



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, 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 collection report for July 2010. The attached table shows July 2010 month-to-date and FY2011 year-to-date tax revenue collections through July 16, 2010, along with the dollar and percentage changes from the same collection period in July 2009. Also shown are the percentage growth amounts for the full month of July 2010 and for FY2011 year-to-date through the end of July 2010 that were assumed in the benchmarks corresponding to the FY2011 General Appropriation Act tax revenue estimate of \$19.098 billion. (The \$19.098 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.) Please note that the \$19.098 billion estimate and the July 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. Please also note that the FY2011 revenue estimate may change after enactment of the pending economic development bill, the House version of which includes several tax law changes that could affect FY2011 tax revenues. Monthly tax collection benchmarks for the remainder of FY2011 will not be released until work on that legislation is completed.

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 16, 2010, month-to-date tax collections totaled \$542 million, up \$77 million from the same period in July 2009, with the full month July benchmark (based on the \$19.098 billion FY2011 full year tax estimate) projecting total tax revenues of \$1.274 billion, an increase of \$24 million from July 2009. The month-to-date growth through July 16th was primarily the result of higher withholding and sales and use tax collections compared to July 2009.

Month-to-date withholding taxes through July 16, 2010 totaled \$355 million, up \$28 million from the same period in July 2009, compared to the benchmark estimate that projects a withholding decline of \$47 million for the full month. The projected July withholding decline is a result of timing-related revenue changes this year that should result in a shift of \$60-\$70 million in withholding payments from July to August. Virtually all of the projected withholding decline this month is expected to occur on the last day of July and should be reversed in August.

The July 2010 corporate/business tax collections benchmark assumes a decline of \$34 million from July 2009. Approximately \$29 million of the projected decline is the result of one-time payments received in July 2009 that are not expected to recur this year. There were also shifts in the timing of revenue collections last year that resulted from the implementation of the combined reporting tax law change and caused one time revenue increases in July 2009 compared to this year. As of July 16, 2010, month-to-date corporate/business tax collections totaled \$46 million, down \$6 million from the same period in July 2009.

The July 2010 sales tax benchmark assumes growth of \$94 million from July 2009, with all growth the result of the sales tax rate increase and elimination of the exemption of the sales tax exemption for alcoholic beverages that were implemented in August 2009. July 16th 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 16th, month-to-date sales tax collections totaled \$87 million, up \$38 million from the same period last July.

Monthly motor fuels and rooms tax payments are due on July 20th this year, and 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 these factors and the deposit day effects noted above, revenues received through July 16th 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 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 Merkwowitz, 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 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 July 2010 (in \$ Millions)

Tax Collections as of July 16, 2010, Compared to Same Collection Period in FY2010 and the FY2011 General Appropriation Act Tax Revenue Estimate of \$19.098 Billion

	----- Month of July -----						----- FY11 Year-to-Date -----					
	7/10 MTD Collections	7/10 MTD v. 7/09 MTD \$ Change	7/10 MTD v. 7/09 MTD % Change	7/10 Full Month Benchmark (*)	% Growth from 7/09 Assumed in Monthly Benchmark	\$ Needed to Reach 7/10 Full Month Benchmark (*)	7/10 FY11 YTD Collections	7/10 FY11 YTD \$ Change	7/10 FY11 YTD % Change	FY11 YTD Benchmark (**)	% Growth from 7/09 Assumed in FY11 YTD Benchmark	\$ Needed to Reach FY11 YTD Benchmark (**)
Income - Total	376	37	11.0%	654	(6.6%)	278	376	37	11.0%	654	(6.6%)	278
Income Withholding	355	28	8.5%	636	(6.9%)	281	355	28	8.5%	636	(6.9%)	281
Income Est. Payments (Cash)	10	0	5.4%	16	9.3%	6	10	0	5.4%	16	9.3%	6
Income Returns/Bills	11	2	21.4%	21	(9.6%)	9	11	2	21.4%	21	(9.6%)	9
Income Refunds (Cash)	0	(7)	(95.9%)	19	(10.0%)	18	0	(7)	(95.9%)	19	(10.0%)	18
Sales & Use - Total	87	38	77.8%	439	27.2%	351	87	38	77.8%	439	27.2%	351
Sales - Regular	48	25	109.7%	309	29.2%	261	48	25	109.7%	309	29.2%	261
Sales - Meals	12	5	64.0%	72	27.3%	60	12	5	64.0%	72	27.3%	60
Sales - Motor Vehicles	27	8	44.3%	57	17.5%	30	27	8	44.3%	57	17.5%	30
Corporate & Business - Total	46	(6)	(11.2%)	50	(40.9%)	3	46	(6)	(11.2%)	50	(40.9%)	3
Corporate Excise	43	(3)	(6.7%)	46	(17.7%)	3	43	(3)	(6.7%)	46	(17.7%)	3
Insurance Excise	0	0	39.3%	1	(0.0%)	0	0	0	39.3%	1	(0.0%)	0
Financial Institutions Excise	3	(3)	(52.9%)	3	(88.7%)	1	3	(3)	(52.9%)	3	(88.7%)	1
Public Utilities Excise	0	0	N/A	(0.2)	0.0%	(0)	0	0	N/A	(0.2)	0.0%	(0)
All Other	33	8	31.1%	132	8.4%	99	33	8	31.1%	132	8.4%	99
Total Tax Collections	542	77	16.6%	1,274	1.9%	732	542	77	16.6%	1,274	1.9%	732

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

	6	1	10.8%	11	(24.4%)	5	6	1	10.8%	11	(24.4%)	5
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(*) Benchmarks are based on the FY2011 General Appropriation Act tax revenue estimate of \$19.098 billion

(**) Year-to-date benchmarks are year-to-date 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.