



NAVJEET K. BAL  
COMMISSIONER

*The Commonwealth of Massachusetts*  
*Department of Revenue*  
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May 19, 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 revenue report for the month of May 2010. The attached table shows May 2010 month-to-date and FY2010 year-to-date tax revenue collections through May 17, 2010, along with the dollar and percentage changes from the same collection period in May 2009. Also shown are the percentage growth amounts for the full month of May 2010 and for FY2010 year-to-date through the end of May 2010 that were assumed in the benchmarks corresponding to the January 7, 2010 FY2010 tax revenue estimate of \$18.460 billion. Please note that the \$18.460 billion estimate and the May 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.

Due to the recent flooding in Massachusetts, state and federal tax filing deadlines for taxpayers located in counties designated as disaster areas by the federal government were extended from April 15, 2010 to May 11, 2010. The extension applied to 2009 income and corporate tax returns and extensions, quarterly income tax and corporate tax estimated payments, and the estate tax. As a result of the extension, a substantial amount of tax revenue (especially payments with income tax returns and extensions, but also income and corporate tax quarterly estimated payments) that is usually remitted in April was delayed until May. This delay was reflected in below-benchmark April collections offset by growth in month-to-date May collections through May 17, 2010, with growth expected to continue through the end of May as DOR completes the processing of tax year 2009 income tax payments with returns and extensions. However, until processing of May payments is complete, it is impossible to say exactly how much tax revenue was affected by the extended due date.

Through May 17, 2010, May 2010 month-to-date tax collections totaled \$820 million, up \$211 million from the same period in May 2009, with the full month benchmark (based on the \$18.460 billion estimate) projecting total tax revenues of \$1.384 billion, an increase of \$101 million from May 2009. The month-to-date increase through May 17<sup>th</sup> was primarily the result of growth in withholding, income tax payments with returns and extensions, income tax estimated payments, sales taxes, and corporate/business taxes. Because of the extended filing due dates, and the fact that monthly sales tax payments are not due until May 20<sup>th</sup>, the month-to-date revenue receipts through May 17<sup>th</sup> are not necessarily a reliable indicator of full month collections.

Month-to-date withholding taxes through May 17, 2010 totaled \$424 million, up \$32 million from the same period in May 2009, compared to the revised benchmark estimate that projects a withholding decline of \$3 million for the full month.

Month-to-date income tax cash estimated payments through May 17, 2010 totaled \$32 million, up \$23 million from the same period in May 2009, with the full month benchmark projecting a decline of \$1 million. The month-to-date growth in income estimated payments reflects the fact that revenue usually paid in April is being remitted in May this year due to the extension of the filing deadline. As of May 17<sup>th</sup>, May income tax estimated payments were already \$19 million above the full month benchmark.

Month-to-date income tax payments with returns and extensions through May 17, 2010 totaled \$282 million, up \$136 million from the same period in May 2009, compared with the full month benchmark that projects an increase of \$49 million for the full month. The month-to-date growth in income tax payments with returns and extensions reflects the fact that revenue usually paid in April is being remitted in May this year due to the extension of the filing deadline. As of May 17<sup>th</sup>, May income tax payments with returns and extensions were already \$69 million above the May full month benchmark, and DOR will continue to process payments through the end of the month, and this surplus should grow over the remainder of the month.

Month-to-date income tax cash refunds through May 17, 2010 totaled \$67 million, up \$20 million from the same period in May 2009, with the full month benchmark assuming a decline of \$12 million. The month-to-date increase in refunds reflects the fact that refunds usually filed electronically in April were filed in May this year due to the extension of the filing deadline.

May is a relatively small month for corporate and business tax payments. Through May 17, 2010 month-to-date corporate and business tax collections totaled \$39 million, up \$22 million from the same period in May 2009, compared to an increase of \$1 million assumed in the monthly benchmarks. Some of the month-to-date growth was due to quarterly estimated payments made by retailers, which are usually remitted in April but were paid in May this year due to the extension of the filing deadline. As of May 17<sup>th</sup>, corporate and business taxes were already \$17 million above the full month estimate.

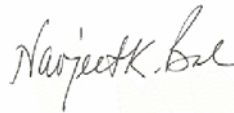
May 17<sup>th</sup> was too early in the month for overall sales tax trends to be meaningful, as monthly sales tax payments (other than those for motor vehicle sales tax) are not due until May 20<sup>th</sup>. The full month benchmark assumes growth of \$71 million in sales tax collections from May 2009, entirely due to new revenue from the sales tax rate increase and elimination of the sales tax exemption for alcoholic beverages. However, it is notable that motor vehicle sales tax revenues (which are remitted daily as motor vehicles are registered) continue to be strong, with month-to-date collections through May 17<sup>th</sup> up \$7 million, or 37.9%, from the same period in May 2009.

Finally, 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 the factors noted above, revenues received through May 17<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 May 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 Howard Merkowitz, Director of the Office of Tax Policy Analysis (at 626-2100).

Sincerely,



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 May 2010 (in \$ Millions)

Tax Collections as of May 17, 2010, Compared to Same Collection Period in FY2009 and Executive Office for Administration & Finance January 7, 2010 FY10 Tax Estimate of \$18.460 Billion

	----- Month of May -----						----- FY10 Year-to-Date -----					
	5/10 MTD Collections	5/10 MTD v. 5/09 MTD \$ Change	5/10 MTD v. 5/09 MTD % Change	5/10 Full Month Benchmark (*)	% Growth from 5/09 Assumed in Monthly Benchmark	\$ Needed to Reach 5/10 Full Month Benchmark (*)	5/10 FY10 YTD Collections	5/10 FY10 YTD \$ Change	5/10 FY10 YTD % Change	FY10 YTD Benchmark (**)**	% Growth from 5/09 Assumed in FY10 YTD Benchmark	\$ Needed to Reach FY10 YTD Benchmark (**)**
<b>Income - Total</b>	<b>671</b>	<b>170</b>	<b>33.9%</b>	<b>838</b>	<b>3.2%</b>	<b>167</b>	<b>8,775</b>	<b>(608)</b>	<b>(6.5%)</b>	<b>9,334</b>	<b>(3.7%)</b>	<b>559</b>
Income Withholding	424	32	8.1%	691	(4.6%)	267	7,851	(44)	(0.6%)	7,964	(3.2%)	113
Income Est. Payments (Cash)	32	23	241.4%	14	(7.0%)	(19)	1,166	(326)	(21.9%)	1,234	(17.6%)	68
Income Returns/Bills	282	136	93.4%	213	30.1%	(69)	1,150	(236)	(17.0%)	1,561	11.1%	410
Income Refunds (Cash)	67	20	44.0%	79	(12.8%)	12	1,401	2	0.1%	1,427	(1.1%)	26
<b>Sales &amp; Use - Total</b>	<b>72</b>	<b>14</b>	<b>24.5%</b>	<b>382</b>	<b>22.9%</b>	<b>311</b>	<b>3,862</b>	<b>579</b>	<b>17.7%</b>	<b>4,104</b>	<b>16.1%</b>	<b>242</b>
Sales - Regular	35	4	11.3%	276	23.4%	241	2,741	367	15.5%	2,948	14.9%	207
Sales - Meals	11	3	45.8%	62	24.6%	52	630	99	18.6%	672	17.3%	43
Sales - Motor Vehicles	26	7	37.9%	44	18.0%	18	491	113	30.0%	484	22.0%	(7)
<b>Corporate &amp; Business - Total</b>	<b>39</b>	<b>22</b>	<b>129.8%</b>	<b>22</b>	<b>2.8%</b>	<b>(17)</b>	<b>1,699</b>	<b>24</b>	<b>1.4%</b>	<b>1,626</b>	<b>(3.2%)</b>	<b>(73)</b>
Corporate Excise	36	28	386.5%	15	(2.1%)	(21)	1,279	48	3.9%	1,236	(0.3%)	(44)
Insurance Excise	(0)	(9)	N/A	10	9.1%	11	207	(21)	(9.1%)	205	(10.4%)	(2)
Financial Institutions Excise	3	3	287.5%	(3)	N/A	(7)	215	(3)	(1.6%)	161	(25.0%)	(54)
Public Utilities Excise	0	(0)	N/A	0	0.0%	0	(2)	0	N/A	25	(1006.0%)	27
<b>All Other</b>	<b>38</b>	<b>6</b>	<b>17.3%</b>	<b>142</b>	<b>2.5%</b>	<b>103</b>	<b>1,417</b>	<b>(37)</b>	<b>(2.5%)</b>	<b>1,513</b>	<b>(2.9%)</b>	<b>97</b>
<b>Total Tax Collections</b>	<b>820</b>	<b>211</b>	<b>34.8%</b>	<b>1,384</b>	<b>7.9%</b>	<b>564</b>	<b>15,752</b>	<b>(42)</b>	<b>(0.3%)</b>	<b>16,578</b>	<b>0.7%</b>	<b>826</b>

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

	7	1	14.4%	9	4.9%	3	102	(16)	(13.8%)	96	(20.8%)	(6)
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(\*) Benchmarks are based on the January 7, 2010 FY10 tax revenue estimate of \$18.460 billion

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

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