



NAVJEET K. BAL  
COMMISSIONER

*The Commonwealth of Massachusetts*  
*Department of Revenue*  
*Office of the Commissioner*  
*P.O. Box 9550*  
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February 18, 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 February 2010. The attached table shows February 2010 month-to-date and FY2010 year-to-date tax revenue collections through February 16, 2010, along with the dollar and percentage changes from the same collection period in February 2009. Also shown are the percentage growth amounts for the full month of February 2010 and for FY2010 year-to-date through the end of February 2010 that were assumed in the benchmarks corresponding to the January 7, 2010 FY2010 tax revenue estimate of \$18.460 billion, which was an upward revision from the October 15, 2009 FY2010 tax revenue estimate of \$18.279 billion. Please note that the \$18.460 billion estimate and the February 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 FY2010 tax revenue estimate of \$18.460 billion projects February tax revenues of \$1.006 billion, an increase of \$53 million from February 2009 tax collections. The projected increase reflects continuing projected declines in withholding taxes, offset by increases in sales taxes due to the sales tax rate increase and elimination of the sales tax exemption for alcoholic beverages.

February has historically been the smallest net tax collection month of the year, as there are no quarterly estimated or final payments due and income tax refunds for the prior tax year start to be issued. Through February 16, 2010, February 2010 month-to-date tax collections totaled \$385 million, down \$56 million from the same period in February 2009. Month-to-date income tax withholding totaled \$455 million, down \$53 million from the same period last year. As the Department noted in its January 2010 tax revenue press release, at least some of the January 2010 withholding growth and part of the \$66 million above-benchmark January withholding performance appeared to have been due to timing factors and might be reversed in February. That appears to have been confirmed in the first two weeks of February and is reflected in the February month-to-date withholding decline from the same period last year.

February 2010 month-to-date income tax cash refunds total \$223 million, up \$13 million from the same period in February 2009, sales and use tax totaled \$53 million, up \$6 million from the same period last year, and month-to-date corporate/business taxes totaled \$37 million, up \$3 million from the same period last year.

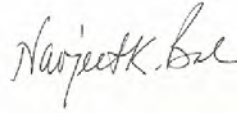
Several caveats are in order when considering the attached report:

- In February, the Commonwealth usually 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 20<sup>th</sup> of each month (and on the 22<sup>nd</sup> of this month, as the 20<sup>th</sup> falls on a Saturday). Therefore, month-to-date growth comparisons with last February for sales tax, meals tax, and income tax estimated payments 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 which complicate month-to-date comparisons to the prior year.

As a result of these considerations, revenues received through the 16<sup>th</sup> day of February 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 Howard Merkowitz, 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 large initial 'N' and a long, sweeping underline.

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 February 2010 (in \$ Millions)

Tax Collections as of February 16, 2010, Compared to Same Collection Period in FY2009 and Executive Office for Administration & Finance 01/07/10 Tax Estimate of \$18.460 Billion

	----- Month of February -----						----- FY10 Year-to-Date -----					
	02/10 MTD Collections	02/10 MTD v. 02/09 MTD \$ Change	02/10 MTD v. 02/09 MTD % Change	02/10 Full Month Benchmark (*)	% Growth from 02/09 Assumed in Monthly Benchmark	\$ Needed to Reach 02/10 Full Month Benchmark (*)	02/10 FY10 YTD Collections	02/10 FY10 YTD \$ Change	02/10 FY10 YTD % Change	FY10 YTD Benchmark (**)	% Growth from 02/09 Assumed in FY10 YTD Benchmark	\$ Needed to Reach FY10 YTD Benchmark (**)
<b>Income - Total</b>	<b>253</b>	<b>(73)</b>	<b>(22.3%)</b>	<b>473</b>	<b>(4.5%)</b>	<b>220</b>	<b>6,216</b>	<b>(660)</b>	<b>(9.6%)</b>	<b>6,437</b>	<b>(8.6%)</b>	<b>221</b>
Income Withholding	455	(53)	(10.4%)	788	(2.5%)	333	5,594	(182)	(3.1%)	5,861	(3.5%)	266
Income Est. Payments (Cash)	8	(3)	(28.5%)	14	(5.0%)	6	968	(330)	(25.4%)	1,051	(19.2%)	83
Income Returns/Bills	13	(3)	(21.1%)	30	(5.0%)	17	244	(51)	(17.3%)	254	(17.8%)	11
Income Refunds (Cash)	223	13	6.2%	358	(0.1%)	135	600	98	19.6%	733	12.7%	133
<b>Sales &amp; Use - Total</b>	<b>53</b>	<b>6</b>	<b>13.9%</b>	<b>338</b>	<b>21.6%</b>	<b>285</b>	<b>2,732</b>	<b>322</b>	<b>13.3%</b>	<b>3,006</b>	<b>13.8%</b>	<b>274</b>
Sales - Regular	24	2	8.6%	245	21.9%	222	1,944	198	11.3%	2,161	12.2%	217
Sales - Meals	7	(0)	(0.5%)	54	22.9%	47	450	57	14.6%	494	14.9%	44
Sales - Motor Vehicles	22	5	26.0%	39	18.4%	16	338	67	24.6%	351	22.7%	13
<b>Corporate &amp; Business - Total</b>	<b>37</b>	<b>3</b>	<b>8.8%</b>	<b>42</b>	<b>0.1%</b>	<b>6</b>	<b>966</b>	<b>34</b>	<b>3.7%</b>	<b>947</b>	<b>0.7%</b>	<b>(19)</b>
Corporate Excise	35	2	4.7%	38	0.0%	4	729	(1)	(0.1%)	722	(1.8%)	(8)
Insurance Excise	0	0	498.8%	2	2.7%	2	106	(16)	(13.0%)	107	(13.0%)	1
Financial Institutions Excise	1	1	147.9%	1	0.0%	(0)	134	29	27.7%	120	13.5%	(14)
Public Utilities Excise	0	1	N/A	1	0.0%	1	(3)	22	N/A	(2)	(93.3%)	2
<b>All Other</b>	<b>42</b>	<b>8</b>	<b>21.8%</b>	<b>153</b>	<b>10.9%</b>	<b>111</b>	<b>1,028</b>	<b>(44)</b>	<b>(4.1%)</b>	<b>1,138</b>	<b>(3.1%)</b>	<b>111</b>
<b>Total Tax Collections</b>	<b>385</b>	<b>(56)</b>	<b>(12.6%)</b>	<b>1,006</b>	<b>5.5%</b>	<b>622</b>	<b>10,942</b>	<b>(348)</b>	<b>(3.1%)</b>	<b>11,529</b>	<b>(2.3%)</b>	<b>587</b>

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

	0	(6)	(100.0%)	8	26.8%	8	68	(25)	(26.8%)	71	(23.9%)	3
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(\*) Benchmarks are based on 01/07/10 FY10 tax revenue estimate of \$18.460 billion

(\*\*) YTD Benchmarks are YTD full month benchmark totals (i.e., July through February full month totals)

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