



NAVJEET K. BAL  
COMMISSIONER

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

August 17, 2011

The Honorable Brian S. Dempsey, 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 Stephen M. Brewer, 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 August 2011. The attached table shows August 2011 month-to-date and FY2012 year-to-date tax revenue collections through August 15, 2011, along with the dollar and percentage changes from the same collection period in August 2010. Also shown are the percentage growth amounts for the full month of August 2011 and for FY2012 year-to-date through the end of August 2011 that were assumed in the benchmarks corresponding to the FY2012 General Appropriation Act tax revenue estimate of \$20.615 billion. (The \$20.615 billion estimate reflects the FY2012 consensus tax estimate of \$20.525 billion adjusted for the impact of FY2012 revenue initiatives enacted as part of the FY2012 budget, and the sales tax holiday.) Please note that the \$20.615 billion estimate and the August 2011 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.

August is a relatively small tax collection month, as there are no quarterly estimated payments due for most income and corporate/business taxpayers. Through August 15, 2011, month-to-date tax collections totaled \$584 million, down \$31 million from the same period in August 2010, with the full month August benchmark (based on the \$20.615 billion FY2012 full year tax estimate) projecting total tax revenues of \$1.438 billion, \$53 million or 3.8% higher than August 2010, and an increase of 3.5% baseline after accounting for tax law changes and timing factors. The month-to-date decline through August 15<sup>th</sup> was primarily the result of lower withholding and lower sales tax collections, which were partly offset by higher corporate and business taxes, compared to August 2010.

Month-to-date withholding taxes through August 15, 2011 totaled \$446 million, down \$38 million from the same period in August 2010. The full month benchmark estimate projects a withholding increase of \$43 million, or 5.5% actual and 4.8% baseline from August 2010, with \$5-\$7 million of which is because we have one extra deposit day this August. A close examination of month-to-date withholding payment details indicates that some of the month-to-date withholding decline appears to be timing related, most (or perhaps all) of the \$42 million July withholding surplus may have been borrowed from August. It is too early to assess where withholding will end the month relative to benchmark as there are two more major weekly withholding payments yet to be received.

The August 2011 corporate and business tax collections benchmark assumes a growth of \$4 million, or 37.2% actual and 7.1% baseline from August 2010. As of August 15, 2011, month-to-date corporate and business tax collections totaled \$27 million, up \$20 million from the same period in August 2010.

The August 2011 sales tax benchmark assumes an increase of \$9 million, or 2.0% actual and 3.6% baseline from August 2010. The August benchmark also assumes that having one extra deposit day this August would increase sales tax revenue relative to last year, but the elimination of sales tax on alcoholic beverages will reduce the sales tax revenue as much as \$10 to \$12 million. August 15<sup>th</sup> 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 Monday, August 22<sup>nd</sup> (usual due date of the 20<sup>th</sup> fall on a weekend this year). Please note that August sales tax collections will not be affected by this year's sales tax holiday, but September revenue collections will be since the sales tax returns reflecting August sales activity are not due until September 20<sup>th</sup>. Through August 15<sup>th</sup>, month-to-date sales tax collections totaled \$54 million, down \$15 million from the same period last August. Some of the month-to-date decline might be timing related.

Monthly motor fuels and rooms tax payments are due on August 20<sup>th</sup> (but will be received on August 22<sup>nd</sup> this year since August 20<sup>th</sup> falls on a weekend), 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 August 15<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 August 2010 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 Kazim P. Ozyurt, Acting 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 seal.

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 Gale D. Candaras, Senate Chair, Joint Committee on Revenue  
Representative Bradley H. Jones, Jr., House Minority Leader  
Senator Bruce Tarr, Senate Minority Leader

## Mid-Month Tax Collection Report for August 2011 (in \$ Millions)

Tax Collections as of August 15, 2011, Compared to Same Collection Period in FY2011 and to the FY2012 Tax Revenue Estimate of \$20.615 Billion

	----- Month of August -----						----- FY12 Year-to-Date -----					
	08/11 MTD Collections	08/11 MTD v. 08/10 MTD \$ Change	08/11 MTD v. 08/10 MTD % Change	08/11 Full Month Benchmark (*)	% Growth from 08/10 Assumed in Monthly Benchmark	\$ Needed to Reach 08/11 Full Month Benchmark (*)	08/11 FY12 YTD Collections	08/11 FY12 YTD \$ Change	08/11 FY12 YTD % Change	FY12 YTD Benchmark (**)(**)	% Growth from 08/10 Assumed in FY12 YTD Benchmark	\$ Needed to Reach FY12 YTD Benchmark (**)(**)
<b>Income - Total</b>	<b>458</b>	<b>(38)</b>	<b>(7.7%)</b>	<b>845</b>	<b>5.1%</b>	<b>388</b>	<b>1,253</b>	<b>36</b>	<b>2.9%</b>	<b>1,597</b>	<b>4.7%</b>	<b>344</b>
Income Withholding	446	(38)	(7.9%)	823	5.5%	378	1,208	35	2.9%	1,544	5.0%	336
Income Est. Payments (Cash)	11	4	57.8%	15	(1.8%)	5	28	(24)	(46.3%)	31	(49.0%)	3
Income Returns/Bills	13	(4)	(22.2%)	31	(2.0%)	18	40	25	163.5%	61	101.7%	21
Income Refunds (Cash)	11	(0)	(1.0%)	24	3.0%	13	22	(1)	(5.8%)	38	9.4%	16
<b>Sales &amp; Use - Total</b>	<b>54</b>	<b>(15)</b>	<b>(21.6%)</b>	<b>431</b>	<b>2.0%</b>	<b>378</b>	<b>503</b>	<b>(16)</b>	<b>(3.0%)</b>	<b>880</b>	<b>0.9%</b>	<b>377</b>
Sales - Regular	18	(15)	(44.5%)	290	0.2%	271	340	(18)	(5.0%)	612	(0.4%)	272
Sales - Meals	10	(1)	(10.6%)	80	4.1%	71	86	2	2.6%	156	3.5%	70
Sales - Motor Vehicles	26	1	4.0%	61	8.7%	35	77	(0)	(0.2%)	113	4.2%	36
<b>Corporate &amp; Business - Total</b>	<b>27</b>	<b>20</b>	<b>284.7%</b>	<b>15</b>	<b>37.2%</b>	<b>(12)</b>	<b>75</b>	<b>20</b>	<b>36.6%</b>	<b>64</b>	<b>9.0%</b>	<b>(11)</b>
Corporate Excise	29	17	127.6%	18	28.5%	(11)	73	13	22.7%	66	9.1%	(6)
Insurance Excise	0	(0)	(15.4%)	2	3.0%	1	0	3	N/A	(1)	11.4%	(2)
Financial Institutions Excise	(0)	6	N/A	(5)	N/A	(5)	5	7	N/A	(0)	96.2%	(6)
Public Utilities Excise	(3)	(3)	N/A	(1)	N/A	3	(3)	(3)	N/A	(0)	0.0%	3
<b>All Other</b>	<b>46</b>	<b>2</b>	<b>4.6%</b>	<b>147</b>	<b>(0.6%)</b>	<b>101</b>	<b>195</b>	<b>18</b>	<b>10.1%</b>	<b>280</b>	<b>(0.4%)</b>	<b>85</b>
<b>Total Tax Collections</b>	<b>584</b>	<b>(31)</b>	<b>(5.1%)</b>	<b>1,438</b>	<b>3.8%</b>	<b>855</b>	<b>2,026</b>	<b>58</b>	<b>3.0%</b>	<b>2,821</b>	<b>3.0%</b>	<b>795</b>

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

	6	1	22.1%	11	3.6%	5	17	1	3.4%	22	(73.1%)	5
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(\*) Benchmarks are based on the FY12 tax revenue estimate of \$20.615 billion

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

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