



Massachusetts Department of Revenue

Briefing Book FY2015 Consensus Revenue Estimate Hearing

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Presented by:

Amy Pitter
COMMISSIONER

Kazim P. Ozyurt
DIRECTOR
OFFICE OF TAX POLICY ANALYSIS

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Introduction

This Briefing Book was created by the Department of Revenue (DOR) and is intended to provide you with DOR's current tax revenue estimates for FY14 and FY15 and relevant background information.

Although the Massachusetts' economic recovery was negatively impacted by federal fiscal policy changes (sequestration spending cuts, payroll tax increases, federal government shutdown in October, etc.) this year, state tax revenues have improved significantly in FY13 and the first 5 months of FY14, due to several factors, such as investment activity and capital gains activity in response to federal tax changes at the beginning of 2013, and the improvement of the economic fundamentals, such as the housing market. Federal fiscal policy challenges and the faltering recovery from the Eurozone's recession still remain the major sources of uncertainty for economic growth and tax revenues in the near future. In this environment, there is still a great deal of uncertainty surrounding revenue forecasts.

Our FY14 and FY15 revenue forecasts are based on tax collections through November 2013 and the economic projections provided by *Moody's Economy.com*, *Global Insight*, and the *New England Economic Partnership (NEEP)*. The forecasts have been adjusted for legislatively mandated tax changes. The table below summarizes the Department's current tax revenue forecasts for FY14 and FY15.

FY14 and FY15 Department of Revenue Tax Revenue Projections
(in \$ Billions)

| | FY14 Projections | % Growth Actual from FY13 | % Growth Baseline from FY13 | % Growth Baseline (Excluding One-time Revenues) from FY13 | FY15 Projections | % Growth Actual from FY14 | % Growth Baseline from FY14 | % Growth Baseline (Excluding One-time Revenues) from FY14 |
|----------------|---------------------|---------------------------------|-----------------------------------|--|---------------------|---------------------------------|-----------------------------------|--|
| GAA | \$22.797 | 3.0% | 2.2% | 2.3% | N/A | N/A | N/A | N/A |
| Economy.com | \$23.078 | 4.3% | 3.5% | 3.5% | \$24.280 | 5.2% | 5.3% | 6.3% |
| Global Insight | \$23.069 | 4.3% | 3.4% | 3.5% | \$24.062 | 4.3% | 4.4% | 5.3% |
| NEEP | \$23.180 | 4.8% | 3.9% | 4.0% | \$24.352 | 5.1% | 5.1% | 6.1% |

FY13 Results

- FY13 tax collections totaled \$22.123 billion, up \$1,009 billion, or 4.8% from FY12.
- FY13 “baseline” tax collections (i.e., growth adjusted for the impact of tax law and administrative changes) were up 5.6% from FY12.
- FY13 tax collections were \$627 million above the final FY13 revenue estimate of \$21.496 billion. The surplus was driven mostly by investment-related income surge due to federal tax changes, one-time tax settlements and judgments, and strong corporate and business estimated payments. Income tax withholding and sales taxes grew slowly, both of which fell below benchmark. Capital gains taxes were up 41.5% in FY13 compared to FY12, and totaled about \$1.407 billion.
 - FY13 income tax collections totaled \$12.831 billion, up 8.7% baseline. Withholding increased 3.5% baseline, while income tax from cash estimated payments, which included tax on capital gains, interest and dividends, and unincorporated business income, increased 15.4% baseline. Cash refunds were up 0.8% baseline. Income tax payments with returns and bills increased 24.7% baseline.
 - FY13 sales tax was \$5.164 billion, up 2.1% actual and 2.4% baseline. Regular sales tax totaled \$3.596 billion, up 1.7% baseline; meals tax totaled \$901 million, up 4.5% baseline; and motor vehicle sales tax totaled \$667 million, up 3.2% baseline.
 - FY13 corporate and business tax collections of \$2.262 billion for the year were down 2.5% actual and 1.0% baseline. However, the decline was mostly due to the large decrease in one-time settlement and judgment payments from FY12 to FY13. Excluding these one-time payments, corporate and business tax collections increased by 7.7% from FY12 to FY13.
 - Combined reporting has shifted the tax reporting of some utilities and financial institutions into the corporate tax type, with the result that many utilities and financial institutions now do not pay the financial institutions excise tax or the public utilities excise tax, but instead pay as corporate taxpayers. Corporate excise tax collections totaled \$1.822 billion, up 4.8% baseline. Insurance premiums taxes totaled \$373 million, up 17.3% baseline.

FY14 Summary

- The FY14 consensus revenue estimate assumed FY14 revenue collections of \$22.334 billion. After adjusting for the impact of subsequent changes affecting revenues (Amazon tax agreement, delayed FAS109 deductions, tax enhancements/administrative and technical changes, tax law changes in the transportation finance legislation, and sales tax holiday), the FY14 tax forecast was \$22.797 billion, reflecting actual growth of 3.0% and baseline growth of 2.2% from FY13 collections. The \$22.797 billion estimate was kept unchanged by the Secretary of Administration and Finance on October 15, 2013.
- Through November 2013, FY14 tax collections totaled \$8.669 billion, up \$766 million, or 9.7% actual and 8.3% baseline compared to the same five-month period in FY13, \$359 million above the November year-to-date benchmark. Specifically:
 - Year-to-date withholding is up 6.5% actual and 5.3% baseline.
 - Year-to-date income tax estimated payments (cash) are up 11.9% actual and 12.2% baseline.
 - Year-to-date sales tax collections are up 6.2% actual and 6.3% baseline.
 - Year-to-date corporate and business tax collections are up 28.9% actual and 30.2% baseline, mostly because we received more one-time tax settlement and judgment payments year to date compared with the same period last year. Corporate and business cash estimated payments (an indicator of current business conditions) are up 3.7% actual and baseline.
- The Massachusetts economy is projected to grow moderately in terms of output during the last three quarters of FY14.
 - Real Gross State Product is projected to grow by 2.4% to 2.9% over the remainder of FY14.
 - Massachusetts payroll employment is projected to grow by 0.9% to 1.3% in the last three quarters of FY14, and wages and salaries are projected to grow by 3.2% to 4.6% over the same period.
 - Retail sales are projected to grow by 2.5% to 4.8% over the remainder of FY14.

FY14 Summary

- With respect to the capital gains, DOR forecasts that tax year 2013 capital gains realizations (which mainly determine FY14 capital gains tax collections) will decrease by 31% compared with tax year 2012, mostly due to the accelerated realization of capital gains in response to the federal tax policy changes at the beginning of 2013, and will then increase by 22% in tax year 2014 and 6% in tax year 2015.
- Using economic projections from Global Insight, Economy.com, and the New England Economic Partnership (NEEP), and DOR's capital gains projections, FY14 tax revenue is projected at \$23.069 billion to \$23.180 billion, \$272 million to \$383 million above the adjusted consensus FY14 estimate of \$22.797 billion. Included in this forecast is an adjustment for the impact of tax law changes and revenue initiatives, which are expected to result in a net revenue gain of \$185 million in FY14. These forecasts take into account the impact of recent part B income tax rate reduction.

FY15 Summary

- The national economy is expected to grow faster in calendar year 2015 than in calendar year 2014. FY15 real Gross Domestic Product (GDP) forecasts range from an increase of 2.8% to 3.9%.

- The three forecast vendors project the following for 2015:
 - Projections for Massachusetts employment range from a growth of 1.3% to 1.5% in FY15, compared to growth of 1.1% to 1.4% in FY14, and Massachusetts wages and salary projections range from growth of 4.7% to 7.6% in FY15, compared to growth of 3.3% to 4.7% in FY14;
 - Massachusetts personal income is expected to rise 4.8% to 7.0% in FY15, compared to growth of 3.5% to 4.5% in FY14;
 - Nationally, corporate profits are expected to grow by 5.9% to 8.5% in FY15, compared to growth of -1.6% to 8.0% in FY14;
 - The stock market as measured by the S&P 500 index is expected to increase 3.8% to 8.4% in CY2014, compared to increase of 16.0% to 18.5% in CY2013.

- Using the economic growth assumptions from Economy.com, Global Insight, and the New England Economic Partnership (NEEP), FY15 tax revenue is projected to be \$24.062 billion to \$24.352 billion, reflecting baseline growth of 4.4% to 5.3% over FY14. Included in this forecast is an adjustment for the impact of tax law changes and revenue initiatives, which are expected to result in the offset of \$12 million in FY15. These forecasts take into account the impact of recent part B income tax rate reduction.

Recent Revenue Trends

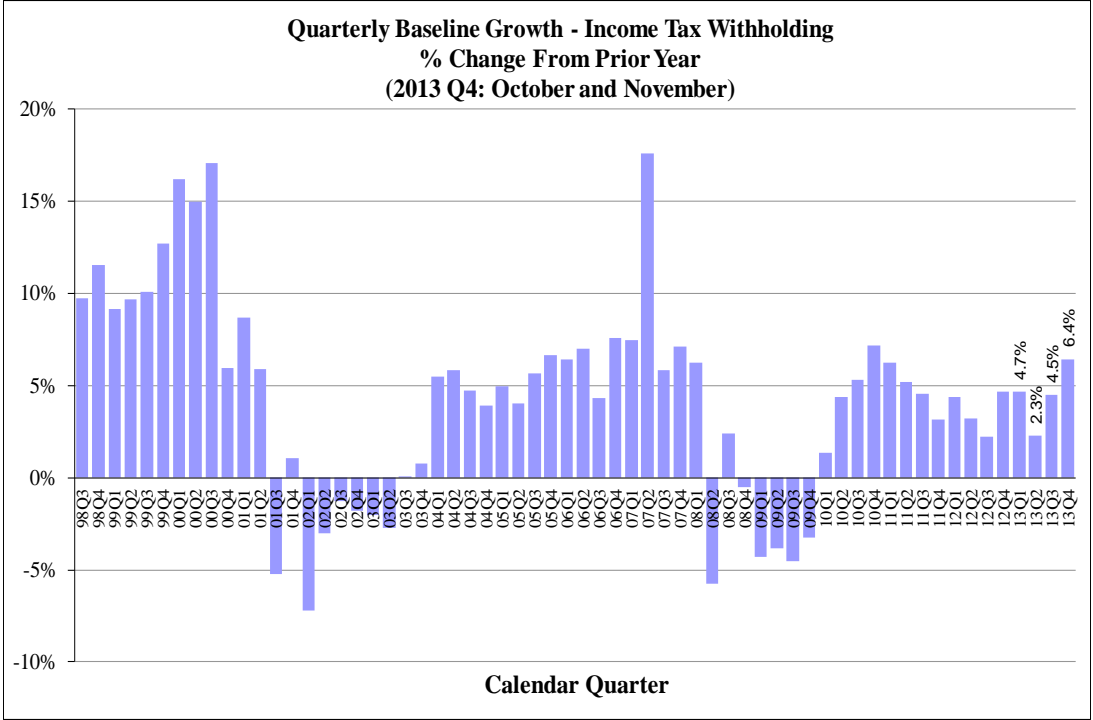
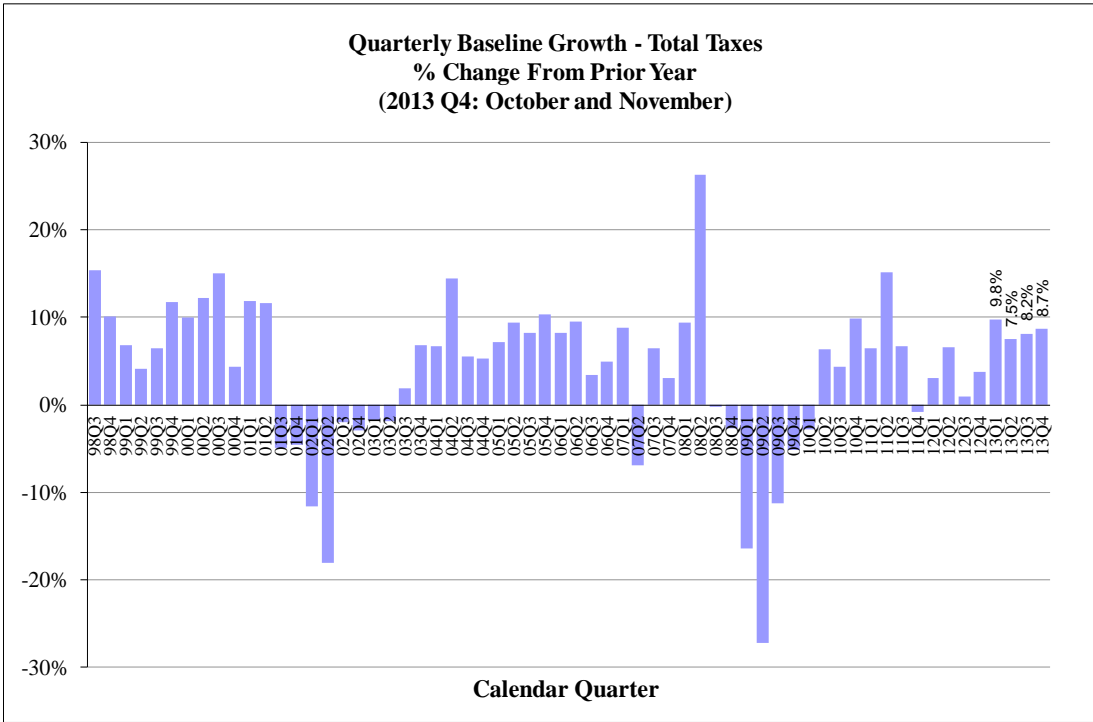
- **Two Measures of Tax Revenue Growth:**
 - Actual growth - growth in actual collections over two periods.
 - Baseline growth - growth had there been no tax law or administrative changes that affected tax collections. Baseline growth also adjusts for fluctuations in the timing of tax collections. Baseline growth is a better measure of the change in the underlying tax base and the economy.

| | 11/13 FY14 YTD Collections | 11/13 FY14 YTD \$ Change | 11/13 FY14 YTD Actual % Change | 11/13 FY14 YTD Baseline % Change | FY14 YTD \$ Above/(Below) Benchmark Based on FY14 Estimate of \$22.797 Billion |
|---|-------------------------------|-----------------------------|-----------------------------------|--|--|
| Income - Total | 4,827 | 367 | 8.2% | 7.2% | 164 |
| Income Withholding | 4,143 | 253 | 6.5% | 5.3% | 70 |
| Income Est. Payments (Cash) | 584 | 62 | 11.9% | 12.2% | 44 |
| Income Returns/Bills | 308 | 84 | 37.4% | 37.5% | 83 |
| Income Refunds (Cash) | 208 | 28 | 15.9% | 15.9% | 28 |
| Sales & Use - Total | 2,302 | 135 | 6.2% | 6.3% | 28 |
| Sales - Regular | 1,567 | 85 | 5.8% | 5.7% | 9 |
| Sales - Meals | 426 | 20 | 4.9% | 5.1% | 1 |
| Sales - Motor Vehicles | 309 | 30 | 10.6% | 10.9% | 18 |
| Corporate & Business - Total | 663 | 149 | 28.9% | 30.2% | 127 |
| All Other | 877 | 116 | 15.2% | 6.4% | 39 |
| Total Tax Collections | 8,669 | 766 | 9.7% | 8.3% | 359 |

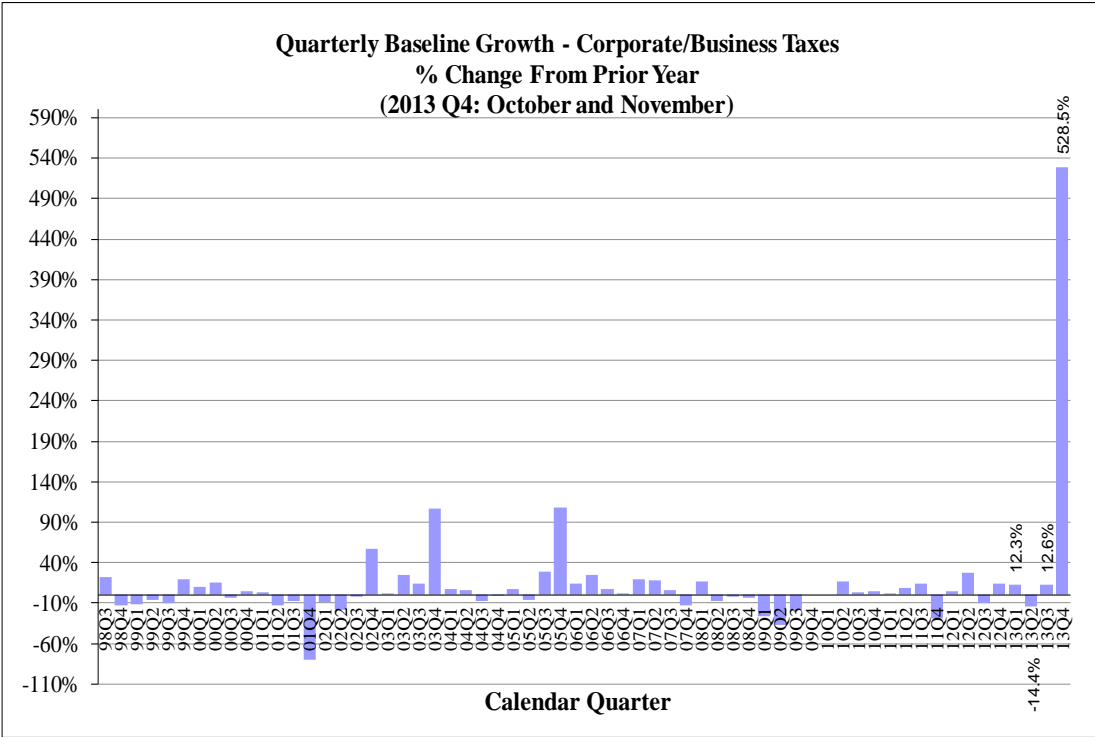
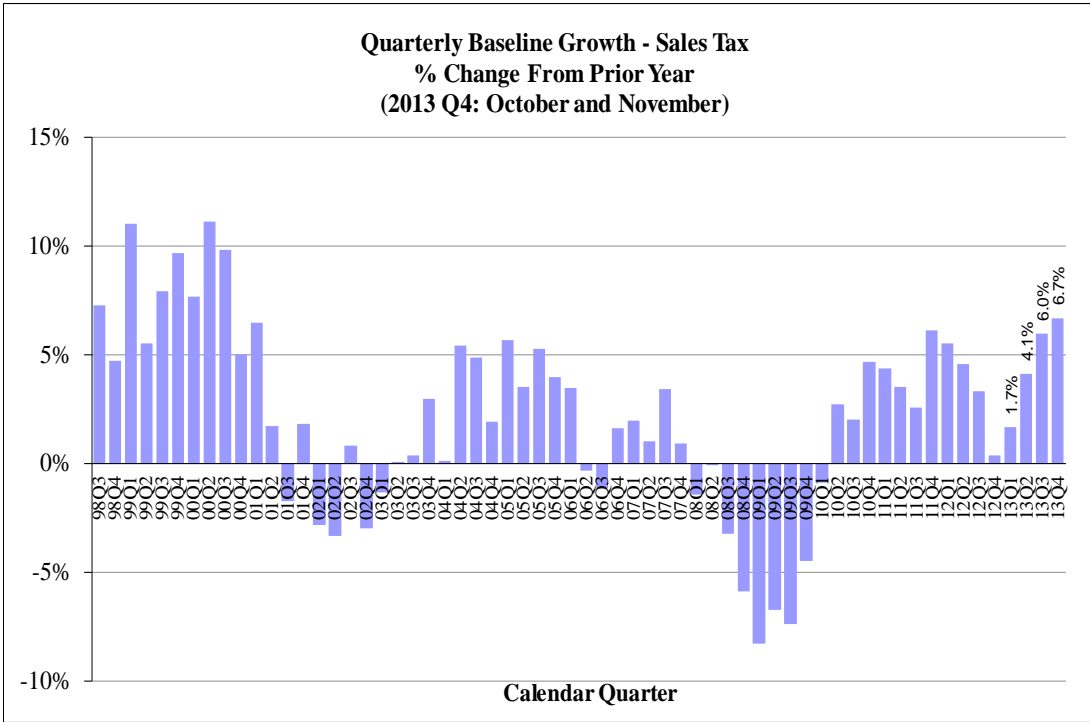
Recent Revenue Trends

- **Withholding**
 - Withholding growth has been strong so far in FY14, with baseline collections up 5.3% through November 2013, after having increased by 3.5% baseline in FY13.
- **Income Tax Estimated Payments (Cash)**
 - Income tax estimated payments (cash) have increased by 12.2% baseline so far in FY14, after having increased by 15.4% baseline in FY13, reflecting both the investment related income surge at the end of calendar year 2012 in response to federal tax changes and the strong stock market and housing market so far in calendar year 2013.
- **Sales Tax**
 - Sales tax collections have exhibited strong growth so far in FY14. After having increased by 2.4% baseline in FY13, sales tax collections are up 6.3% baseline FY14 year-to-date. Regular sales tax is up by 5.7% baseline. Meals tax is up 5.1% baseline. Motor vehicle sales tax increases by 10.9% baseline.
- **Corporate and Business Excise**
 - Although growth in national corporate profits has been weak in 2013, the corporate and business tax collections have increased substantially in the first five months of FY14, with a baseline increase of 30.2% through November compared with a decrease of 1.0% baseline in FY13. This increase is mostly because we received more one-time tax settlement and judgment payments year to date than the same period last year. Year-to-date corporate and business cash estimated payments, which reflect current economic activity, are up only 3.7% actual and baseline.

Recent Revenue Trends



Recent Revenue Trends



The U.S. Economy

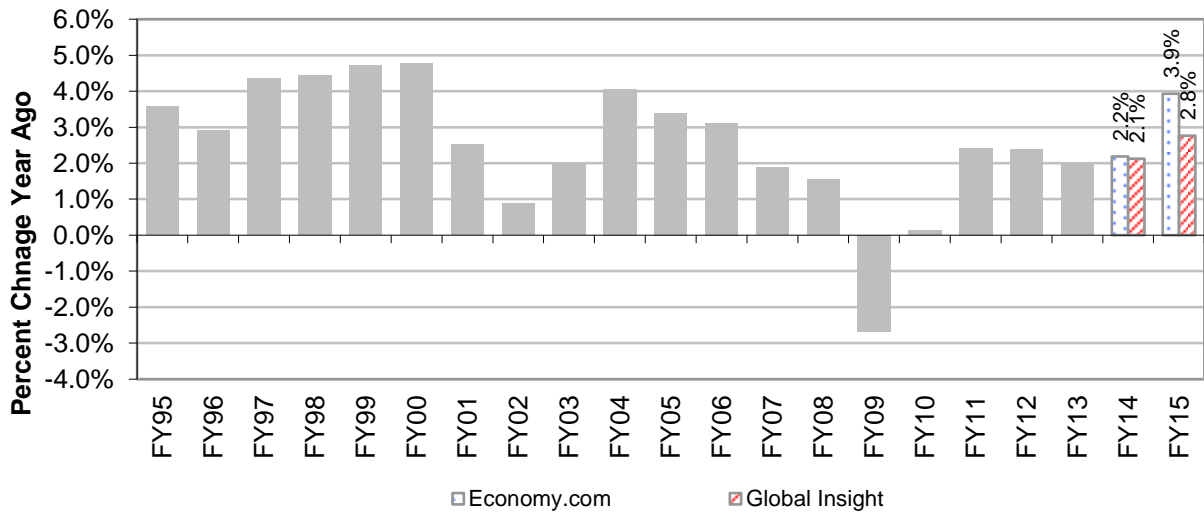
- DOR utilizes national and Massachusetts state economic forecasts from Global Insight, Moody's Economy.com, and the New England Economic Partnership.
- The annual growth of the national real GDP is predicted to be 2.1%~2.2% in FY2014 (2.5%~3.1% in 2014) and 2.8%~3.9% in FY2015 (3.1%~4.1% in 2015). The U.S. fiscal policy challenges and the faltering recovery from Eurozone's recession remain major sources of uncertainty for economic growth.
- The labor market condition has steadily improved in 2013 at a slow pace. According to the U.S. Bureau of Labor Statistics, the U.S. nonfarm payroll employment rose by 203,000 in November 2013, and by about 2.3 million for the first eleven months of 2013. The unemployment rate, which was 7.0% in November 2013, is expected to gradually fall to 6.6%~6.7% in FY2015.
- The housing market is experiencing a steady recovery, but low inventory and tight mortgage lending standards are holding back home sales. In October 2013, new- and existing-home sales increased by 21.6% and 6.0% respectively compared with October 2012. During the same period of time, housing inventory has changed slightly, from 4.8 month and 5.2 month of supply to 4.9 month and 5.0 month of supply at the current sales rate for new and existing homes respectively.
- Short-term interest rates are expected to remain very low over the remainder of 2013 and in 2014. The Federal funds rate is expected to be around 0.1% in both fiscal and calendar year 2014, and 0.1%~0.2% in FY2015 (0.3%~0.4% in 2015). The bank prime rate will follow a similar trend and stay around 3.3%.

The U.S. Economy

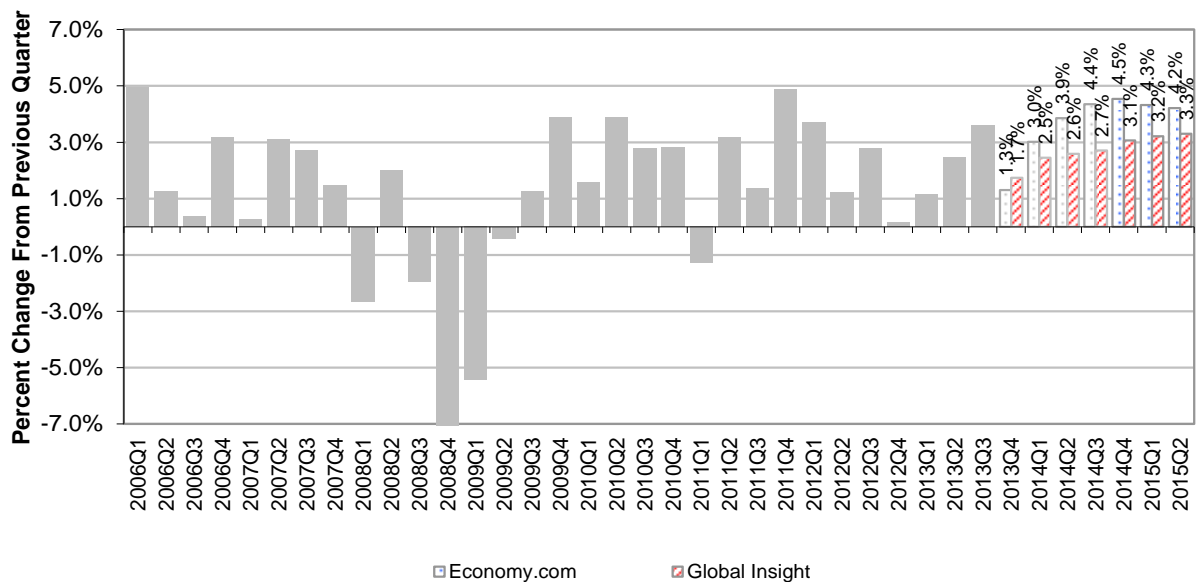
- After a growth of 9.9% in FY2013, the growth of corporate profits before tax is expected to be 1.6%~8.9% over the remainder of FY2014, compared to the same period of FY2013. The annual growth of the corporate profits before tax is predicted to be -1.6%~8.0% in FY2014 (9.2%~12.2% in 2014) and 5.9%~8.5% in FY2015 (1.1%~1.4% in 2015).
- The stock market, as measured by the S&P 500 index, is predicted to grow by 3.8%~8.4% in 2014 and 1.3%~3.9% in 2015.

The U.S. Economy

Real GDP Growth FY95-15 (Forecasts begin in FY14)

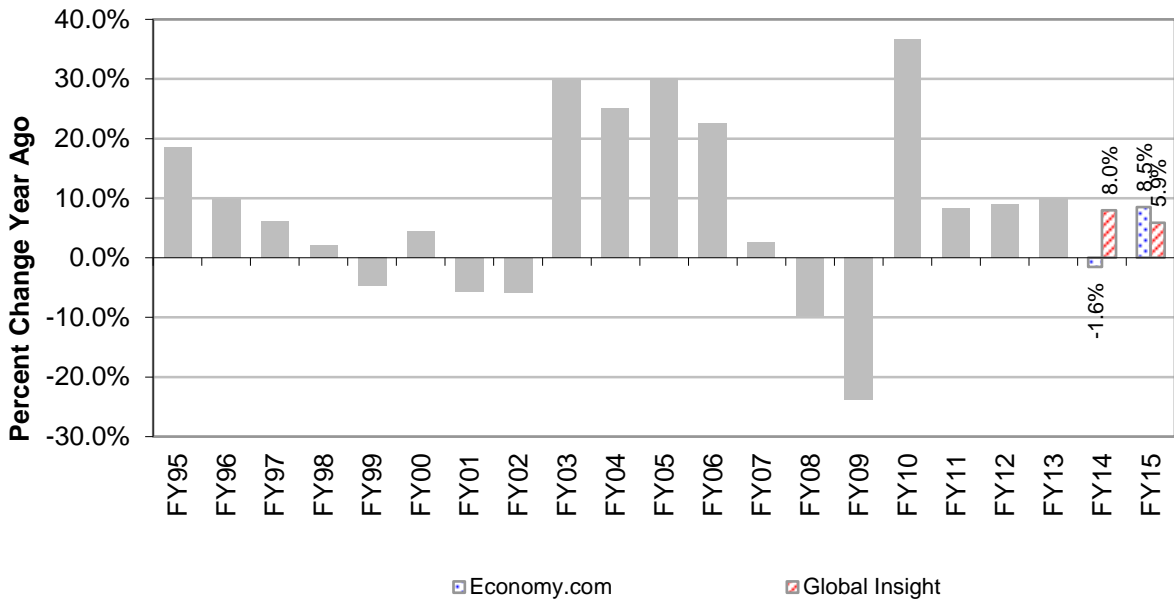


Annualized Quarterly Growth in U.S. Real GDP (Change from Previous Quarter, Annualized)



The U.S. Economy

Business Profits are Predicted to Grow Moderately (Corporate Profits Before Tax FY95-15)



Interest Rates Will Remain Low Through FY15 (Bank Prime Rate)



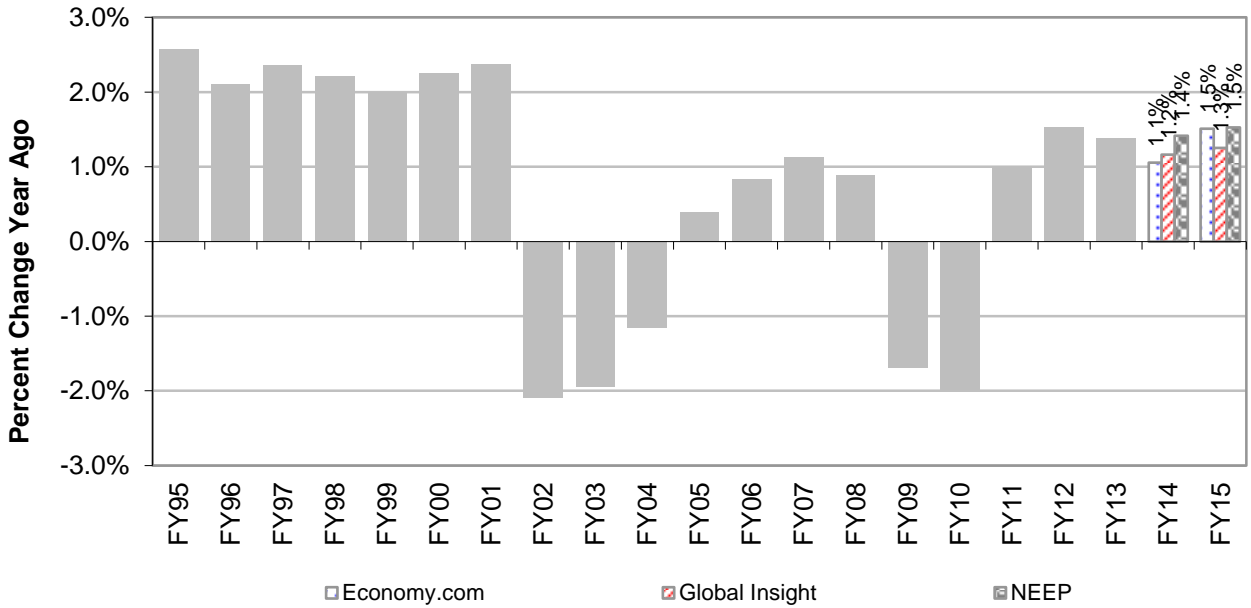
The Massachusetts Economy

The forecast assumptions for the Massachusetts economy are as follows:

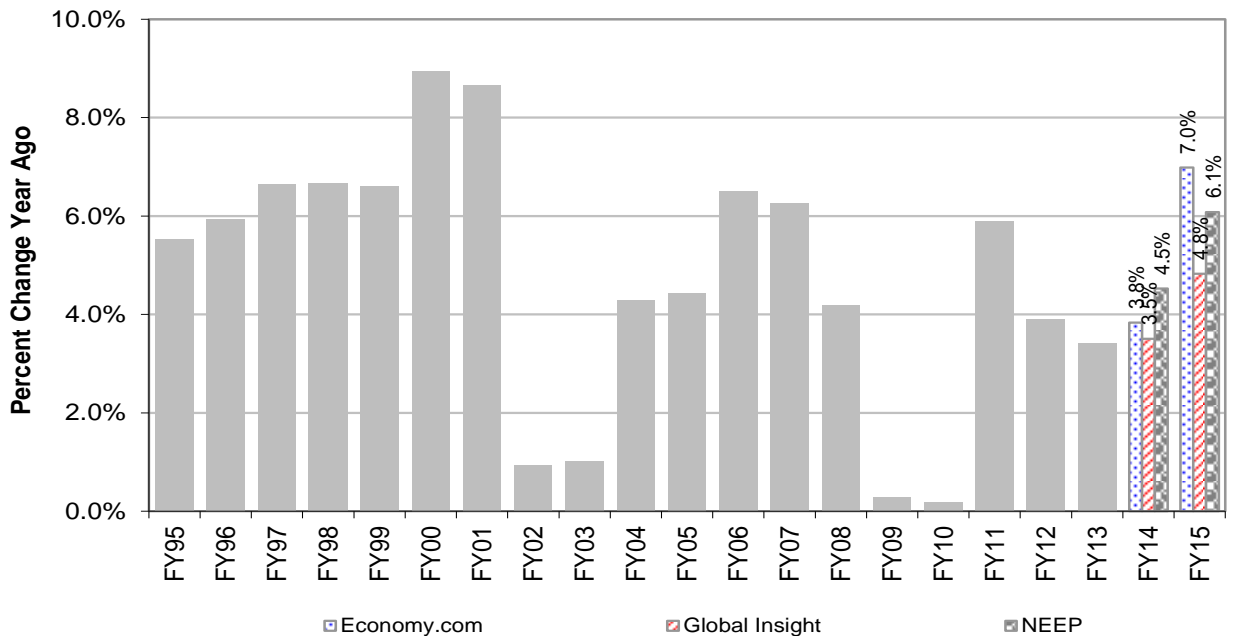
- The state economy will grow consistently with the national economy. The annual growth of the state real GDP is predicted to be 2.4%~3.1% in FY2014 (2.5%~3.2% in 2014) and 2.6%~3.8% in FY2015 (2.8%~4.1% in 2015).
- Massachusetts employment bottomed out in October 2009, at which point the state's employment had declined by 143,000 (4.3%) from the peak reached in April 2008. By January 2013, all lost jobs during the recession have been recovered. State employment is predicted to grow by 1.1%~1.4% in FY2014 (1.1%~1.3% in 2014) and 1.3%~1.5% in FY2015 (1.2%~1.8% in 2015). The state unemployment rate is predicted to be 6.1%~6.9% in FY2014 (6.1%~6.8% in 2014) and 5.9%~6.7% in FY2015 (5.6%~6.5% in 2015).
- According to the U.S. Bureau of Economic Analysis, the state wage and salary disbursements grew by 2.9% during the first two quarters of 2013, and are predicted to grow by 2.6%~2.7% over the remainder of 2013, compared to the same periods in 2012 respectively. The annual growth of state wage and salary disbursements is predicted to be 3.3%~4.7% in FY2014 (4.3%~6.0% in 2014) and 4.7%~7.6% in FY2015 (4.7%~7.7% in 2015). The annual growth of the state personal income is predicted to be 3.5%~4.5% in FY2014 (4.8%~6.0% in 2014) and 4.8%~7.0% in FY2015 (4.7%~6.8% in 2015).
- The state retail sales are predicted to grow by 2.8%~4.7% in FY2014 (3.1%~5.8% in 2014) and by 3.6%~6.1% in FY2015 (3.7%~5.3% in 2014).
- The state's housing market has seen strong growth. According to the Massachusetts Association of Realtors, the median price rose by 12.3% for single family homes and rose by 11.3% for condominiums in October 2013 on a year-over-year basis. During the same period of time, sales rose by 12.2% for single family homes and 8.8% for condominiums.

The Massachusetts Economy

Massachusetts Employment Forecasts

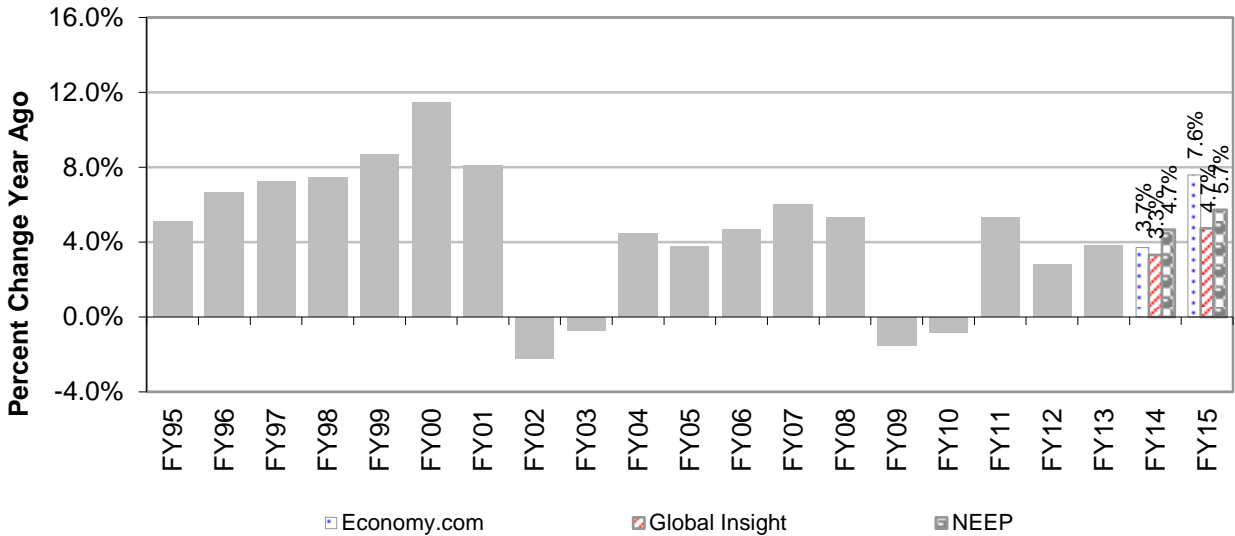


Massachusetts Personal Income Forecasts

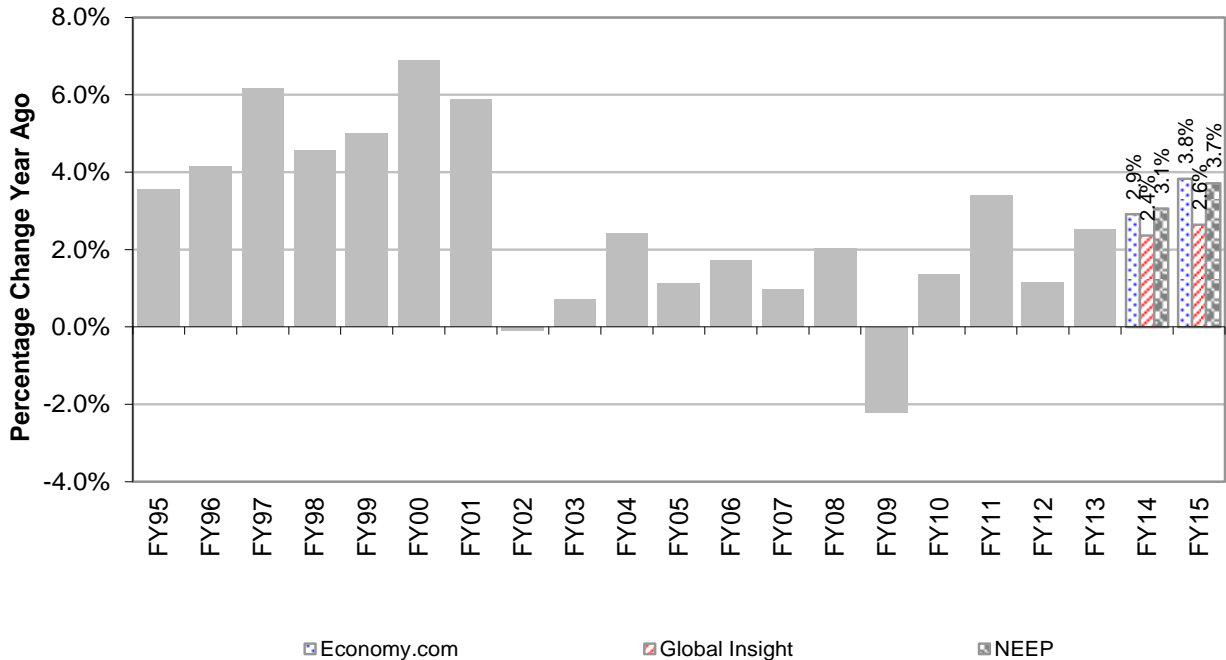


The Massachusetts Economy

Massachusetts Wages and Salaries Forecasts



Massachusetts Real Gross State Product (GSP) Growth FY95-15



U.S and Massachusetts Economic Forecast Table

(Percent Change from Prior Fiscal Year)

| | History | | | Forecast | | | |
|--|---------|---------|---------|---------------|--------------------|---------|---------|
| | FY 2011 | FY 2012 | FY 2013 | FY 2014 | FY 2014 | FY 2014 | FY 2015 |
| | | | | First Quarter | Last Three Quarter | | |
| <u>US - Global Insight 11/13</u> | | | | | | | |
| Real GDP | 2.4% | 2.4% | 2.0% | 1.6% | 2.3% | 2.1% | 2.8% |
| Corporate Profits | 8.3% | 8.9% | 9.9% | 5.2% | 8.9% | 8.0% | 5.9% |
| S&P500 (Calendar year lagged one year) | 20.3% | 11.4% | 8.7% | NA | NA | 18.5% | 8.4% |
| Unemployment Rate | 9.3% | 8.5% | 7.8% | 7.3% | 7.1% | 7.1% | 6.6% |
| Bank Prime Rate | 3.3% | 3.3% | 3.3% | 3.3% | 3.3% | 3.3% | 3.3% |
| Federal Funds Rate | 0.2% | 0.1% | 0.1% | 0.1% | 0.1% | 0.1% | 0.2% |
| <u>US - Economy.com 11/13</u> | | | | | | | |
| Real GDP | 2.4% | 2.4% | 2.0% | 1.6% | 2.4% | 2.2% | 3.9% |
| Corporate Profits | 8.3% | 8.9% | 9.9% | -11.0% | 1.6% | -1.6% | 8.5% |
| S&P500 (Calendar year lagged one year) | 20.3% | 11.4% | 8.7% | NA | NA | 16.0% | 3.8% |
| Unemployment Rate | 9.3% | 8.5% | 7.8% | 7.3% | 7.1% | 7.2% | 6.7% |
| Bank Prime Rate | 3.3% | 3.3% | 3.3% | 3.3% | 3.3% | 3.3% | 3.3% |
| Federal Funds Rate | 0.2% | 0.1% | 0.1% | 0.1% | 0.1% | 0.1% | 0.1% |
| <u>Massachusetts - Global Insight 11/13</u> | | | | | | | |
| Real Gross State Product | 2.8% | 2.2% | 1.9% | 2.2% | 2.4% | 2.4% | 2.6% |
| Wages & Salaries | 5.3% | 2.8% | 3.8% | 3.5% | 3.2% | 3.3% | 4.7% |
| Personal Income | 5.9% | 3.9% | 3.4% | 3.4% | 3.5% | 3.5% | 4.8% |
| Employment | 1.0% | 1.5% | 1.4% | 1.4% | 1.1% | 1.2% | 1.3% |
| Retail Sales | 6.8% | 5.5% | 4.3% | 3.6% | 2.5% | 2.8% | 3.6% |
| Unemployment Rate | 7.8% | 6.9% | 6.7% | 7.2% | 6.5% | 6.7% | 5.9% |
| Housing Starts | 3.0% | 15.7% | 14.8% | 43.6% | 26.3% | 30.3% | 27.8% |
| <u>Massachusetts - Economy.com 11/13</u> | | | | | | | |
| Real Gross State Product | 3.7% | 0.6% | 2.8% | 3.5% | 2.7% | 2.9% | 3.8% |
| Wages & Salaries | 5.3% | 2.8% | 3.8% | 3.6% | 3.7% | 3.7% | 7.6% |
| Personal Income | 5.9% | 3.9% | 3.4% | 3.4% | 4.0% | 3.8% | 7.0% |
| Employment | 1.0% | 1.5% | 1.4% | 1.4% | 0.9% | 1.1% | 1.5% |
| Retail Sales | 7.7% | 5.9% | 3.4% | 3.8% | 4.3% | 4.2% | 6.1% |
| Unemployment Rate | 7.8% | 6.9% | 6.7% | 7.2% | 6.8% | 6.9% | 6.7% |
| Housing Permits | 0.3% | 14.5% | 34.7% | 24.5% | 28.0% | 27.2% | 47.8% |
| Home Sales | -18.0% | -5.4% | 11.6% | 20.0% | 13.0% | 14.7% | 0.5% |
| <u>Massachusetts - NEEP 09/13 (Adjusted for Most Recent U.S. Government Data Release)</u> | | | | | | | |
| Real Gross State Product | 3.7% | 0.6% | 2.8% | 3.5% | 2.9% | 3.1% | 3.7% |
| Wages & Salaries | 5.3% | 2.8% | 3.8% | 4.9% | 4.6% | 4.7% | 5.7% |
| Personal Income | 5.9% | 3.9% | 3.4% | 4.3% | 4.6% | 4.5% | 6.1% |
| Employment | 1.0% | 1.5% | 1.4% | 1.7% | 1.3% | 1.4% | 1.5% |
| Retail Sales | 7.7% | 5.9% | 3.5% | 4.3% | 4.8% | 4.7% | 6.1% |
| Unemployment Rate | 7.8% | 6.9% | 6.7% | 6.3% | 6.0% | 6.1% | 6.2% |
| Housing Permits | 0.3% | 14.5% | 36.8% | 33.7% | 25.7% | 27.5% | 28.8% |

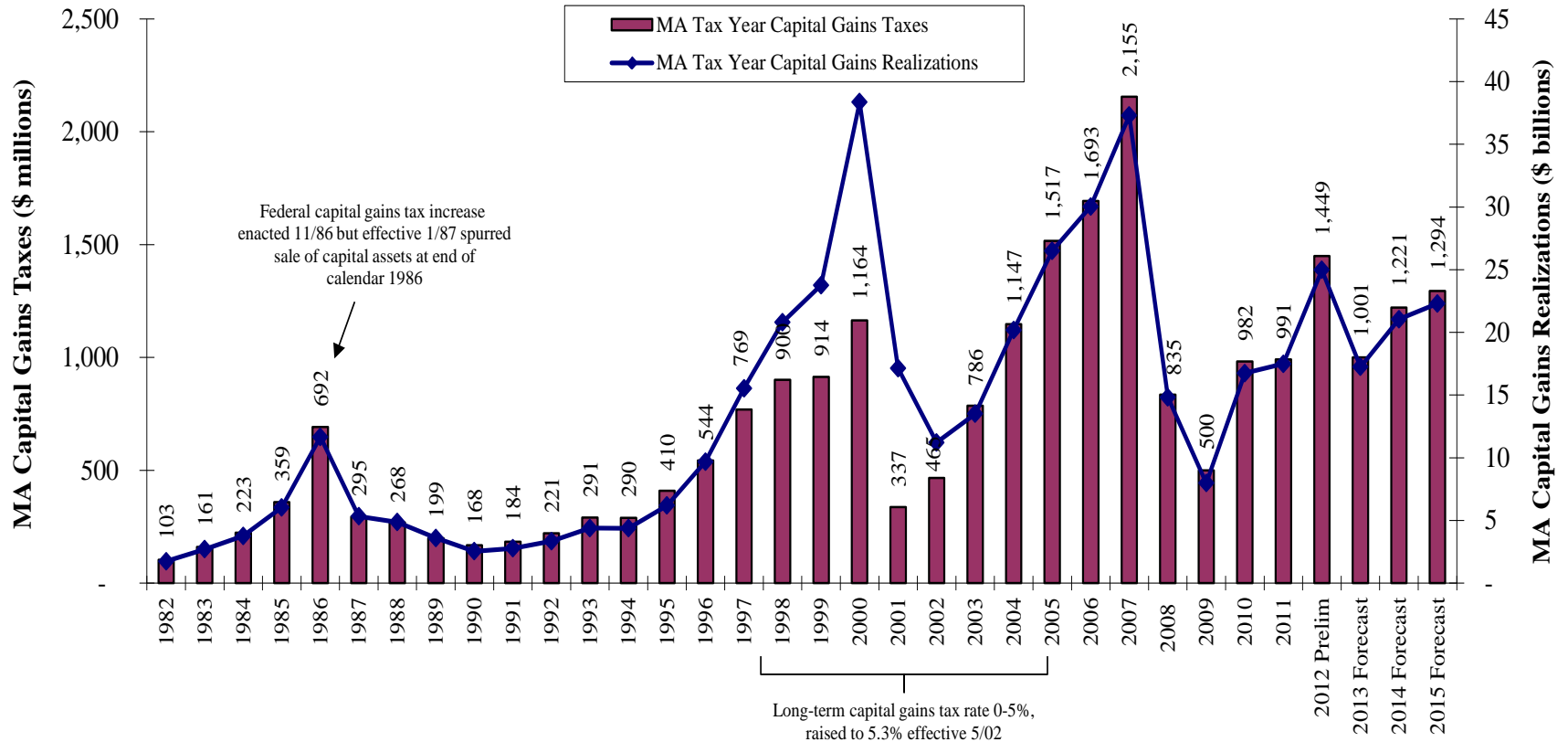
Note: For S&P500, the numbers shown are calendar year numbers with one year lag.

Capital Gains Taxes

- Estimates based on tax year 2012 income tax returns processed to date indicate that tax year 2012 capital gains realizations (taxes on which were remitted mostly in FY13) were \$25.0 billion, compared to \$17.5 billion in tax year 2011, an increase of 42.8%. Long-term realizations increased by about 46% and short-term realizations increased by about 58.4%.
- Capital gains taxes increased from \$991 million in tax year 2011 to approximately \$1.449 billion in tax year 2012, an increase of \$459 million, or 46.3%. On a fiscal year basis, FY13 capital gains taxes are estimated to have totaled about \$1.407 billion (though no exact numbers are available on a fiscal year basis), an increase of \$413 million, or 41.5%, from FY12.
- DOR projects that Massachusetts capital gains realizations will decrease by 31% in tax year 2013 compared to tax year 2012, and then increase by 22% in tax year 2014 and 6% in tax year 2015. DOR capital gains forecast implies tax year 2013 capital gains taxes of \$1.001 billion, and tax year 2014 capital gains taxes of \$1.221 billion. On a fiscal year basis, capital gains taxes would be about \$1.065 billion in FY14, a decrease of \$342 million compared to FY13. FY15 capital gains taxes would probably be about \$1.231 billion, an increase of \$166 million from FY14.

Capital Gains Taxes

Massachusetts Capital Gains Realizations and Taxes



FY14 and FY15 Tax Revenue Projections

FY14 and FY15 Tax Revenue Projections Based on Economic Forecasts of Moody's Economy.com, Global Insight, and New England Economic Partnership (in \$ Billions)

| | <u>FY14 Projections</u> | <u>\$ Growth from FY13</u> | <u>% Growth from FY13</u> | <u>% Growth Baseline from FY13</u> | <u>% Growth Baseline (Excluding One-time Revenues) from FY13</u> | <u>FY15 Projections</u> | <u>\$ Growth from FY14</u> | <u>% Growth from FY14</u> | <u>% Growth Baseline from FY14</u> | <u>% Growth Baseline (Excluding One-time Revenues) from FY14</u> |
|----------------|-------------------------|----------------------------|---------------------------|------------------------------------|--|-------------------------|----------------------------|---------------------------|------------------------------------|--|
| GAA | \$22.797 | \$0.674 | 3.0% | 2.2% | 2.3% | N/A | N/A | N/A | N/A | N/A |
| Economy.com | \$23.078 | \$0.955 | 4.3% | 3.5% | 3.5% | \$24.280 | \$1.202 | 5.2% | 5.3% | 6.3% |
| Global Insight | \$23.069 | \$0.946 | 4.3% | 3.4% | 3.5% | \$24.062 | \$0.993 | 4.3% | 4.4% | 5.3% |
| NEEP | \$23.180 | \$1.057 | 4.8% | 3.9% | 4.0% | \$24.352 | \$1.171 | 5.1% | 5.1% | 6.1% |

FY14 and FY15 Tax Revenue Projections

FY14 Year To Date Baseline Growth; Forecasts for Remainder of FY14 and FY15

| | FY13 Baseline Growth | FY14 YTD Baseline Growth | Baseline (Excluding One-time Revenues) Growth Remainder of FY14 | | | FY15 Baseline (Excluding One-time Revenues) Growth | | |
|---------------------------|----------------------------|-----------------------------------|--|----------------|-------------|---|----------------|-------------|
| | | | Economy.com | Global Insight | NEEP | Economy.com | Global Insight | NEEP |
| Income Total | 8.7% | 7.2% | 0.6% | 0.2% | 1.2% | 8.1% | 6.3% | 7.3% |
| <i>Income Withholding</i> | 3.5% | 5.3% | 4.7% | 4.2% | 5.6% | 6.5% | 4.5% | 5.6% |
| Sales - Regular | 1.7% | 5.7% | 5.0% | 4.0% | 5.8% | 3.7% | 4.8% | 5.4% |
| Sales - Meals | 4.5% | 5.1% | 4.5% | 4.9% | 5.4% | 4.7% | 5.2% | 5.5% |
| Sales - Motor Vehicle | 3.2% | 10.9% | 4.0% | 6.7% | 10.0% | 6.5% | 4.8% | 6.7% |
| Sales - Total | 2.4% | 6.3% | 4.8% | 4.5% | 6.2% | 4.3% | 4.9% | 5.6% |
| Corporate & Business | -1.0% | 30.2% | 4.1% | 6.3% | 4.2% | 4.2% | 5.3% | 4.3% |
| Other Tax Revenue | 2.5% | 6.5% | 2.3% | 1.9% | 2.3% | 2.1% | 0.7% | 1.9% |
| Total Tax Revenue | 5.6% | 8.3% | 2.0% | 1.9% | 2.7% | 6.3% | 5.3% | 6.1% |

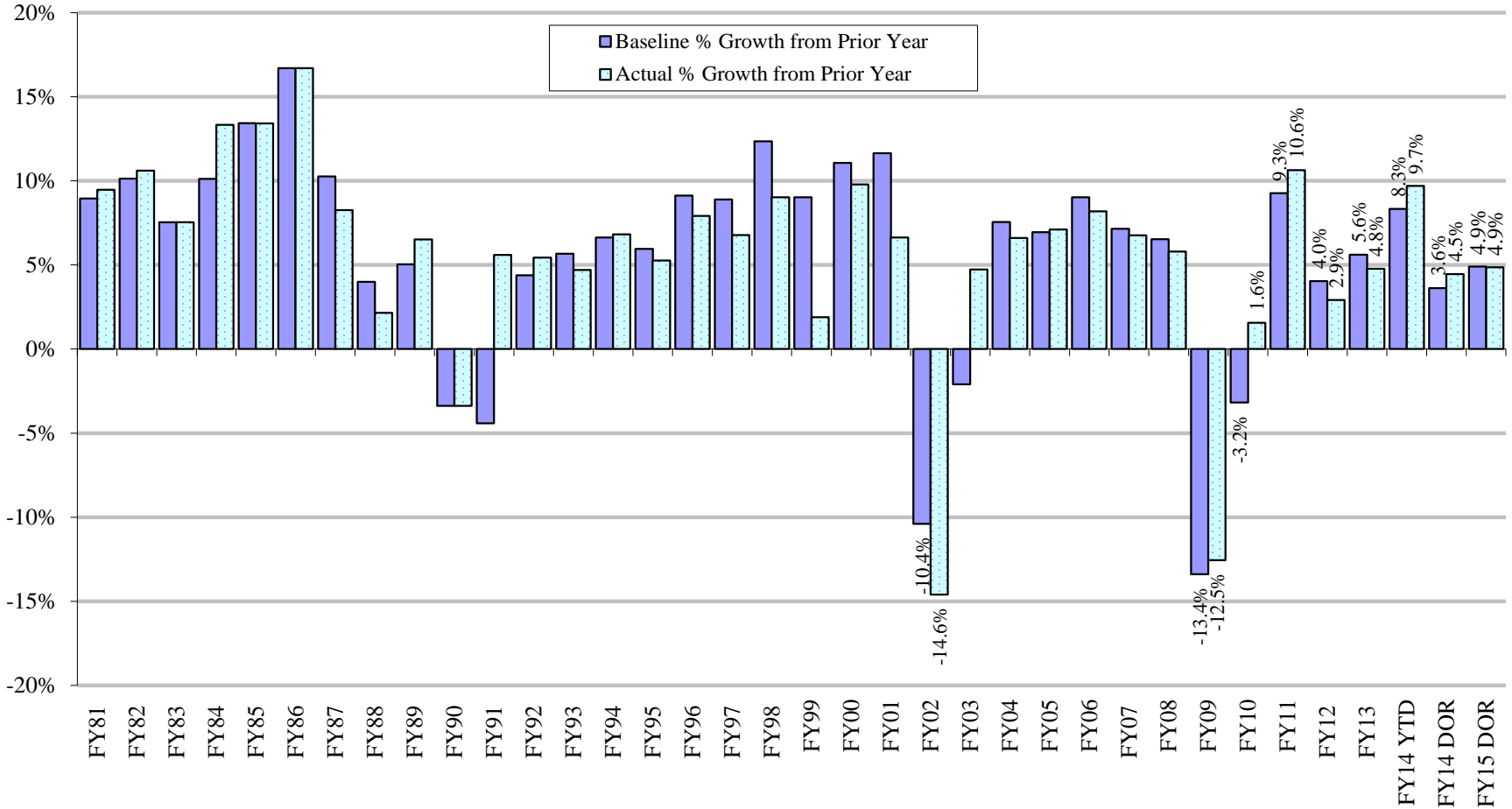
FY14 and FY15 Tax Revenue Projections

FY13 Actual Tax Revenue Collections, FY14 and FY15 Tax Revenue Forecasts (in \$ millions) Forecasts for Remainder of FY14 and FY15.

| | ----- FY 2014 ----- | | | | | ----- FY 2015 ----- | | |
|--------------------------|---------------------|---------------|---------------|----------------|---------------|---------------------|----------------|---------------|
| | FY13 Actual | GAA | Economy.com | Global Insight | NEEP | Economy.com | Global Insight | NEEP |
| Withholding | 10,015 | 10,496 | 10,459 | 10,429 | 10,515 | 11,094 | 10,846 | 11,050 |
| Capital Gains | 1,407 | 1,060 | 1,065 | 1,065 | 1,065 | 1,231 | 1,231 | 1,231 |
| Other Income | 1,409 | 1,393 | 1,596 | 1,594 | 1,597 | 1,722 | 1,697 | 1,717 |
| Total Income Tax | 12,831 | 12,949 | 13,121 | 13,088 | 13,176 | 14,047 | 13,775 | 13,999 |
| Sales: Regular | 3,596 | 3,855 | 3,824 | 3,803 | 3,840 | 4,015 | 4,035 | 4,097 |
| Sales: Meals | 901 | 942 | 944 | 946 | 948 | 988 | 995 | 1,000 |
| Sales: Motor Vehicles | 667 | 697 | 713 | 724 | 736 | 759 | 758 | 786 |
| Sales Total | 5,164 | 5,494 | 5,481 | 5,472 | 5,524 | 5,763 | 5,788 | 5,883 |
| Corporate & Business | 2,262 | 2,305 | 2,382 | 2,418 | 2,384 | 2,315 | 2,377 | 2,318 |
| Other Tax Revenue | 1,867 | 2,049 | 2,095 | 2,091 | 2,096 | 2,155 | 2,122 | 2,152 |
| Total Tax Revenue | 22,123 | 22,797 | 23,078 | 23,069 | 23,180 | 24,280 | 24,062 | 24,352 |

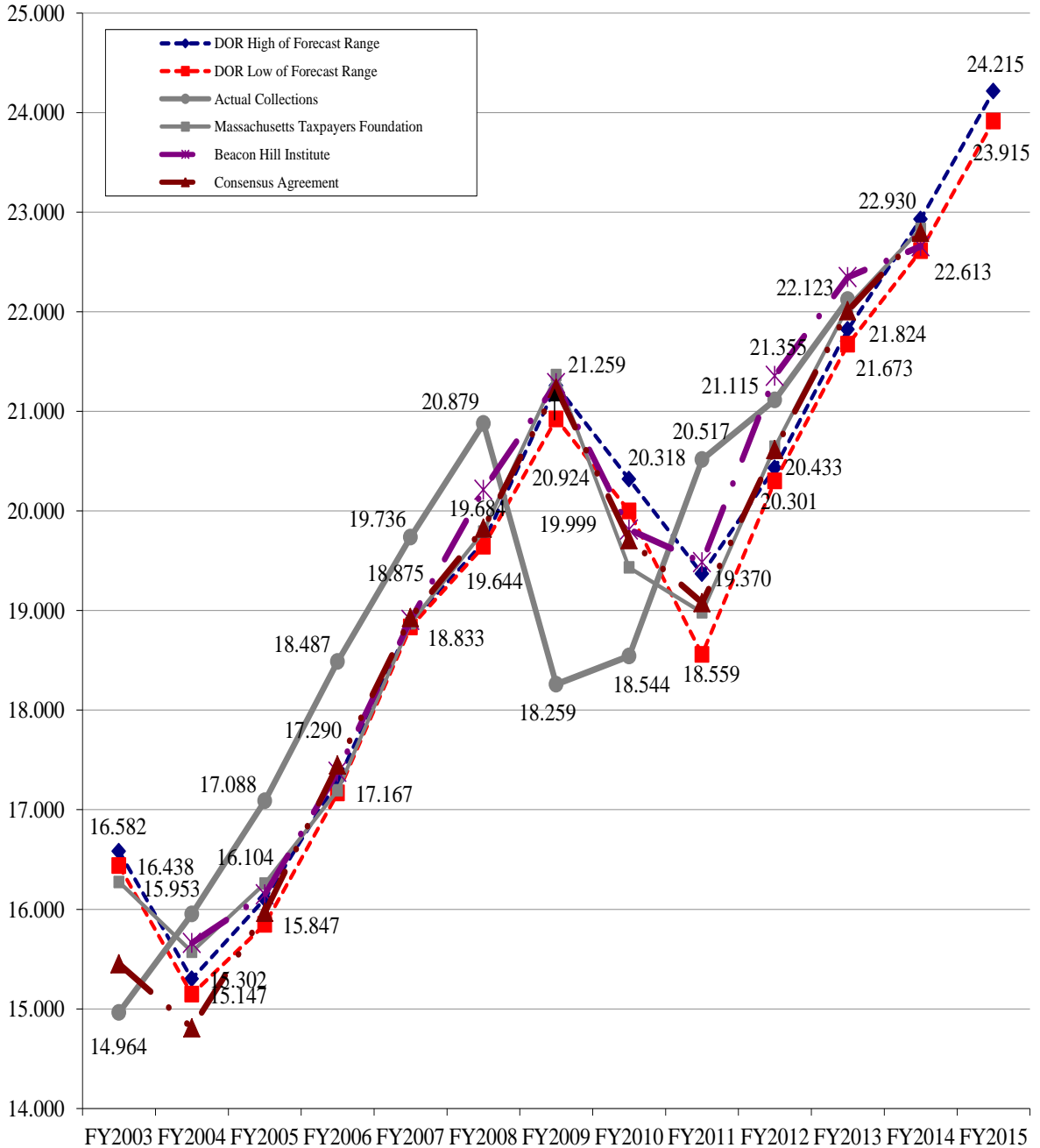
FY14 and FY15 Tax Revenue Projections

Actual and Baseline Tax Revenue Growth, FY1981-FY2015
 (FY14 and FY15 Are Forecasts Based on Average of 3 Vendors)



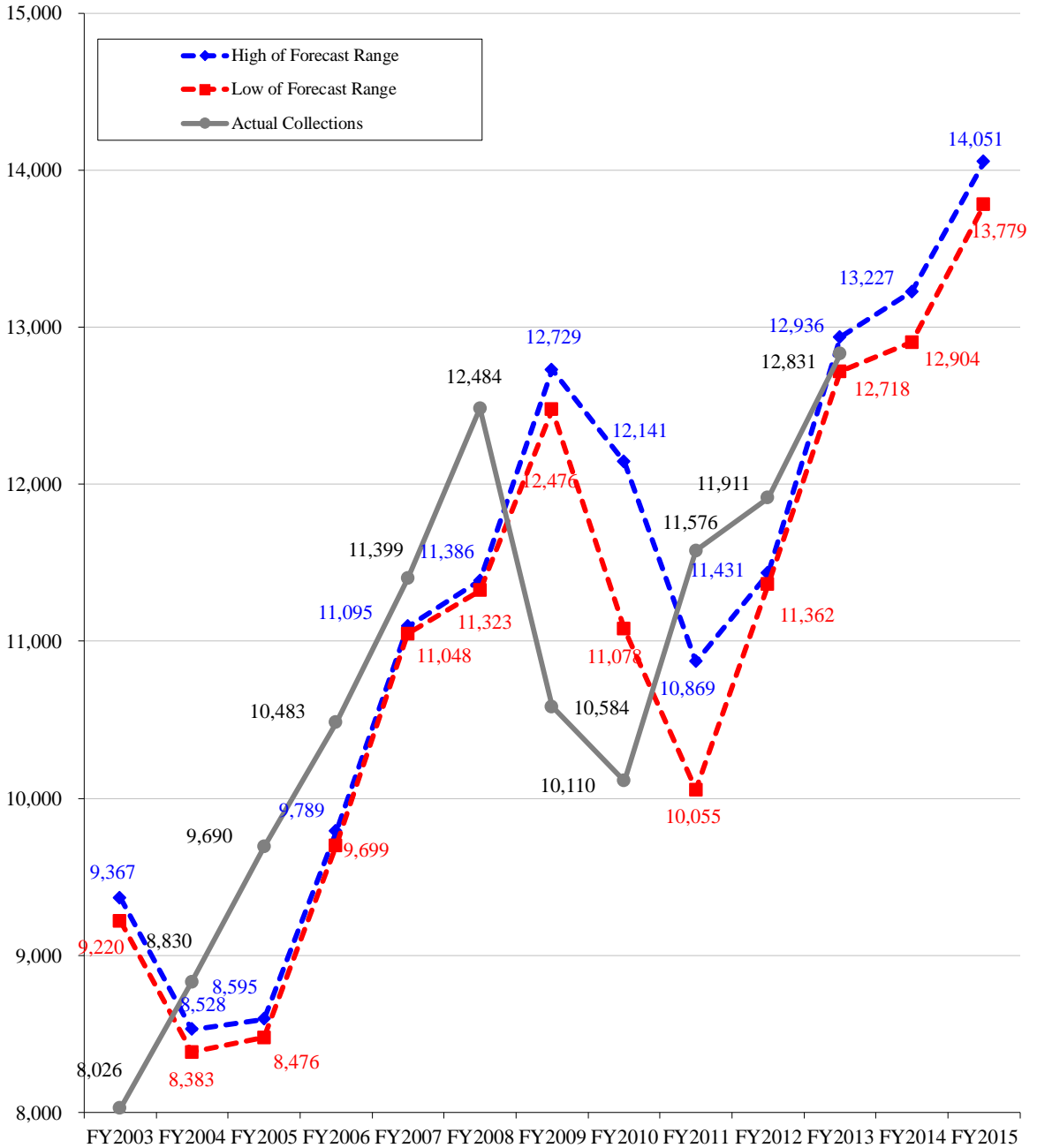
Historical Comparison of Projections to Actual Collections

Total Tax Collections: DOR Consensus Hearing Estimates vs. Actual Collections (\$Billions)



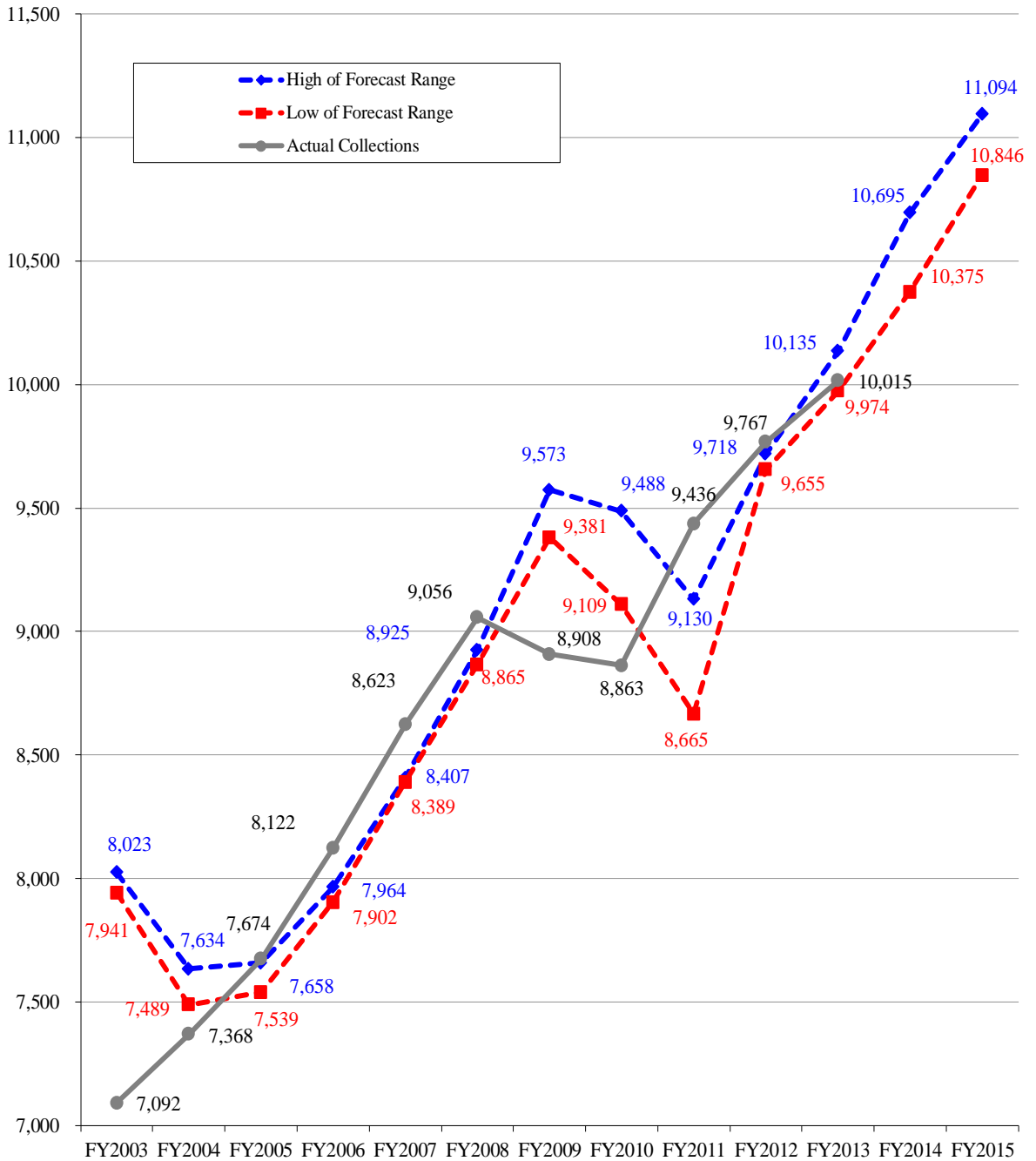
Historical Comparison of Projections to Actual Collections

Total Personal Income Tax: DOR Consensus Hearing Forecast Range (Adjusted for Subsequent Tax Law Changes) vs. Actual Collections
(in \$Millions)



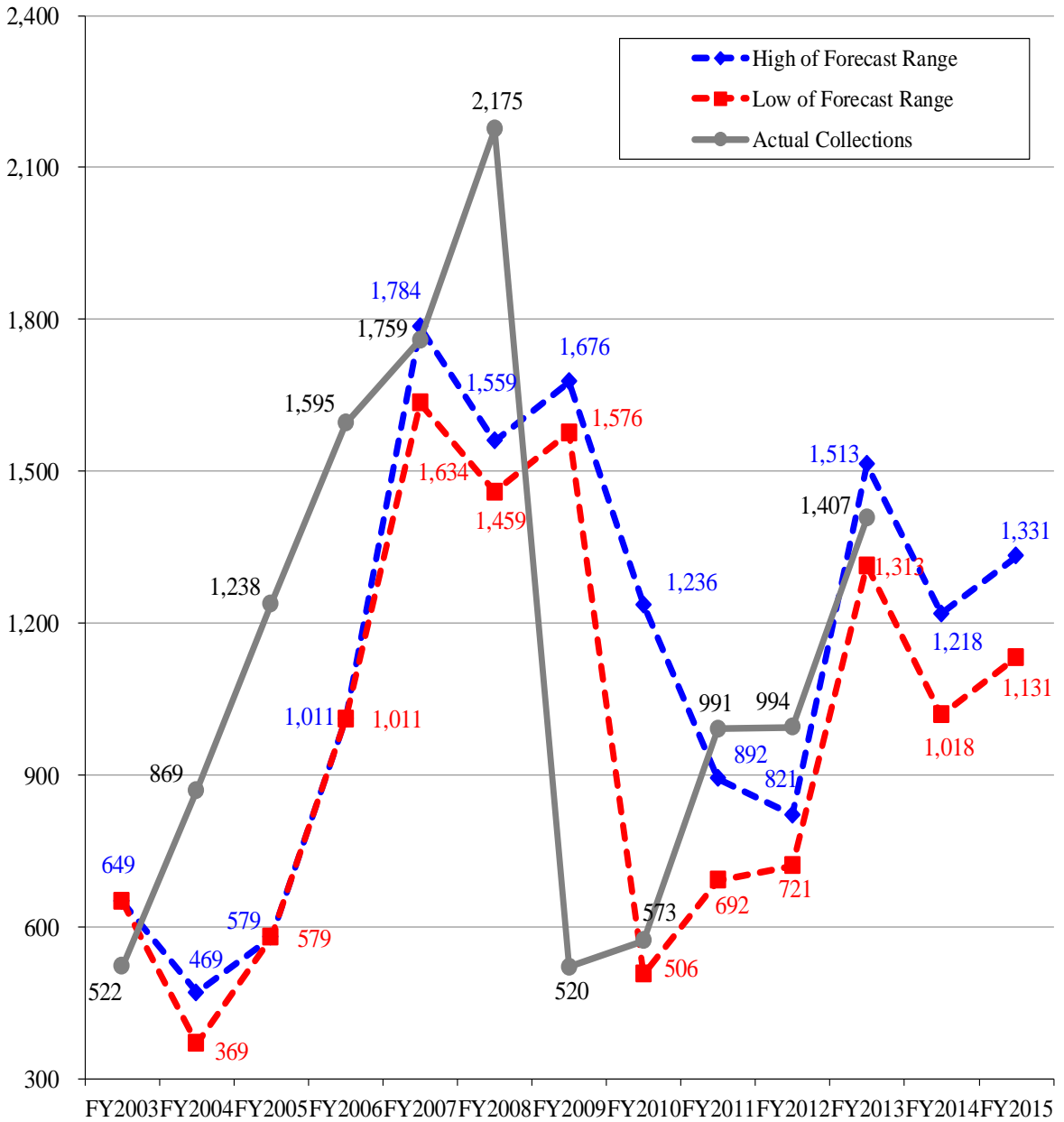
Historical Comparison of Projections to Actual Collections

Income Tax Withholding: DOR Consensus Hearing Forecast Range (Adjusted for Subsequent Tax Law Changes) vs. Actual Collections
(in \$Millions)



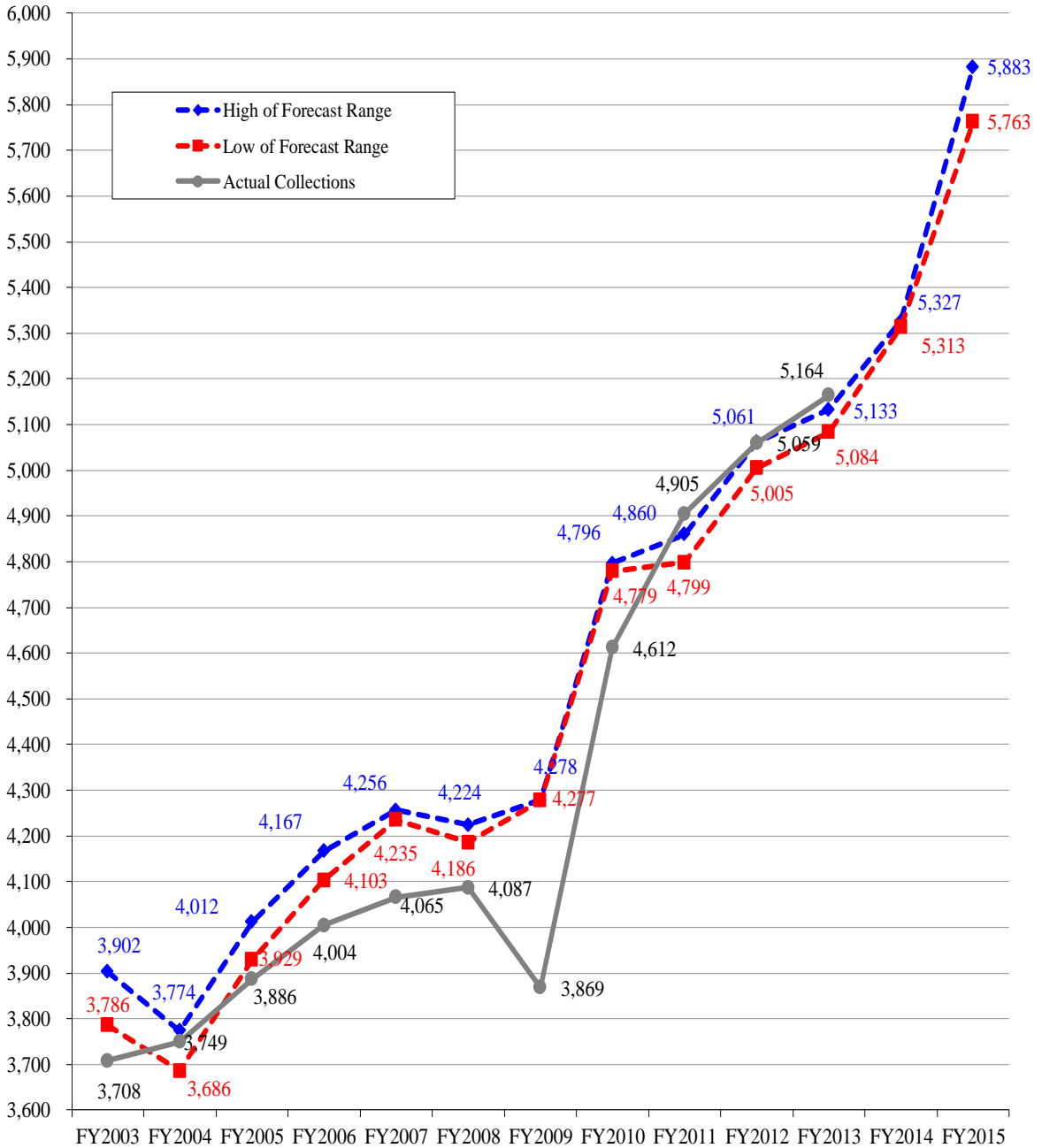
Historical Comparison of Projections to Actual Collections

Capital Gains Tax: DOR Consensus Hearing Forecast Range (Adjusted for Subsequent Tax Law Changes) vs. Actual Collections
(in \$Millions)



Historical Comparison of Projections to Actual Collections

Sales and Use Tax: DOR Consensus Hearing Forecast Range vs. Actual Collections
(in \$Millions)



Historical Comparison of Projections to Actual Collections

Corporate/Business Tax: DOR Consensus Hearing Forecast Range (Adjusted for Subsequent Tax Law Changes) vs. Actual Collections
(in \$Millions)

