



KEVIN BROWN
ACTING COMMISSIONER

The Commonwealth of Massachusetts
Department of Revenue
Office of the Commissioner
P.O. Box 9550
Boston, MA 02114-9550

April 20, 2016

The Honorable Brian S. Dempsey, Chair
House Committee on Ways and Means
State House
Room 243
Boston, MA 02133

The Honorable Todd M. Smola, Representative
House Committee on Ways and Means
State House
Room 124
Boston, MA 02133

The Honorable Karen E. Spilka, Chair
Senate Committee on Ways and Means
State House
Room 212
Boston, MA 02133

The Honorable Viriato M. deMacedo, Senator
Senate Committee on Ways and Means
State House
Room 70
Boston, MA 02133

Honorable Chairmen and Ranking Minority Members of the Ways and Means Committees:

Pursuant to Section 6 of Chapter 14 of the General Laws¹, the Department of Revenue (DOR) hereby submits its mid-month tax revenue report for the month of April 2016. The attached table shows April 2016 month-to-date and Fiscal Year 2016 year-to-date tax revenue collections through April 15, 2016, along with the dollar and percentage changes from the same collection period in April 2015. Also shown are the percentage growth amounts for the full month of April 2016 and for Fiscal Year 2016 year-to-date through the end of April 2016 that were assumed in the benchmarks corresponding to the revised Fiscal Year 2016 tax revenue estimate of \$25.751 billion². The \$25.751 billion estimate does not include the

¹ <http://www.malegislature.gov/Laws/GeneralLaws/PartI/TitleII/Chapter14/Section6>

² Revised up by \$140 million from \$25.611 billion on January 14th, 2016 by the Secretary of the Executive Office for Administration and Finance. The \$25.611 billion estimate reflects the FY2016 consensus tax estimate of \$25.479 billion adjusted for the impact of changes affecting revenues.

\$125 million estimate for tax and non-tax related settlement and judgment payments in excess of \$10 million each, which was assumed in the Fiscal Year 2016 budget.

Highlights:

- It is too soon for the month-to-date collections to be meaningful to gauge full month's revenue performance; the majority of monthly collections typically come in during the second half of the month.
- Month-to-date total *tax collections* are down \$152 million from the same period last April, which seems to be mostly due to timing factors.
- This year's income tax filing deadline was April 19, 2016, lagging last year's filing deadline by two deposit days. So the month-to-date collections comparison to last April is not very meaningful (particularly for the non-withholding) at this time.
- Month-to-date *withholding* totals \$476 million, up \$40 million from the same period last April.
- Month-to-date *income tax cash refunds* total \$183 million, almost no change from the same period last April.
- Month-to-date *income tax payments with returns and extensions* total \$299 million, down \$146 million from the same period last April, mostly due to the timing factors mentioned above.
- Month-to-date *income tax cash estimated payments* total \$85 million, down \$18 million from the same period last year, mostly due to the same timing factors mentioned above.

Details:

April has historically been the largest tax collection month of the year, as payments with income tax returns and extensions for the prior tax year are due on April 19th this year, as are the first estimated quarterly income tax payments for the current tax year. The April monthly benchmark corresponding to the FY2016 tax revenue estimate of \$25.751 billion totals \$3.1 billion, an increase of \$80 million, or 2.6% actual and 2.2% baseline from April 2015. The incremental impacts of tax law changes are expected to increase collections by about \$19 million this month, reflecting mostly the revenue gain due to the 2016 amnesty program offset by revenue loss due to the recent reduction in part B personal income tax rate, as well as net revenue impact from other tax law changes. Having one less deposit day this month compared to last April will reduce revenues by about \$9 to \$11 million.

Through April 15, 2016, month-to-date tax collections totaled \$854 million, down \$152 million, with the full month benchmark projecting an increase of \$80 million. Most of the April revenues is expected to be received in the second half of the month, since the major sources of revenue (income tax payments with returns and extensions) are due on April 19th, and sales tax is due on April 20th. In addition, two weekly withholding payments will be received in the second half of the month. The month-to-date decrease of \$152 million is mostly due to a decrease in income tax payments with returns and extensions (-\$146 million), decrease in corporate & business tax collections (-\$35 million), and decrease in income tax cash estimated payments (-\$18 million) offset by an increase in withholdings payments (+\$40 million). The month-to-date decrease reflects mostly timing (the income tax filing deadline is two deposit days later this year than last year) and temporary or one-time factors (i.e., a large corporate tax refund). Collections comparison to last year and the benchmark will not be meaningful at this time.

Month-to-date withholding tax collections totaled \$476 million, up \$40 million from the same period last year, with the full month benchmark projecting a decline of \$22 million (the expected decline is due to the first quarterly withholding payments, which are due on a weekend this year (Saturday, April 30), will be received in May instead of the last deposit day of April).

As of April 15, 2016, income tax cash refunds totaled \$183 million, about the same amount as last year, with the full month benchmark projecting a decline of \$49 million³. Although DOR will closely track refunds and its performance relative to benchmarks this month, how refunds will end the year relative to the estimate will not be determined until May. That's when we'll see how many refunds and payments are actually received at the end of the filing season.

As of April 15 2016, income tax payments with returns and extensions totaled \$299 million, down \$146 million, with the full month benchmark projecting an increase of \$18 million. It is much too early in the month to discern any trend in payments, the great bulk of which will be received after April 19th.

Month-to-date income tax cash estimated payments totaled \$85 million, down \$18 million from the same period last year, with the full month benchmark projecting a decline of \$6.2 million. It is much too early to make any judgment about estimated payments. The great bulk of this revenue source will also be received after April 19th.

Month-to-date corporate and business tax collections totaled \$43 million, down \$35 million from the same period in April 2015, compared to a \$4 million increase assumed in the monthly benchmark. The majority of the month-to-date decline is due to a refund of \$26 million issued early this month.

As of April 15, 2016, month-to-date sales tax collections totaled \$86 million, up \$2 million from the same period last April, with the full month benchmark projecting an increase of \$30 million or 6.1% actual, and 6.7% baseline from April 2015. April 15th was too early in the month for month-to-date sales tax trends to be meaningful, as monthly sales tax payments (other than those for motor vehicle sales tax) are not due until April 20th.

Monthly motor fuels and rooms tax payments are also due on April 20th. There may be differences in the due dates for certain tax payments from one fiscal year to the next (e.g., in withholding payments or the timing of refund cycles) which complicate month-to-date comparisons to the prior year. As a result of these factors, revenues received through April 15th as reported in the attached table may not be indicative of what the final results for the full month will be. Specifically, they do not necessarily represent one-half of the revenues to be received in the full month and the month-to-date growth rates compared to April 2015 could change significantly by the end of this month. Any variances from the monthly benchmark at this point in the month should not be relied on as an indicator of what total final revenues for the month will be, compared to the full month benchmarks.

If you have any questions concerning this report, please contact either me (at 626-2201) or Kazim P. Ozyurt, Director of the Office of Tax Policy Analysis (at 626-2100).

Sincerely,



Kevin Brown
Acting Commissioner

³ As indicated in the [February revenue release](#), a significant number of refunds shifted from February to March and a little bit into April & May last year when DOR held up refunds for further scrutiny in response to reports of increased refund fraud. It is expected that such delays would not recur this year, and refunds would shift back to February, resulting in decrease in income cash refunds this month compared with last April.

Attachment

Cc: Kristen Lepore, Secretary of Administration and Finance
Representative Robert A. DeLeo, House Speaker
Senator Stanley C. Rosenberg, Senate President
Jay R. Kaufman, House Chair, Joint Committee on Revenue
Senator Michael J. Rodrigues, Senate Chair, Joint Committee on Revenue
Representative Bradley H. Jones, Jr., House Minority Leader
Senator Bruce Tarr, Senate Minority Leader
Deborah B. Goldberg, Treasurer and Receiver General

Mid-Month Tax Collection Report for April 2016 (in \$ Millions)

Tax Collections as of April 15, 2016, Compared to Same Collection Period in FY2015 and to the FY2016 Tax Revenue Estimate of \$25.751 Billion

	----- Month of April -----						----- FY16 Year-to-Date -----						FY16 Full Year Benchmark	
	04/16 MTD Collections	04/16 MTD v. 04/15 MTD \$ Change	04/16 MTD v. 04/15 MTD % Change	04/16 Full Month Benchmark (*)	% Growth from 04/15 Assumed in Monthly Benchmark	\$ Needed to Reach 04/16 Full Month Benchmark (*)	04/16 FY16 YTD Collections	04/16 FY16 YTD \$ Change	04/16 FY16 YTD % Change	FY16 YTD Benchmark (**)	% Growth from 04/15 Assumed in FY16 YTD Benchmark	\$ Needed to Reach FY16 YTD Benchmark (**)	FY16 Full Year Benchmark	\$ Needed to Reach FY16 Full Year Benchmark
Income - Total	676	(124)	(15.5%)	2,337	1.7%	1,661	10,503	78	0.7%	12,297	3.1%	1,794	14,868	4,365
Income Withholding	476	40	9.1%	851	(2.5%)	374	9,177	321	3.6%	9,584	3.1%	408	11,484	2,307
Income Est. Payments (Cash)	85	(18)	(17.3%)	273	(2.2%)	188	1,837	7	0.4%	2,102	4.8%	265	2,638	801
Income Returns/Bills	299	(146)	(32.8%)	1,488	1.2%	1,189	735	(128)	(14.8%)	1,923	1.8%	1,188	2,215	1,479
Income Refunds (Cash)	183	0	0.1%	273	-15.2%	90	1,245	124	11.1%	1,309	3.9%	64	1,465	220
Sales & Use - Total	86	2	2.3%	526	6.1%	441	4,597	256	5.9%	5,060	6.5%	463	6,162	1,565
Sales - Regular	43	2	4.2%	361	6.0%	318	3,144	149	5.0%	3,483	5.7%	339	4,226	1,082
Sales - Meals	12	3	33.1%	88	9.3%	76	807	56	7.4%	876	6.6%	70	1,070	263
Sales - Motor Vehicles	31	(3)	(8.5%)	78	2.9%	47	646	52	8.8%	701	10.3%	55	867	221
Corporate & Business - Total	43	(35)	(44.8%)	89	4.5%	46	1,868	61	3.4%	1,861	2.6%	(7)	2,484	616
All Other	49	5	12.4%	161	4.8%	112	1,712	84	5.1%	1,809	4.1%	97	2,237	525
Total Tax Collections	854	(152)	(15.1%)	3,113	2.6%	2,259	18,680	480	2.6%	21,027	4.0%	2,348	25,751	7,072

Tax-Related Settlements & Judgments Exceeding \$10 Million Each (NOT included in the April MTD and YTD collections figures above. April and YTD benchmarks DO NOT assume such large settlements and judgments exceeding \$10 million each. FY16 budget assumes \$125 million from such settlements and judgments).

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Total Tax Collections <small>(Including tax-related settlements & judgments)</small>	854	(177)	(17.2%)				18,706	323	1.8%		
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Corporate & Business - Total <small>(Including tax-related settlements & judgments)</small>	43	(60)	-58.3%				1,895	(21)	-1.1%		
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Income Returns/Bills <small>(Including tax-related settlements & judgments)</small>	299	(146)	-32.8%				735	(202)	-21.6%		
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(*) Benchmarks are based on the FY16 tax revenue estimate of \$25.751 billion

(**) Year-to-date benchmarks are year-to-date full month benchmark totals (i.e., July through April full month totals)

Note: Detail may not add to total due to rounding and other technical factors.