



NAVJEET K. BAL
COMMISSIONER

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

August 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 2009, the Department of Revenue hereby submits its mid-month tax collection report for August 2010. The attached table shows August 2010 month-to-date and FY2011 year-to-date tax revenue collections through August 16, 2010, along with the dollar and percentage changes from the same collection period in August 2009. Also shown are the percentage growth amounts for the full month of August 2010 and for FY2011 year-to-date through the end of August 2010 that were assumed in the benchmarks corresponding to the FY2011 General Appropriation Act tax revenue estimate of \$19.078 billion. (The \$19.078 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 and the impact of the sales tax holiday, which was included in the recently enacted Economic Development legislation.) Please note that the \$19.078 billion estimate and the August 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.

August is a relatively small tax collection month, as there are no quarterly estimated payments due for most business and individuals. Through August 16, 2010, month-to-date tax collections totaled \$611 million, up \$24 million from the same period in August 2009, with the full month August benchmark (based on the \$19.078 billion FY2011 full year tax estimate) projecting total tax revenues of \$1.456 billion, \$159 million or 12.3% higher than August 2009, but representing a decline of 0.1% baseline after accounting for tax law changes and timing factors. The month-to-date growth through August 16th was primarily the result of higher withholding compared to August 2009.

Month-to-date withholding taxes through August 16, 2010 totaled \$483 million, up \$42 million from the same period in August 2009. The full month benchmark estimate projects a withholding increase of \$88 million, or 12.2% actual and 3.6% baseline from August 2009, with \$62 million of that growth due to timing related revenue changes, which resulted from a shift of withholding payments from July to August this year.

The August 2010 corporate and business tax collections benchmark assumes a decline of \$37 million, or 54.9% actual and baseline from August 2009 due to \$38 million in one time revenues received in August 2009 that are not expected to recur this year. (Factoring out the one-timers, corporate and business taxes are projected to grow by 0.7% baseline in August.). As of August 16, 2010, month-to-date corporate and business tax collections totaled \$3 million, down \$23 million from the same period in August 2009.

The August 2010 sales tax benchmark assumes an increase of \$97 million, or 28.5% actual and 2.1% baseline from August 2009, with \$92 million of that growth due to the sales tax rate increase and elimination of the sales tax exemption for alcoholic beverages that were implemented in August 2009. August 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 August 20th. Through August 16th, month-to-date sales tax collections totaled \$70 million, up \$6 million from the same period last August.

Monthly motor fuels and rooms tax payments are due on August 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 August 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 August 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 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 August 2010 (in \$ Millions)

Tax Collections as of August 16, 2010, Compared to Same Collection Period in FY2010 and to the FY2011 Tax Revenue Estimate of \$19.078 Billion

	----- Month of August -----						----- FY11 Year-to-Date -----					
	8/10 MTD Collections	8/10 MTD v. 8/09 MTD \$ Change	8/10 MTD v. 8/09 MTD % Change	8/10 Full Month Benchmark (*)	% Growth from 8/09 Assumed in Monthly Benchmark	\$ Needed to Reach 8/10 Full Month Benchmark (*)	8/10 FY11 YTD Collections	8/10 FY11 YTD \$ Change	8/10 FY11 YTD % Change	FY11 YTD Benchmark (**)	% Growth from 8/09 Assumed in FY11 YTD Benchmark	\$ Needed to Reach FY11 YTD Benchmark (**)
Income - Total	493	43	9.5%	830	12.2%	337	1,214	64	5.6%	1,484	3.0%	269
Income Withholding	483	42	9.6%	808	12.2%	325	1,173	49	4.3%	1,444	2.9%	271
Income Est. Payments (Cash)	6	1	10.0%	12	5.0%	6	51	31	156.4%	28	7.4%	(23)
Income Returns/Bills	15	2	12.8%	30	0.0%	15	14	(23)	(62.7%)	51	(4.2%)	37
Income Refunds (Cash)	11	1	14.4%	21	(6.9%)	10	23	(7)	(24.1%)	39	(8.4%)	16
Sales & Use - Total	70	6	9.1%	439	28.5%	369	521	111	27.3%	878	27.9%	357
Sales - Regular	32	5	17.6%	305	34.0%	273	357	90	33.7%	614	31.6%	257
Sales - Meals	10	1	7.3%	79	35.5%	69	84	17	25.5%	152	31.4%	68
Sales - Motor Vehicles	28	0	1.3%	55	(1.4%)	27	80	4	5.9%	111	7.4%	31
Corporate & Business - Total	3	(23)	(89.3%)	31	(54.9%)	28	51	(59)	(53.7%)	80	(47.1%)	29
Corporate Excise	2	(19)	(90.0%)	20	(65.5%)	17	49	(29)	(37.4%)	66	(41.8%)	17
Insurance Excise	0	0	N/A	1	4.1%	0	(2)	(3)	N/A	1	2.3%	4
Financial Institutions Excise	1	(2)	(73.1%)	8	0.0%	7	5	(25)	(82.6%)	11	(69.4%)	6
Public Utilities Excise	(0)	(2)	N/A	2	0.0%	3	(0)	(2)	N/A	2	0.0%	3
All Other	44	(2)	(3.6%)	157	6.3%	112	177	10	5.7%	289	7.3%	111
Total Tax Collections	611	24	4.0%	1,456	12.3%	845	1,963	126	6.9%	2,730	7.2%	767

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

	5	1	42.5%	7	8.4%	2	16	(2)	(8.7%)	18	(14.1%)	2
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(*) Benchmarks are based on the FY11 tax revenue estimate of \$19.078 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.