



NAVJEET K. BAL
COMMISSIONER

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

November 17, 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 2008, the Department of Revenue hereby submits its mid-month revenue tax collection report for the month of November 2010. The attached table shows November 2010 month-to-date and FY2011 year-to-date tax revenue collections through November 15, 2010, along with the dollar and percentage changes from the same collection period in November 2009. Also shown are the percentage growth amounts for the full month of November 2010 and for FY2011 year-to-date through the end of November 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 Economic Development legislation enacted in July 2010. The \$19.078 billion estimate has not been adjusted yet for the estimated \$46 million revenue impact in FY2011 expected to result from the passage of the initiative petition that eliminates the sales tax on alcohol, effective January 1, 2011). Please note that the \$19.078

billion estimate and the November 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 tax revenue estimate of \$19.078 billion projected November tax revenues of \$1.327 billion, an increase of \$38 million from November 2009.

Through November 15, 2010, November 2010 month-to-date tax collections totaled \$540 million, down \$21 million from the same period in November 2009. Of the main revenue sources, month-to-date income tax withholding totaled \$464 million, down \$23 million from the same period last year, month-to-date sales and use tax totaled \$55 million, down \$5 million from the same period last year, and month-to-date corporate and business taxes totaled -\$21 million, down \$32 million from the same period last year. Income tax refunds totaled \$24 million, down \$33 million from the same period last November.

It should be noted that while month-to-date withholding was down \$23 million from the same period in November 2009, the data on taxpayer payment details examined so far seems to indicate that there was about \$20-\$30 million timing related shift in withholding from November to October this year. It is too early in the month to reach any definitive conclusions but some of the \$44 million above-benchmark amount seen in October withholding collections was due to this timing related shift and may reverse this month, depending on the withholding performance over the remainder of November.

It should also be noted that month-to-date weakness seen in corporate/business collections (down \$32 million from the same period last year) is because corporate tax refunds are running well above benchmark this month (already exceeded monthly benchmark by \$27 million). There is a possibility that we will see more refund activity over the rest of November and perhaps in December this year as DOR continues processing extension returns, most of which are from combined filers who were given an extra month this year to file final 2009 tax returns.

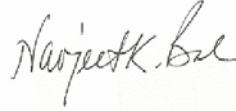
Two additional caveats are in order when considering the attached report:

- In November, the Commonwealth receives and deposits most of its tax revenues during the second half of the month, primarily because non-motor vehicle sales, meals, motor fuels, and rooms tax payments are due on the 20th of each month. In particular, month-to-date growth comparisons with last November for sales and meals taxes are not meaningful at this point, and month-to-date growth for these tax types is not necessarily indicative of what final growth will be for the full month;
- There may be other differences in the due dates for certain tax payments from one fiscal year to the next (e.g., in the timing of refund cycles) which complicate month-to-date comparisons to the prior year.

As a result of these considerations, revenues received through the 15th day of November as reported in the attached table are not necessarily indicative of what the final results for the full month will be. Specifically, they do not represent one-half of the revenues to be received in the full month and are at best a mere snap-shot picture of the revenues received through the reported date. Any variances from the monthly benchmark at this point should not be relied on as an indicator of what the total final revenues for the month will be, compared to the monthly benchmarks.

If you have any questions concerning this report, please contact 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 and is positioned above a faint, light-colored rectangular stamp or watermark.

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 November 2010 (in \$ Millions)

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

	----- Month of November -----						----- FY11 Year-to-Date -----					
	11/10 MTD Collections	11/10 MTD v. 11/09 MTD \$ Change	11/10 MTD v. 11/09 MTD % Change	11/10 Full Month Benchmark (*)	% Growth from 11/09 Assumed in Monthly Benchmark	\$ Needed to Reach 11/10 Full Month Benchmark (*)	11/10 FY11 YTD Collections	11/10 FY11 YTD \$ Change	11/10 FY11 YTD % Change	FY11 YTD Benchmark (**)	% Growth from 11/09 Assumed in FY11 YTD Benchmark	\$ Needed to Reach FY11 YTD Benchmark (**)
Income - Total	458	9	2.0%	781	4.5%	324	3,764	259	7.4%	3,969	4.3%	205
Income Withholding	464	(23)	(4.7%)	814	3.7%	350	3,369	147	4.6%	3,639	3.4%	270
Income Est. Payments (Cash)	5	(1)	(18.9%)	14	6.1%	8	430	44	11.3%	446	13.8%	17
Income Returns/Bills	12	(1)	(4.3%)	24	(4.5%)	12	149	(13)	(8.0%)	146	(15.9%)	(2)
Income Refunds (Cash)	24	(33)	(58.3%)	70	(6.9%)	46	181	(85)	(32.0%)	264	(7.1%)	83
Sales & Use - Total	55	(5)	(7.9%)	390	2.3%	336	1,743	212	13.8%	2,056	10.9%	313
Sales - Regular	22	(7)	(25.2%)	283	2.5%	261	1,206	156	14.8%	1,442	11.2%	236
Sales - Meals	8	(0)	(4.4%)	68	3.4%	60	305	40	15.2%	364	13.2%	60
Sales - Motor Vehicles	25	3	14.0%	39	(1.4%)	15	233	16	7.4%	250	6.2%	17
Corporate & Business - Total	(21)	(32)	N/A	8	(57.4%)	29	507	56	12.4%	260	(43.4%)	(247)
Corporate Excise	5	(6)	(56.5%)	4	(69.7%)	(1)	496	200	67.5%	189	(36.6%)	(306)
Insurance Excise	0	(0)	(82.3%)	1	2.9%	1	75	(2)	(2.8%)	81	3.7%	6
Financial Institutions Excise	(25)	(26)	N/A	4	(5.1%)	29	(51)	(136)	N/A	(3)	(103.6%)	47
Public Utilities Excise	(2)	1	N/A	(2)	N/A	(0)	(14)	(6)	N/A	(7)	0.0%	6
All Other	49	7	15.6%	147	3.9%	98	621	11	1.8%	723	1.9%	102
Total Tax Collections	540	(21)	(3.7%)	1,327	2.9%	787	6,636	538	8.8%	7,008	2.7%	372

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

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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 November full month totals)

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