



AMY PITTER
COMMISSIONER

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

December 15, 2011

Jay Gonzalez, Secretary
Executive Office for Administration and Finance
State House, Room 373
Boston, MA 02133

Dear Secretary Gonzalez:

Pursuant to M.G.L. Chapter 62, §1 and §4 (the Act), and as set forth in our August 30, 2011 letter to you, the Department of Revenue (DOR) hereby submits its estimate of the inflation-adjusted change in baseline tax revenues for the three-month period of September, October, and November 2011 compared to the same three-month period in 2010. We refer you to the August 30, 2011 letter for the statutory background and reporting requirements of the Act.

DOR estimates that for the three-month period ending November 30, 2011, inflation-adjusted-baseline tax revenue growth over the same three-month period ending November 31, 2010 was 0.74%¹, which exceeded the threshold requirement in the Act of 0%. Attachment 1 shows the calculation of inflation-adjusted baseline tax revenue growth for budgeted fund revenues for the three-month period ending November 30, 2011. Attachment 2 shows the detail of the baseline adjustments, and Attachment 3 shows the source of the consumer price index (CPI) data.

M.G.L. chapter 62, §4 requires the Commissioner to make a *final* statement of the Part B income tax rate for the following tax year [2012] on December 15, 2011.

As we indicated in the August 30, 2011 letter, inflation-adjusted baseline tax revenue growth in fiscal year 2011 was 7.2% compared to fiscal year 2010, which exceeded the threshold requirement in the Act of 2.5%. As we also indicated in the September 15, 2011, October 17, 2011 and November 17, 2011 letters to you, for all three three-month periods (one ending August 31, 2011, one ending September 30, 2011, and the other one ending October 31, 2011) inflation-adjusted baseline tax revenue growths over the same three-month periods during the prior year were 3.19%, 3.7% and 3.01%, respectively, which exceeded the threshold requirement

¹ Please note that the Consumer Price Index (CPI) for Boston is released every two months and was released for the most recent month (September) on October 19, 2011. The index for November will not be available until December 16, 2011, which is too late for this certification. So, to calculate the percentage change in the CPI for the three-month period ending November 30, 2011, the September 2011 and September 2010 indices were used.

Jay Gonzalez, Secretary
December 15, 2011
Page 2 of 2

in the Act of 0%. So, the five thresholds to lowering the Part B income tax rate as set forth in the Act have been met. Therefore, I hereby certify that the Part B income tax rate will be reduced from 5.3% to 5.25% (a decline of 0.05 percentage points) for the tax years 2012 and thereafter.

If you have any questions concerning this letter, please contact me (at 617-626-2201), or Kazim P. Ozyurt, Director of the Office of Tax Policy Analysis (at 617-626-2100).

Sincerely,

A handwritten signature in black ink that reads "Amy A. Pitter". The signature is written in a cursive style with a large initial 'A'.

Amy Pitter
Commissioner

Attachments (3)

cc: The Honorable Brian S. Dempsey, Chair, House Committee on Ways and Means
The Honorable Stephen M. Brewer, Chair, Senate Committee on Ways and Means
The Honorable Jay R. Kaufman, House Chair, Joint Committee on Revenue
The Honorable Gale D. Candaras, Senate Chair, Joint Committee on Revenue

Attachment 1

Inflation-Adjusted Baseline Tax Revenue Calculation for September Through November Tax Collections in 2011 Relative to September Through November Tax Collections in 2010

1. Budgeted Fund Tax Collections September 2010 to November 2010*	\$4,440,113,058
2. Changes Due to Tax Law & Administrative Changes September 2010 to November 2010 (see attachment 2)	\$0
3. September 2010 to November 2010 Tax Revenue For Baseline Calculation (line 1 minus line 2)	\$4,440,113,058
4. Budgeted Fund Tax Collections September 2011 to November 2011*	\$4,655,819,628
5. Tax Revenue Changes Due to Tax Law & Administrative Changes September 2011 to November 2011 (see attachment 2)	\$18,463,468
6. September 2011 to November 2011 Baseline Tax Collections for Calculation (line 4 minus line 5)	\$4,637,356,160
7. \$ Baseline Tax Revenue Growth, September 2011-November 2011 period vs. September 2010-November 2010 period (line 6 minus line 3)	\$197,243,101
8. % Baseline Tax Revenue Growth, September 2011-November 2011 period vs. September 2010-November 2010 period (line 7 divided by line 3)	4.44%
9. Boston Consumer Price Index September 2010 (see attachment 3)	236.474
10. Boston Consumer Price Index September 2011 (most recent available -- see attachment 3)	245.310
11. % Change in Boston Consumer Price Index (line 10 divided by line 9 minus 1)	3.74%
12. September 2011 to November 2011 Inflation-Adjusted Baseline Tax Revenue Growth (line 8 minus line 11)	0.71%

*Net of transfers of sales tax revenue to MBTA State and Local Contribution Fund and School Modernization and Reconstruction Trust Fund. Also excludes Convention Center Fund revenues.

Attachment 2

Changes in Tax Law and Administrative Practices that Affected September 2011 through November 2011 Tax Collections Relative to September 2010 through November 2010

	Description	Incremental Revenue Impact
	Changes in Tax Law and Administrative Practices that Affected September 2010 to November 2010 Revenue Relative to September 2011 to November 2011	\$0
	Total Impact of Changes Affecting September 2010 to November 2010 (Subtracted from September 2010 to November 2010 Tax Collections for Baseline Calculation)	\$0
	Changes in Tax Law and Administrative Practices that Affected September 2011 to November 2011 Revenue Relative to September 2010 to November 2010	
Increases	Enhanced Tax Enforcements (Incremental Impact)	\$16,189,053
	Impact of Deposit Day/Calendar Effects/Changes in Administrative Procedure	\$44,839,347
Decreases	Sales Tax on Alcoholic Beverages(*) (Incremental Impact)	-\$32,310,051
	Corporate/Financial Institution Tax Rate Cuts (Incremental Impact)	-\$9,504,880
	Sales Tax Holiday (Incremental Impact)	-\$600,000
	Sales Tax Exemption for Breast Pumps	-\$150,000
	 Total Impact of Changes Affecting September 2011 to November 2011 (Subtracted from September 2011 to November 2011 Tax Collections for Baseline Calculation)	 \$18,463,468

(*) The Governor and the Legislature eliminated the sales tax exemption on alcohol sales, effective August 1, 2009, which resulted in a sales tax of 6.25% being imposed on sales of alcohol in stores. As a result of a voter initiative that was approved by Massachusetts voters in November, 2010, the alcohol sales tax exemption was reinstated effective January 1, 2011.

Databases, Tables & Calculators by Subject

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Data extracted on: November 15, 2011 (11:37:41 AM)

Consumer Price Index - All Urban Consumers

Series Id: CUURA103SA0, CUUSA103SA0
 Not Seasonally Adjusted
Area: Boston-Brockton-Nashua, MA-NH-ME-CT
Item: All items
Base Period: 1982-84=100

Download: [.xls](#)

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Annual	HALF1	HALF2
2007	224.432		226.427		226.247		226.929		227.850		230.689		227.409	225.910	228.909
2008	231.980		233.084		235.344		241.258		238.519		232.354		235.370	234.239	236.502
2009	230.806		232.155		231.891		233.018		236.596		236.589		233.778	231.802	235.754
2010	237.266		237.986		238.083		236.132		236.474		238.103		237.446	237.683	237.209
2011	239.814		242.787		244.574		244.256		245.310					242.761	

12-Month Percent Change

Series Id: CUURA103SA0, CUUSA103SA0
 Not Seasonally Adjusted
Area: Boston-Brockton-Nashua, MA-NH-ME-CT
Item: All items
Base Period: 1982-84=100

Download: [.xls](#)

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Annual	HALF1	HALF2
2007	1.8		2.3		1.5		0.8		1.5		3.4		1.9	1.8	2.1
2008	3.4		2.9		4.0		6.3		4.7		0.7		3.5	3.7	3.3
2009	-0.5		-0.4		-1.5		-3.4		-0.8		1.8		-0.7	-1.0	-0.3
2010	2.8		2.5		2.7		1.3		-0.1		0.6		1.6	2.5	0.6
2011	1.1		2.0		2.7		3.4		3.7					2.1	

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