

## **Consensus Revenue Hearing December 4, 2023**

Geoffrey E. Snyder  
Commissioner, Department of Revenue

---



## Fiscal Year 2023 Recap

---

- Revenue collections for FY23 totaled \$39.165 billion, \$604 million below the FY23 benchmark and \$1.940 billion less than FY22 collections.
- FY23 results were driven by
  - decreases in capital gains tax collections relative to FY22's unprecedented collections and an increase in PTE members applying credits to reduce their tax payments,
  - partially offset by increases in withholding and sales and use tax.
- DOR certified that the total capital gains tax revenue collected in fiscal year 2023 was \$2.280 billion.



## Fiscal Year 2024 and Fiscal Year 2025 Forecast

### Economic and Political Factors

We face several areas of uncertainty in FY24 and FY25

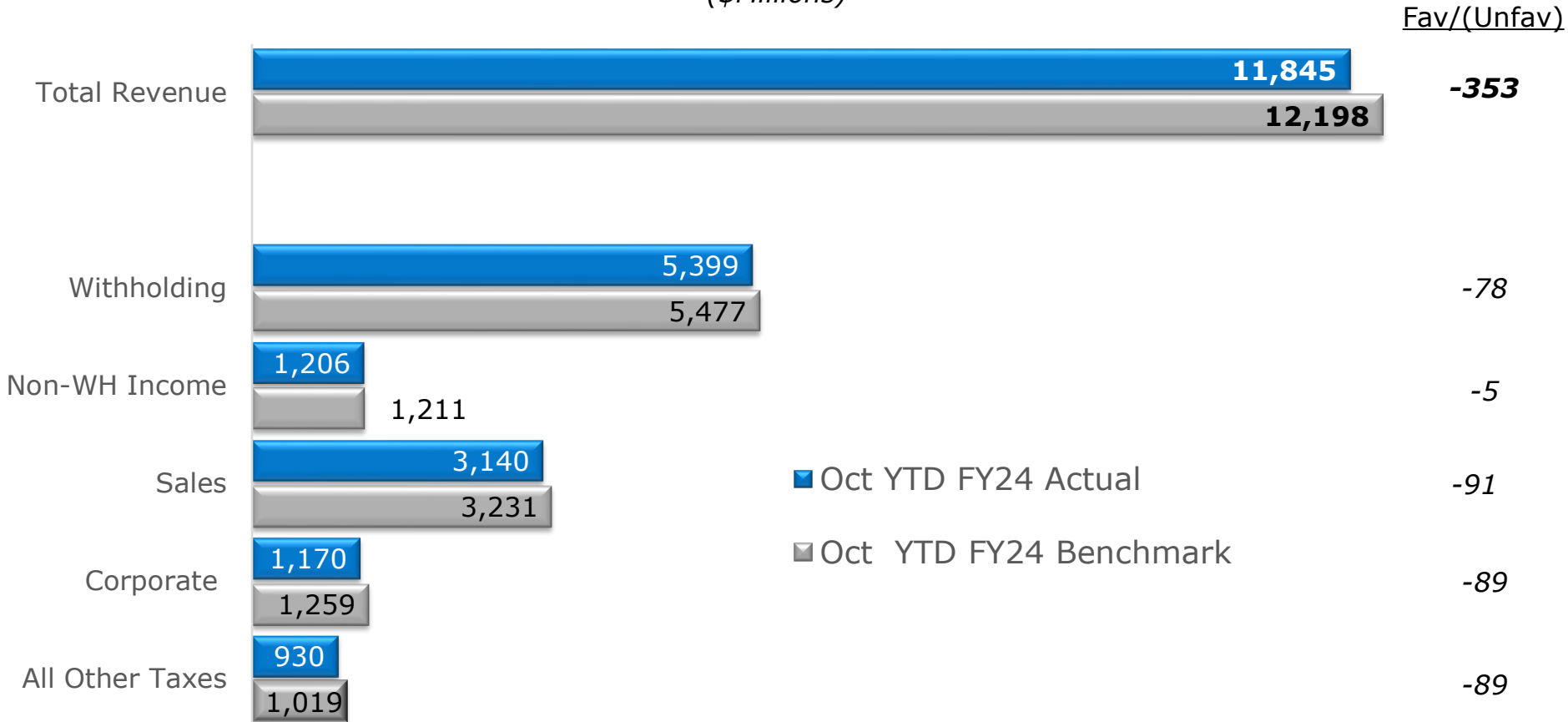
- The possibility that inflation remains stubbornly higher than the Fed's target rate of 2%.
- The potential for political gridlock resulting in an extended government shutdown.
- The Middle East and Russia-Ukraine conflicts and their impact on energy prices.
- The U.S economic outlook and the potential of a recession.
- Other significant global and political factors.



# Fiscal Year 2024 Year-to-Date Collections

October 2023 year-to-date collections totaled \$11.845 billion, \$353 million below the year-to-date benchmark.

### FY24 October Preliminary Year-To-Date Revenue Collections by Tax Type (*\$Millions*)

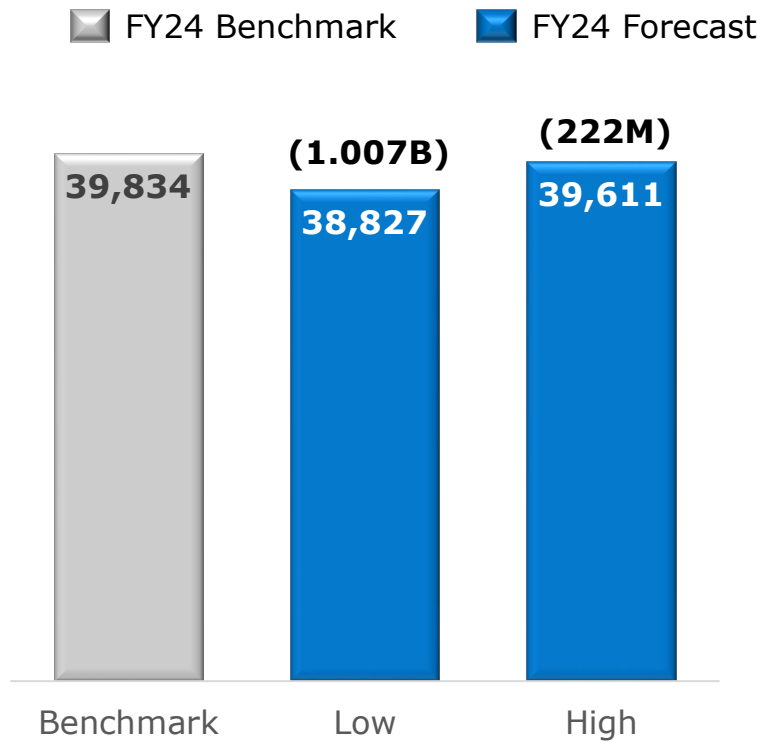




# Fiscal Year 2024 And Fiscal Year 2025 Forecast

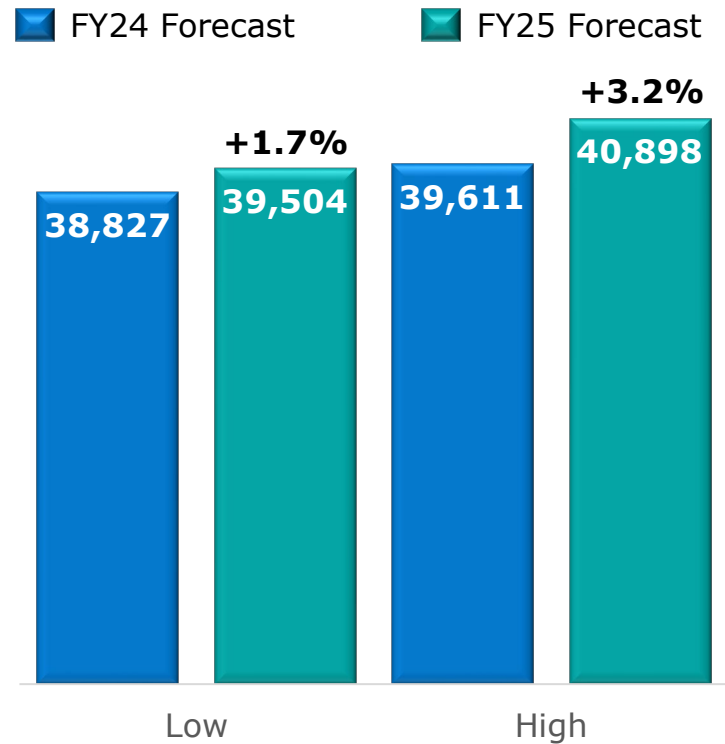
## Summary

### FY24 Forecast, Excluding the 4% Surtax (\$Millions)



- FY24 surtax revenue is forecasted to be between \$1.578 billion and \$2.060 billion, which compares to a FY24 benchmark of \$1.000 billion
- The FY24 forecast including the surtax is between \$428 million lower and \$837 million higher than the FY24 benchmark.

### FY25 Forecast, Excluding the 4% Surtax (\$Millions)



- FY25 surtax revenue is forecasted to be between \$1.777 billion and \$2.127 billion.
- The FY25 forecast including the surtax is between 2.2% and 3.3% higher than the FY24 forecast.

- The FY24 full year benchmark has been adjusted to reflect the impact of the recently enacted \$577M tax bill.
- Forecasts exclude one-time tax settlement and judgment payments, which DOR does not attempt to forecast.



# Fiscal Year 2024 Forecast

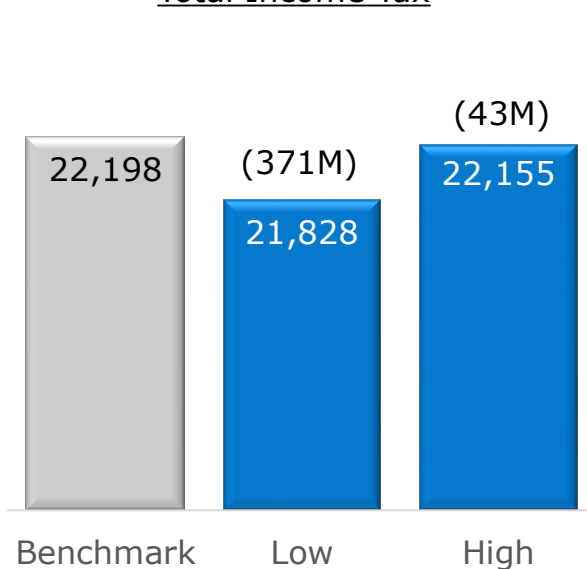
## Income Taxes

### FY24 Income Tax Forecast, Excluding the 4% Surtax

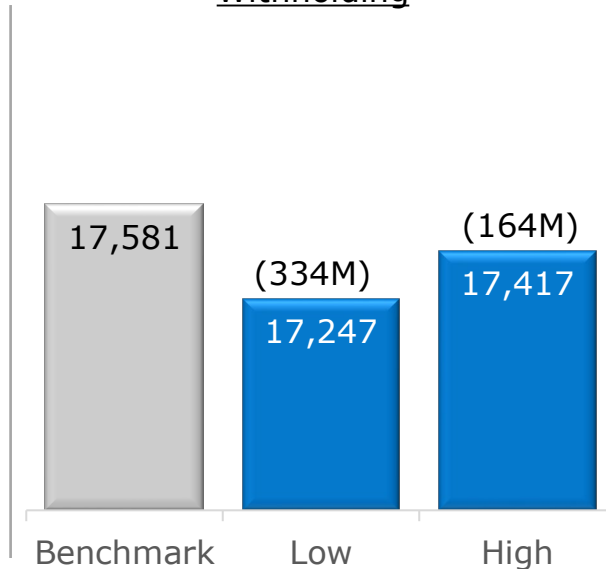
\$ Millions

■ FY24 Benchmark   ■ FY24 Forecast

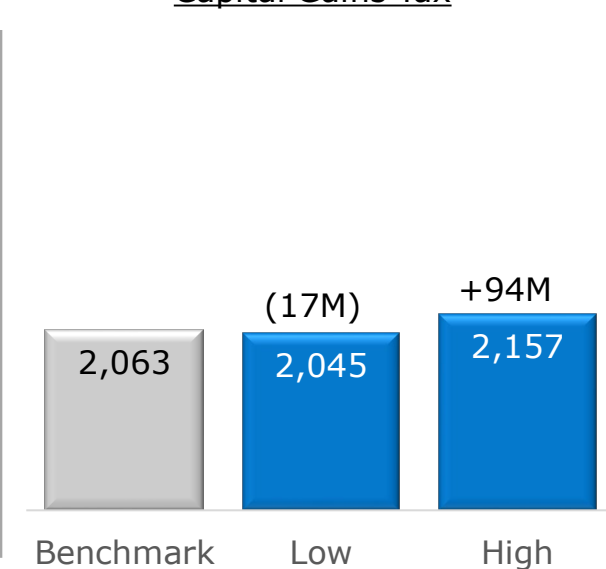
#### Total Income Tax



#### Withholding



#### Capital Gains Tax



FY24 total income tax will be impacted by the 4% surtax, which we forecast to be between \$1.578 billion and \$2.060 billion.

- FY24 full year benchmarks has been adjusted to reflect the impact of the recently enacted \$577M tax bill.
- Forecasts exclude one-time tax settlement and judgment payments, which DOR does not attempt to forecast.



# Fiscal Year 2024 Forecast

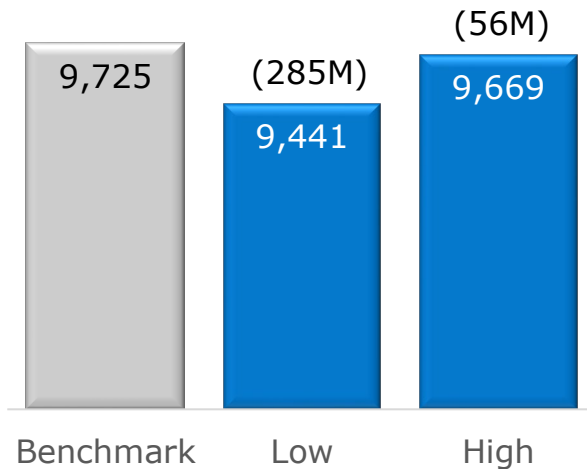
## Sales Tax, Corporate and Business Excise, and Other Taxes

### FY24 Sales Tax, Corporate & Business Excise, and All Other Taxes

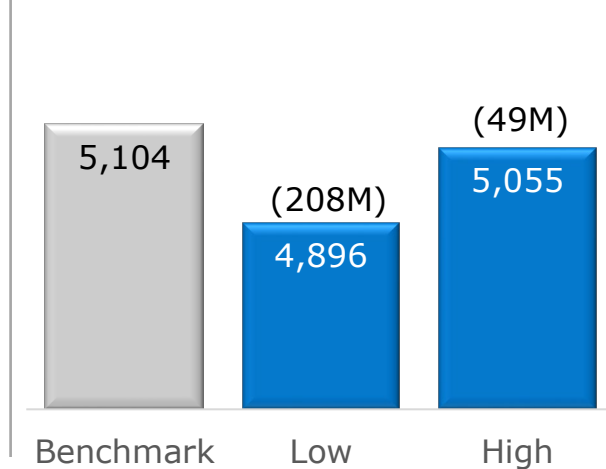
\$ Millions

■ FY24 Benchmark   ■ FY24 Forecast

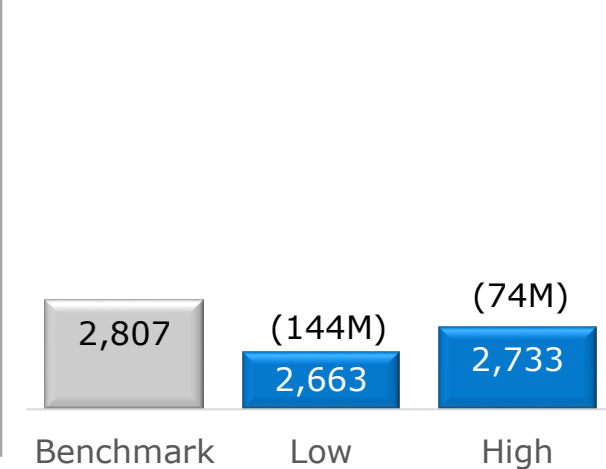
#### Sales Tax



#### Corporate & Business Excise



#### Other Taxes



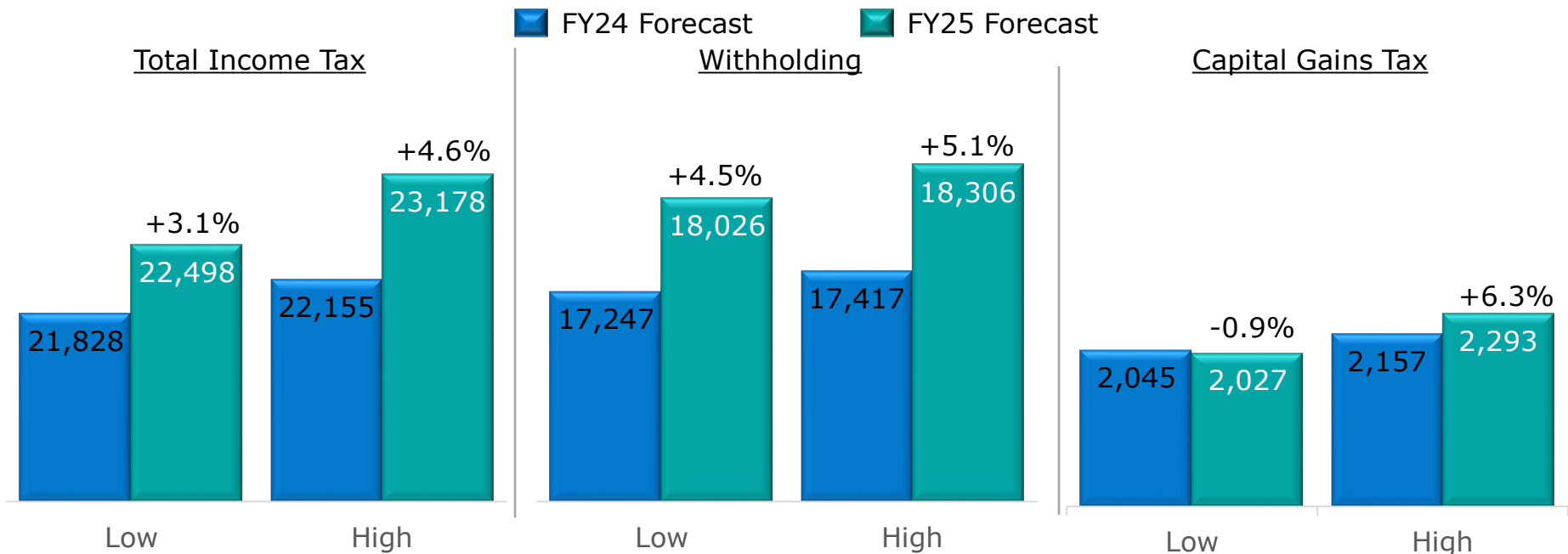
- FY24 full year benchmarks has been adjusted to reflect the impact of the recently enacted \$577M tax bill.
- Forecasts exclude one-time tax settlement and judgment payments, which DOR does not attempt to forecast.



# Fiscal Year 2025 Forecast

## Income Taxes

### FY25 Income Tax Forecast, Excluding the 4% Surtax \$ Millions



FY25 total income tax will be impacted by the 4% surtax, which we forecast to be between \$1.777 billion and \$2.127 billion.

Forecasts exclude one-time tax settlement and judgment payments, which DOR does not attempt to forecast.





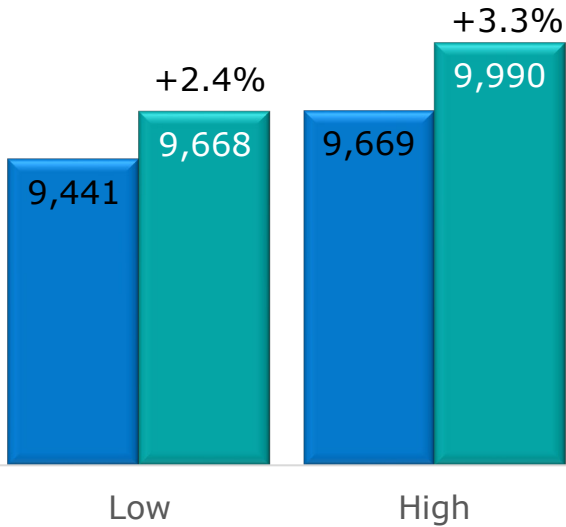
# Fiscal Year 2025 Forecast

## Sales Tax, Corporate and Business Excise, and Other Taxes

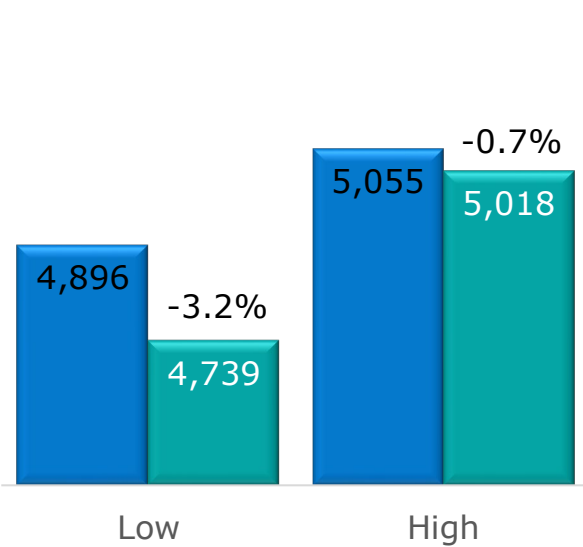
### FY25 Sales Tax, Corporate & Business Excise, and All Other Taxes \$ Millions

■ FY24 Forecast      ■ FY25 Forecast

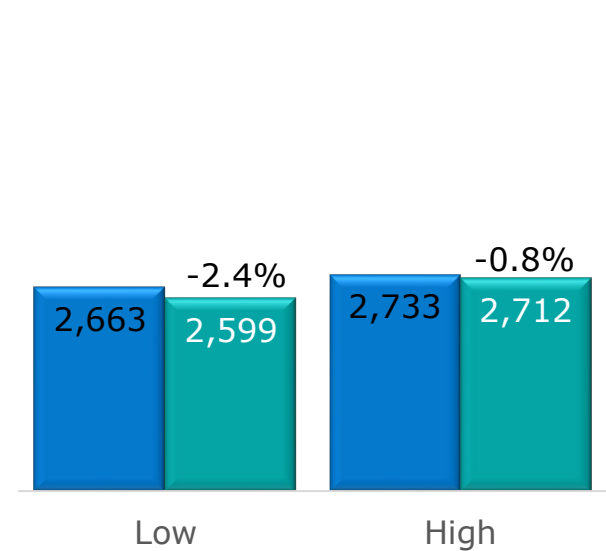
#### Sales Tax



#### Corporate & Business Excise



#### Other Taxes



Forecasts exclude one-time tax settlement and judgment payments, which DOR does not attempt to forecast.



## Fiscal Year 2024 and Fiscal Year 2025 Forecast Recap

- **FY24 revenue excluding the surtax:** forecasted to be between \$38.827 billion and \$39.611 billion, 2.5% to 0.6% less than the FY24 adjusted revenue benchmark excluding the surtax of \$39.834 billion.
- **FY25 revenue excluding the surtax:** forecasted to be between \$39.504 billion and \$40.898 billion, 1.7% to 3.2% higher than the FY24 forecast excluding the surtax.
- **Surtax:** forecasted to be between \$1.578 billion and \$2.060 billion in FY24 and \$1.777 billion and \$2.127 billion in FY25.
- **FY24 year-to-date revenue:** \$353 million below the year-to-date benchmark, driven by lower-than-expected collections in most major tax categories.
- **Massachusetts' economy:** Our vendors are projecting moderate growth in Massachusetts' economy.
- **Key risk factors:** inflation and interest rates remain high, the possibility of an extended Government shutdown, the Middle East and Russia-Ukraine conflicts, and a potential recession.
- Because of these risks, there is a significant amount of uncertainty in both the economic projections and revenue forecast.