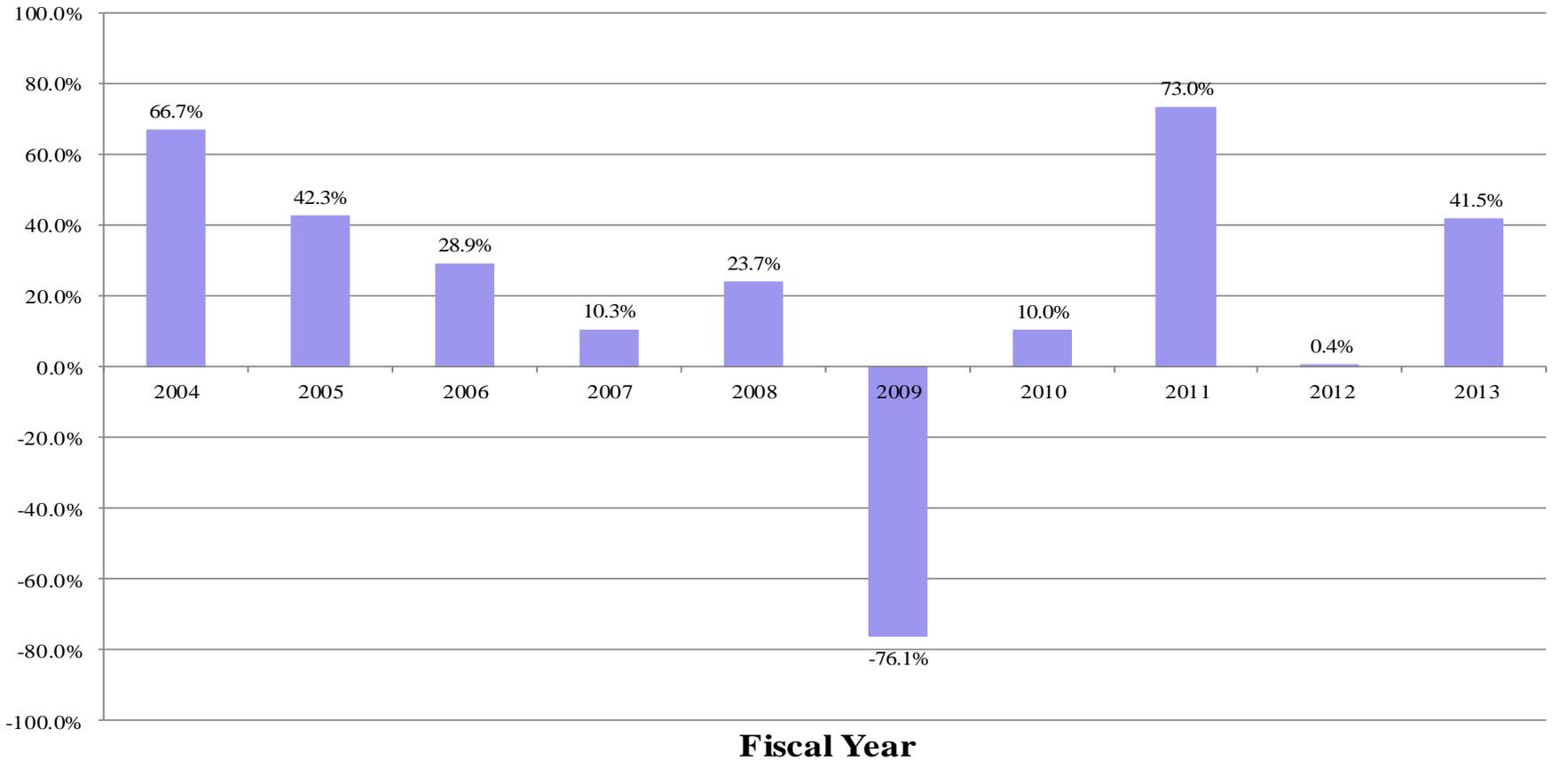
Tax collections trends: Baseline Corporate & Business Tax collections

Quarterly Baseline Growth - Corporate/Business Taxes
% Change From Prior Year



Tax collections trends: Capital Gains Tax Collections

**Actual Growth - Capital Gains Taxes
% Change From Prior Year**



Fiscal 2014 Revenue Collections Update -- continued

December 2013 Tax Collection Summary (in \$ millions) (Preliminary as of January 6, 2014)

| | ----- Month of December ----- | | | | | ----- FY14 Year-to-Date ----- | | | | |
|---|-------------------------------|--------------------------------|--------------------------------------|---|--|----------------------------------|--------------------------------|--------------------------------------|---|---|
| | 12/13 Collections | 12/13 v. 12/12 \$ Change | 12/13 v. 12/12 Actual % Change | 12/13 v. 12/12 Baseline % Change | 12/13 \$ Above/(Below) Benchmark Based on FY14 Estimate of \$22.797 Billion | 12/13 FY14 YTD Collections | 12/13 FY14 YTD \$ Change | 12/13 FY14 YTD Actual % Change | 12/13 FY14 YTD Baseline % Change | FY14 YTD \$ Above/(Below) Benchmark Based on FY14 Estimate of \$22.797 Billion |
| Income - Total | 1,210 | (21) | -1.7% | 4.4% | (65) | 6,036 | 345 | 6.1% | 6.6% | 98 |
| Income Withholding | 982 | (68) | -6.5% | 0.6% | (124) | 5,125 | 185 | 3.7% | 4.3% | (55) |
| Income Est. Payments (Cash) | 199 | 37 | 23.0% | 23.3% | 49 | 782 | 98 | 14.4% | 14.7% | 92 |
| Income Returns/Bills | 35 | 8 | 31.4% | 31.4% | 7 | 342 | 92 | 36.8% | 36.8% | 90 |
| Income Refunds (Cash) | 5 | (3) | -38.5% | -38.5% | (3) | 213 | 25 | 13.4% | 13.4% | 25 |
| Sales & Use - Total | 444 | 32 | 7.8% | 5.9% | (3) | 2,746 | 167 | 6.5% | 6.3% | 25 |
| Sales - Regular | 313 | 16 | 5.4% | 3.6% | (11) | 1,880 | 101 | 5.7% | 5.5% | (2) |
| Sales - Meals | 75 | 7 | 10.0% | 9.3% | 3 | 501 | 27 | 5.6% | 5.6% | 4 |
| Sales - Motor Vehicles | 57 | 10 | 20.3% | 15.4% | 5 | 365 | 39 | 12.0% | 11.6% | 23 |
| Corporate & Business - Total | 283 | (77) | -21.4% | -21.1% | (0) | 946 | 72 | 8.2% | 8.8% | 127 |
| All Other | 159 | 13 | 8.9% | -1.7% | (7) | 1,036 | 129 | 14.2% | 5.8% | 32 |
| Total Tax Collections | 2,095.515 | (52) | -2.4% | 0.02% | (76) | 10,764 | 713 | 7.1% | 6.6% | 282 |

Fiscal 2015 Consensus Tax Revenue Estimate

- On December 11 2013, Consensus Revenue Hearing was held
- On January 14, 2014 -- FY15 Consensus estimate was announced -- @ \$24.337 billion
- Capital gains estimated at \$1.170 billion By statute, the new updated capital gains tax threshold
 - \$1.048 billion in spending budget
 - \$122 million of capital gains tax deposited into the Stabilization Fund



Recent Developments -- Personal income tax rate reduction:

2011 5.30 -> 5.25

2012 no change

2013 5.25 -> 5.20