



NAVJEET K. BAL
COMMISSIONER

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

September 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 September 2010. The attached table shows September 2010 month-to-date and FY2011 year-to-date tax revenue collections through September 15, 2010, along with the dollar and percentage changes from the same collection period in September 2009. Also shown are the percentage growth amounts for the full month of September 2010 and for FY2011 year-to-date through the end of September 2010 that were assumed in the benchmarks corresponding to the FY2011 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 September 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.

September is an important tax collection month, as quarterly estimated payments are due for most business and individuals, making September historically one of the four largest tax collection months of the year. The September 2010 full month benchmark (based on the \$19.078 billion FY2011 full year tax estimate) projects total tax revenues of \$1.819 billion, \$53 million or 3.0% higher than September 2009, but representing growth of 3.7% baseline after accounting for tax law changes and timing factors. Through September 15, 2010, month-to-date tax collections totaled \$909 million, up \$124 million, or 15.9% from the same period in September 2009, with month-to-date growth primarily the result of higher income and corporate tax collections compared to September 2009.

Month-to-date income tax collections through September 15, 2010 totaled \$472 million, up \$66 million, or 16.1% from the same period in September 2009, with the full month income tax benchmark projecting an increase of \$59 million, or 6.1% from September 2009. Month-to-date income tax withholding totaled \$382 million, up \$21 million, or 5.9% from September 2009, with the full month benchmark projecting withholding growth of \$27 million, or 4.1%. Month-to-date income tax estimated payments totaled \$83 million, up \$35 million, or 72.0% from September 2009, with the full month benchmark projecting growth of \$20 million, or 6.1%. (September 15th was still early in the month for estimated payments, with about 20% of the full month's payments having been processed by that point.) Month-to-date income tax payments with returns and bills totaled \$23 million, up \$13 million, or 134.2% from September 2009, with the full month benchmark projecting growth of \$9 million, or 32.9%.

As of September 15, 2010, corporate and business tax collections totaled \$326 million, up \$40 million, or 14.0% from the same period in September 2009, with the full month benchmark projecting a decline of \$7 million, or 2.6%, as reductions in the corporate excise and financial institutions tax rates were expected to reduce September revenues by \$15 million compared to last year, and there was a non-recurring settlement payment of \$6 million in September 2009. Month-to-date corporate and business cash estimated payments, an indicator of current business profits, totaled \$303 million, an increase of \$35 million, or 13.2% from last year, despite the corporate and financial institutions tax rate reductions. While month-to-date corporate/business collections were \$58 million above the September full month benchmark as of September 15th, most September corporate and business tax refunds are processed in the second half of the month, which should reduce net revenue collections over the next two weeks.

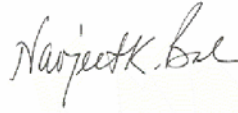
The September 2010 sales tax benchmark assumes a decline of \$2 million, or 0.6% from September 2009, with the projected decline due to \$18 million in revenue expected to be lost due to the August 2010 sales tax holiday. (Since sales tax revenues are paid by retailers one month in arrears, sales tax payments for August sales are received by the Department of Revenue in September. An additional \$2 million is projected to be lost in October as result of the sales tax holiday due to shifts in purchases from September to August.) Through September 15, 2010, month-to-date sales tax collections totaled \$62 million, up \$6 million, or 10.3% from the same period last September. However, because monthly sales tax payments are due on the 20th of September (other than those for motor vehicle sales tax, which are remitted daily), September 15th was too early in the month for sales tax trends to be meaningful.

Monthly motor fuels and rooms tax payments are due on September 20th, 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, revenues received through September 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 September 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 Merkwitz, 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 background.

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 September 2010 (in \$ Millions)

Tax Collections as of September 15, 2010, Compared to Same Collection Period in FY2010 and to the FY2011 Tax Revenue Estimate of \$19.078 Billion

	----- Month of September -----						----- FY11 Year-to-Date -----					
	9/10 MTD Collections	9/10 MTD v. 9/09 MTD \$ Change	9/10 MTD v. 9/09 MTD % Change	9/10 Full Month Benchmark (*)	% Growth from 9/09 Assumed in Monthly Benchmark	\$ Needed to Reach 9/10 Full Month Benchmark (*)	9/10 FY11 YTD Collections	9/10 FY11 YTD \$ Change	9/10 FY11 YTD % Change	FY11 YTD Benchmark (**)(**)	% Growth from 9/09 Assumed in FY11 YTD Benchmark	\$ Needed to Reach FY11 YTD Benchmark (**)(**)
Income - Total	472	66	16.1%	1,025	6.1%	553	1,998	151	8.2%	2,509	4.3%	511
Income Withholding	382	21	5.9%	687	4.1%	305	1,852	88	5.0%	2,131	3.3%	279
Income Est. Payments (Cash)	83	35	72.0%	349	6.1%	267	143	69	94.1%	407	14.6%	264
Income Returns/Bills	23	13	134.2%	35	32.9%	12	54	(9)	(14.7%)	56	(29.4%)	2
Income Refunds (Cash)	16	4	30.0%	47	(6.9%)	31	51	(4)	(7.9%)	86	(7.6%)	35
Sales & Use - Total	62	6	10.3%	380	(0.6%)	318	935	193	25.9%	1,258	17.7%	323
Sales - Regular	26	4	19.5%	248	(4.8%)	222	640	151	30.9%	863	18.5%	223
Sales - Meals	10	1	5.9%	75	3.0%	65	161	36	28.5%	227	20.4%	67
Sales - Motor Vehicles	26	1	3.8%	56	16.5%	31	135	6	4.5%	168	10.3%	33
Corporate & Business - Total	326	40	14.0%	268	(2.6%)	(58)	385	(53)	(12.0%)	348	(18.4%)	(37)
Corporate Excise	250	49	24.6%	185	(3.9%)	(65)	311	(3)	(0.9%)	251	(17.9%)	(60)
Insurance Excise	66	(4)	(6.1%)	79	3.7%	13	65	(7)	(9.5%)	80	3.7%	15
Financial Institutions Excise	10	(5)	(31.9%)	13	(15.6%)	3	10	(40)	(79.8%)	24	(53.0%)	14
Public Utilities Excise	(0)	(0)	N/A	(9)	N/A	(9)	(0)	(3)	N/A	(6)	0.0%	(6)
All Other	48	13	36.9%	146	2.6%	97	329	24	8.0%	434	5.7%	105
Total Tax Collections	909	124	15.9%	1,819	3.0%	911	3,647	316	9.5%	4,549	5.5%	903

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

	5	0.4	7.9%	10	2.9%	5	27	1	5.5%	28	(8.4%)	1
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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 September full month totals)

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