



NAVJEET K. BAL  
COMMISSIONER

*The Commonwealth of Massachusetts*  
*Department of Revenue*  
*Office of the Commissioner*  
*P.O. Box 9550*  
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October 20, 2010

The Honorable Charles A. Murphy, Chair  
House Committee on Ways and Means  
State House  
Room 243  
Boston, MA 02133

The Honorable Viriato Manuel deMacedo, Representative  
House Committee on Ways and Means  
State House  
Room 124  
Boston, MA 02133

The Honorable Steven C. Panagiotakos, Chair  
Senate Committee on Ways and Means  
State House  
Room 212  
Boston, MA 02133

The Honorable Michael R. Knapik, Senator  
Senate Committee on Ways and Means  
State House  
Room 419  
Boston, MA 02133

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

Pursuant to Chapter 196 of the Acts of 2009, the Department of Revenue hereby submits its mid-month tax collection report for October 2010. The attached table shows October 2010 month-to-date and FY2011 year-to-date tax revenue collections through October 15, 2010, along with the dollar and percentage changes from the same collection period in October 2009. Also shown are the percentage growth amounts for the full month of October 2010 and for FY2011 year-to-date through the end of October 2010 that were assumed in the benchmarks corresponding to the FY2011 tax revenue estimate of \$19.078 billion. (The \$19.078 billion estimate reflects the FY2011 consensus tax estimate of \$19.050 billion adjusted for the impact of FY2011 revenue initiatives enacted as part of the FY2011 budget and the impact of the sales tax holiday, which was included in the recently enacted Economic Development legislation.) Please note that the \$19.078 billion estimate and the October 2010 month-to-date and year-to-date budgetary fund collection totals do not include increased cigarette tax collections resulting from the July 2008 increase in the cigarette tax rate, which are dedicated to the Commonwealth Care Trust

Fund, a non-budgetary fund. However, the increase in cigarette tax collections resulting from the higher cigarette tax rate is shown in a separate line at the bottom of the table.

The monthly benchmark corresponding to the FY2011 consensus tax revenue estimate of \$19.078 billion projected October tax revenues of \$1.132 billion, a decrease of \$92 million from October 2009, mostly due to the fact that this October we have one less deposit day than last October, a one-time settlement payment of \$66 million received in October 2009 but not repeated this year, and several tax law changes assumed to reduce tax collections. Since combined return filers were also given an extra month this year to file final 2009 tax returns, we expect to see some filers taking advantage of the October 15th filing deadline, and as a result see some additional final payments and refunds being processed this month (mostly in the second half, and perhaps into next month).

Through October 15, 2010, October 2010 month-to-date tax collections totaled \$538 million, up \$89 million from the same period in October 2009. Mid-month tax collections are consistent with recent trends of better-than-projected tax revenues. This is particularly true of tax categories that reflect current economic performance, namely income tax withholding and corporate/business tax payments.

Month-to-date income tax collections through October 15, 2010 totaled \$379 million, up \$57 million, or 17.7% from the same period in October 2009, with the full month income tax benchmark projecting a growth of \$28 million, or 4.3% from October 2009. Month-to-date income tax withholding totaled \$381 million, up \$46 million, or 13.8% from October 2009, with the full month benchmark projecting withholding growth of \$22 million, or 3.3%. Month-to-date income tax estimated payments totaled \$15 million, up \$3 million, or 20.2% from October 2009, with the full month benchmark projecting growth of \$1.5 million, or 6.1%. Month-to-date income tax payments with returns and bills totaled \$17 million, down \$0.4 million, or 2.4% from October 2009, with the full month benchmark projecting a decline of \$3 million, or 4.7%. (October 15<sup>th</sup> was still early in the month for estimated payments, with most activity occurring in the second half of the month). Month-to-date income tax refunds totaled \$33 million, down \$10 million, or 22.8% from October 2009, with the full month benchmark projecting a decline of \$8 million, or 6.9%.

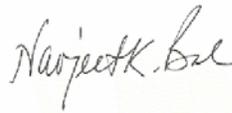
As of October 15, 2010, corporate and business tax collections totaled \$51million, up \$25 million, or 93.4% from the same period in October 2009, with the full month benchmark projecting a decline of \$110 million, as reductions in the corporate excise and financial institutions tax rates, Devens tax credit refund, and life sciences refunds were expected to reduce October revenues by \$47 million compared to last year, and there was a non-recurring settlement payment of \$66 million in October 2009. Month-to-date corporate and business cash estimated payments, an indicator of current business profits, totaled \$42 million, an increase of \$9 million, or 25.1% from last year. While month-to-date corporate/business collections were \$147 million above the October full month benchmark as of October 15<sup>th</sup> (mostly because the month-to-date refunds are lower than the same period in last October) October corporate and business tax refunds are processed throughout the month, so it should continue reducing net revenue collections over the next two weeks. (Corporate refund processing will continue into November).

The October 2010 sales tax benchmark assumes an increase of \$4 million, or 1.1% from October 2009. Through October 15, 2010, month-to-date sales tax collections totaled \$64 million, up \$4 million, or 7.4% from the same period last October. However, because monthly sales tax payments are due on the 20<sup>th</sup> of October (other than those for motor vehicle sales tax, which are remitted daily), October 15<sup>th</sup> was too early in the month for sales tax trends to be meaningful.

Monthly motor fuels and rooms tax payments are due on October 20<sup>th</sup>, and there may be other 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 October 15<sup>th</sup> 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 October 2009 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, Acting Director of the Office of Tax Policy Analysis (at 626-2100).

Sincerely,

A handwritten signature in black ink that reads "Navjeet K. Bal". The signature is written in a cursive style with a loop at the end of the last name.

Navjeet K. Bal  
Commissioner

Attachment

Cc: Jay Gonzalez, Secretary of Administration and Finance  
Representative Robert A. DeLeo, House Speaker  
Senator Therese Murray, Senate President  
Representative Jay R. Kaufman, House Chair, Joint Committee on Revenue  
Senator Benjamin B. Downing, Senate Chair, Joint Committee on Revenue  
Representative Bradley H. Jones, Jr., House Minority Leader  
Senator Richard R. Tisei, Senate Minority Leader

## Mid-Month Tax Collection Report for October 2010 (in \$ Millions)

Tax Collections as of October 15, 2010, Compared to Same Collection Period in FY2010 and to the FY2011 Tax Revenue Estimate of \$19.078 Billion

	----- Month of October -----						----- FY11 Year-to-Date -----					
	10/10 MTD Collections	10/10 MTD v. 10/09 MTD \$ Change	10/10 MTD v. 10/09 MTD % Change	10/10 Full Month Benchmark (*)	% Growth from 10/09 Assumed in Monthly Benchmark	\$ Needed to Reach 10/10 Full Month Benchmark (*)	10/10 FY11 YTD Collections	10/10 FY11 YTD \$ Change	10/10 FY11 YTD % Change	FY11 YTD Benchmark (**)	% Growth from 10/09 Assumed in FY11 YTD Benchmark	\$ Needed to Reach FY11 YTD Benchmark (**)
<b>Income - Total</b>	<b>379</b>	<b>57</b>	<b>17.7%</b>	<b>679</b>	<b>4.3%</b>	<b>300</b>	<b>2,947</b>	<b>219</b>	<b>8.0%</b>	<b>3,188</b>	<b>4.3%</b>	<b>241</b>
Income Withholding	381	46	13.8%	694	3.3%	313	2,549	150	6.3%	2,825	3.3%	277
Income Est. Payments (Cash)	15	3	20.2%	26	6.1%	11	415	47	12.9%	433	14.1%	18
Income Returns/Bills	17	(0)	(2.4%)	67	(4.7%)	49	93	(4)	(4.4%)	123	(17.8%)	30
Income Refunds (Cash)	33	(10)	(22.8%)	108	(6.9%)	75	107	(29)	(21.4%)	194	(7.2%)	87
<b>Sales &amp; Use - Total</b>	<b>64</b>	<b>4</b>	<b>7.4%</b>	<b>408</b>	<b>1.1%</b>	<b>344</b>	<b>1,337</b>	<b>208</b>	<b>18.5%</b>	<b>1,666</b>	<b>13.1%</b>	<b>329</b>
Sales - Regular	31	1	3.7%	296	1.1%	266	917	159	21.0%	1,159	13.5%	242
Sales - Meals	8	(0)	(4.3%)	69	2.4%	60	235	37	18.9%	296	15.7%	61
Sales - Motor Vehicles	24	4	17.4%	43	(1.2%)	18	185	12	6.9%	211	7.8%	26
<b>Corporate &amp; Business - Total</b>	<b>51</b>	<b>25</b>	<b>93.4%</b>	<b>(96)</b>	<b>N/A</b>	<b>(147)</b>	<b>530</b>	<b>77</b>	<b>16.9%</b>	<b>252</b>	<b>(42.8%)</b>	<b>(278)</b>
Corporate Excise	55	57	N/A	(66)	N/A	(121)	459	156	51.3%	185	(35.0%)	(274)
Insurance Excise	0	(0)	(43.8%)	0	34.7%	(0)	76	(2)	(2.4%)	80	3.7%	4
Financial Institutions Excise	(5)	(34)	N/A	(31)	N/A	(27)	11	(69)	(85.8%)	(8)	(108.9%)	(19)
Public Utilities Excise	0	2	N/A	1	0.0%	1	(16)	(8)	N/A	(5)	0.0%	11
<b>All Other</b>	<b>45</b>	<b>4</b>	<b>8.7%</b>	<b>142</b>	<b>(9.6%)</b>	<b>97</b>	<b>478</b>	<b>26</b>	<b>5.7%</b>	<b>576</b>	<b>1.5%</b>	<b>98</b>
<b>Total Tax Collections</b>	<b>538</b>	<b>89</b>	<b>19.9%</b>	<b>1,132</b>	<b>(7.6%)</b>	<b>594</b>	<b>5,292</b>	<b>530</b>	<b>11.1%</b>	<b>5,682</b>	<b>2.6%</b>	<b>390</b>

Memo: Cigarette Tax Increase for  
Commonwealth Care Trust Fund  
(Not in Estimate or Benchmarks)

6	1	25.5%	10	8.0%	4	38	3	9.1%	38	(4.7%)	(1)
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(\*) Benchmarks are based on the FY11 tax revenue estimate of \$19.078 billion

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

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