



NAVJEET K. BAL
COMMISSIONER

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

July 20, 2009

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 tax collection report for July 2009. The attached table shows July 2009 month-to-date and FY2010 year-to-date tax revenue collections through July 15, 2009, along with the dollar and percentage changes from the same collection period in July 2008. Also shown are the percentage growth amounts for the full month of July 2009 and for FY2009 year-to-date through the end of July 2009 that were assumed in the benchmarks corresponding to the FY2010 General Appropriation Act tax revenue estimate of \$18.879 billion. (The \$18.879 billion estimate reflects the FY10 consensus tax estimate of \$17.989 billion adjusted for the impact of tax law changes enacted as part of the FY2010 budget.) Please note that the \$18.879 billion estimate and the July 2009 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.

July is a relatively small tax collection month, as there are no quarterly estimated payments due for most business and individuals, with the exception of corporations in the retail industry, whose quarterly estimated payments are generally due in January, April, July and October. Through July 15, 2009, tax collections totaled \$463 million, down \$46 million from the same period in July 2008, with the full month July benchmark (based on the \$18.879 billion estimate) projecting total tax revenues of \$1.277 billion, a decrease of \$105 million from July 2008. The month-to-date decline through July 15th was primarily the result of lower withholding and sales and use tax collections compared to July 2008, offset by an increase in corporate excise taxes.

Month-to-date withholding taxes through July 15, 2009 totaled \$327 million, down \$38 million from the same period in July 2008, compared to the benchmark estimate that projects a withholding decline of \$23 million for the full month. Since there are two more major weekly withholding payments due during the second half of July, it is too early to assess the performance of withholding collections compared to the monthly benchmark.

The July 2009 corporate/business tax collections benchmark assumes a decline of \$36 million from July 2008. Most of the projected decline in corporate and business tax collections is due to the receipt of an \$80.4 million corporate settlement payment in July 2008, which is not expected to recur this year. (The percentage growth estimate for financial institutions taxes in the monthly benchmark assumption as shown in the attached table is inflated by the expectation of one-time revenues this July. The large percentage growth rate estimate for public utilities taxes in the monthly benchmark assumption is due to the fact that July 2008 public utilities tax collections were very small, and a small change in projected collections therefore generates a very large percentage growth rate.) However, there are three one-time corporate and financial institutions settlement payments totaling about \$27 million that are expected this July and these are included in this month's benchmark. As of July 15, 2009, month-to-date corporate/business tax collections totaled \$48 million, up \$20 million from the same period in July 2008, with most of the increase apparently the result of the implementation of the new combined reporting law for corporations.

July 15th was too early in the month for sales tax trends to be meaningful, as monthly sales tax payments (other than those for motor vehicle sales tax) are not due until July 20th. Through July 15th, month-to-date sales tax collections totaled \$44 million, down \$15 million from the same period last July, with the full month benchmark calling for a decline of \$7 million from July 2008.

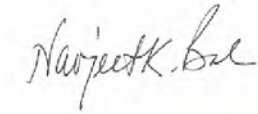
In addition, monthly motor fuels and rooms tax payments are due on July 20th this year. Therefore, month-to-date growth comparisons for those tax types before the third week of the month are not necessarily indicative of final collections for the full month.

Finally, 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 the factors noted above, revenues received through July 15th 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 July 2008 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,

A handwritten signature in dark ink, appearing to read "Navjeet K. Bal". The signature is written in a cursive, flowing style.

Navjeet K. Bal
Commissioner

Attachment

Cc: Leslie A. Kirwan, 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 July 2009 (in \$ Millions)

Tax Collections as of July 15, 2009, Compared to Same Collection Period in FY09 and to Monthly Benchmark Based on FY10 General Appropriation Act Tax Estimate of \$18.879 Billion

	----- Month of July -----						----- FY10 Year-to-Date -----					
	07/09 MTD Collections	07/09 MTD v. 07/08 MTD \$ Change	07/09 MTD v. 07/08 MTD % Change	07/09 Full Month Benchmark (*)	% Growth from 07/08 Assumed in Monthly Benchmark	\$ Needed to Reach 07/09 Full Month Benchmark (*)	07/09 FY10 YTD Collections	07/09 FY10 YTD \$ Change	07/09 FY10 YTD % Change	FY10 YTD Benchmark (**)(**)	% Growth from 07/08 Assumed in FY10 YTD Benchmark	\$ Needed to Reach FY10 YTD Benchmark (**)(**)
Income - Total	337	(55)	(14.0%)	707	(7.2%)	370	337	(55)	(14.0%)	707	(7.2%)	370
Income Withholding	327	(38)	(10.3%)	693	(3.2%)	366	327	(38)	(10.3%)	693	(3.2%)	366
Income Est. Payments (Cash)	9	(7)	(42.8%)	14	(39.9%)	5	9	(7)	(42.8%)	14	(39.9%)	5
Income Returns/Bills	8	(8)	(48.7%)	17	(56.1%)	8	8	(8)	(48.7%)	17	(56.1%)	8
Income Refunds (Cash)	8	2	44.3%	17	10.0%	10	8	2	44.3%	17	10.0%	10
Sales & Use - Total	44	(15)	(26.1%)	353	(2.5%)	310	44	(15)	(26.1%)	353	(2.5%)	310
Sales - Regular	21	(7)	(25.5%)	250	(3.8%)	229	21	(7)	(25.5%)	250	(3.8%)	229
Sales - Meals	7	(1)	(15.8%)	59	0.3%	52	7	(1)	(15.8%)	59	0.3%	52
Sales - Motor Vehicles	15	(7)	(31.0%)	45	1.6%	29	15	(7)	(31.0%)	45	1.6%	29
Corporate & Business - Total	48	20	75.6%	85	(29.4%)	37	48	20	75.6%	85	(29.4%)	37
Corporate Excise	46	21	83.8%	60	(47.7%)	14	46	21	83.8%	60	(47.7%)	14
Insurance Excise	0.3	0.2	522.7%	0.1	6.4%	(0)	0	0	522.7%	0	6.4%	(0)
Financial Institutions Excise	1	(1)	(49.2%)	24	410.4%	23	1	(1)	(49.2%)	24	410.4%	23
Public Utilities Excise	(0)	(0)	N/A	0.1	162771.3%	0	(0)	(0)	N/A	0	162771.3%	0
All Other	34	3	11.3%	132	(3.8%)	97	34	3	11.3%	132	(3.8%)	97
Total Tax Collections	463	(46)	(9.1%)	1,277	(7.6%)	814	463	(46)	(9.1%)	1,277	(7.6%)	814

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

3	3	N/A	9	N/A	6	3	3	N/A	9	N/A	6
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(*) Benchmarks are Based on FY10 General Appropriation Act Estimate of \$18.879 Billion

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

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