Consensus Revenue Hearing
December 2, 2024

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Commissioner, Department of Revenue

Fiscal Year 2024 Recap

- Revenue collections for FY24 totaled $40.800 billion, $967 million above the FY24 benchmark and $1.636 billion more than FY23 collections.

- FY24 results were significantly impacted by surtax revenue.

  - DOR's estimate of surtax revenue collected in FY24 totaled $2.429 billion,
    - $1.429 billion above the FY24 surtax benchmark and
    - $2.187 billion more than surtax collections in FY23.
  - After adjusting for the surtax, revenue collections in FY24 totaled $38.371 billion,
    - $463 million below the FY24 benchmark and
    - $552 million less than the amount collected in FY23.

- DOR certified that capital gains tax revenue collected in FY24 was $2.009 billion.

We face several areas of uncertainty in FY25 and FY26

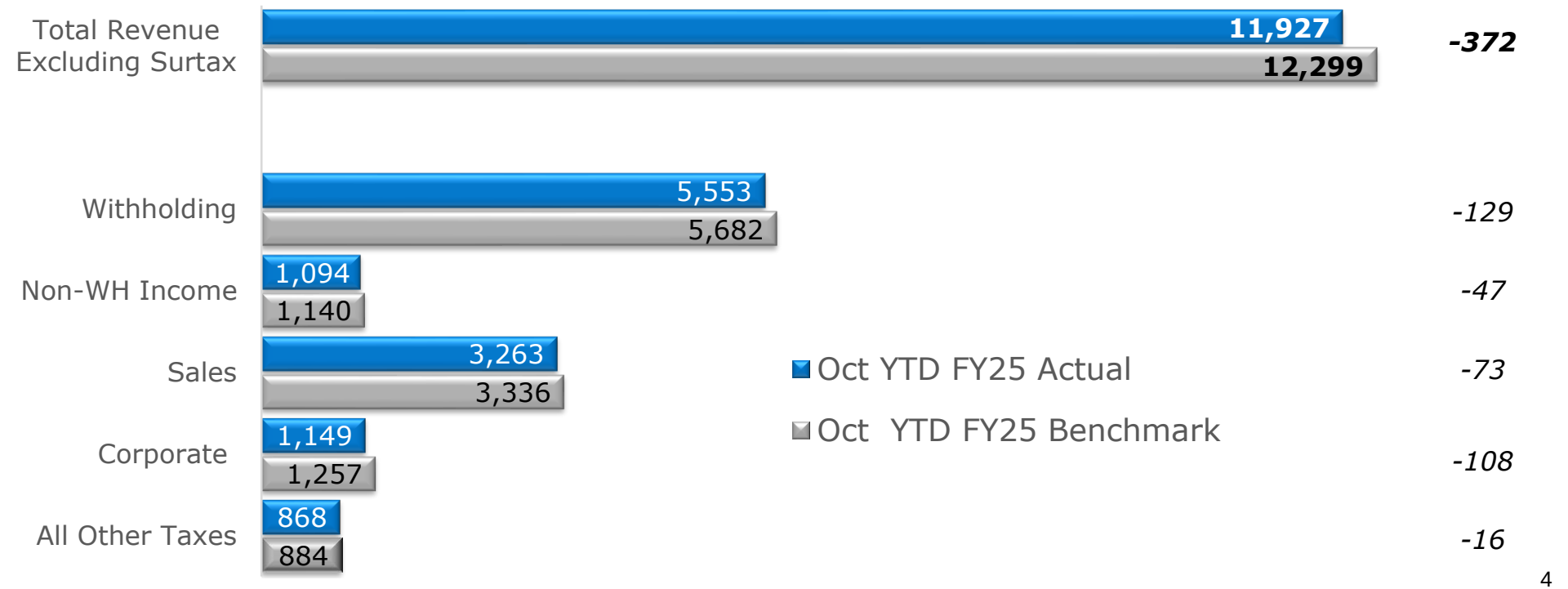
- The potential impact of President-elect Trump's full suite of policy proposals.
- The possible expiration of, or changes to, the $10,000 Federal cap on deductions of state and local taxes.
- The Middle East and Russia-Ukraine conflicts and their impact on energy prices and inflation.
- A change in the Federal Reserve's current monetary policy.
- Other significant global and political factors.

Fiscal Year 2025 Year-to-Date Collections

- October 2024 year-to-date (YTD) collections totaled $12.512 billion, $129 million below the YTD benchmark.
- Estimated YTD surtax revenue totaled $585M, $244M above the fiscal YTD benchmark.
- Adjusting for the surtax, year-to-date revenue totaled $11.927B, $372M below the fiscal YTD benchmark.

FY25 October Preliminary YTD Revenue Collections Adjusted For Surtax.

($Millions)

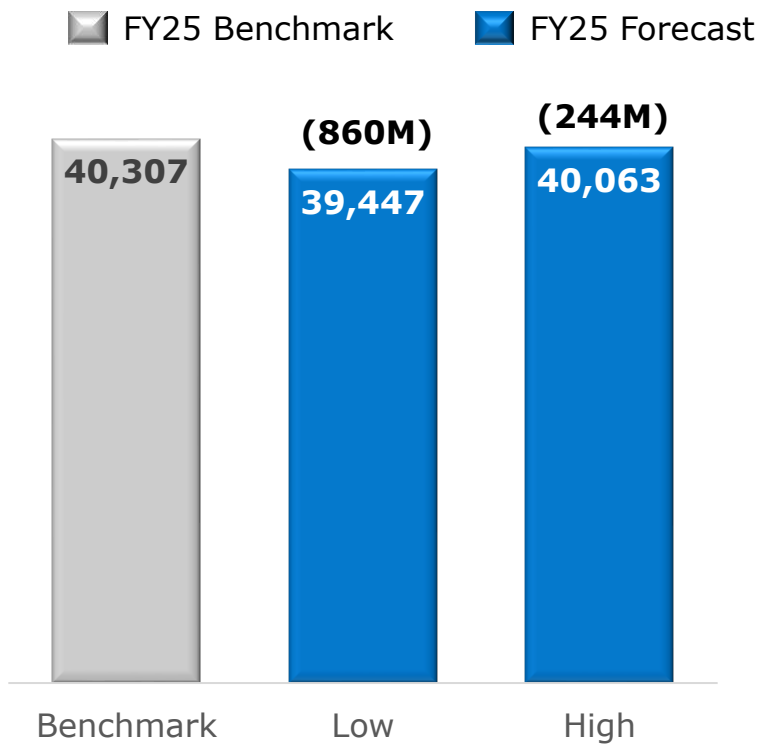


Fiscal Year 2025 And Fiscal Year 2026 Forecasts

Summary

FY25 Forecast, Excluding the 4% Surtax

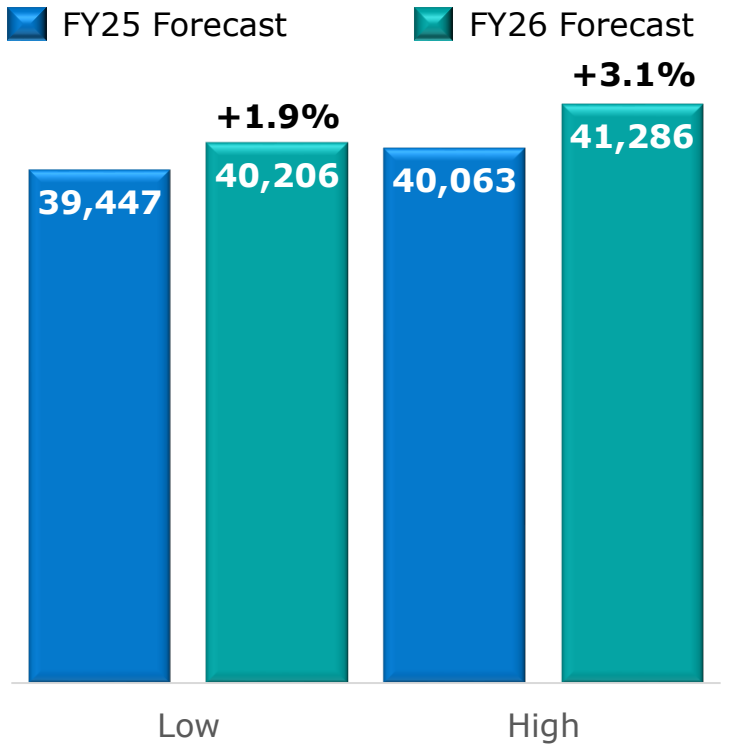
($Millions)



- FY25 surtax revenue is forecasted to be between $2.349 billion and $2.491 billion, which compares to a FY24 benchmark of $1.300 billion
- The FY25 forecast including the surtax is between $188 million and $947 million higher than the FY25 benchmark.

FY26 Forecast, Excluding the 4% Surtax

($Millions)

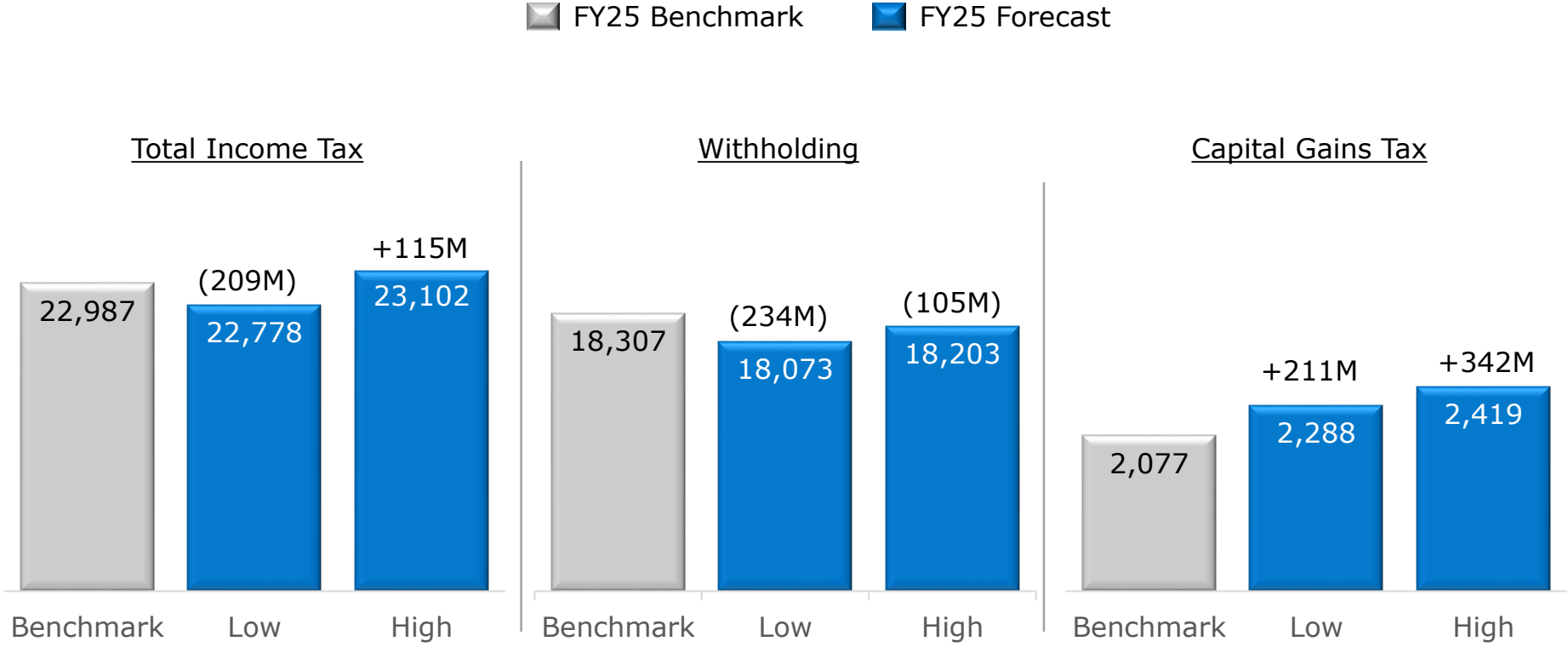


- FY26 surtax revenue is forecasted to be between $2.186 billion and $2.561 billion.
- The FY25 forecast including the surtax is between 1.4% and 3.0% higher than the FY25 forecast.

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

FY25 Income Tax Forecast, Excluding the 4% Surtax

$ Millions



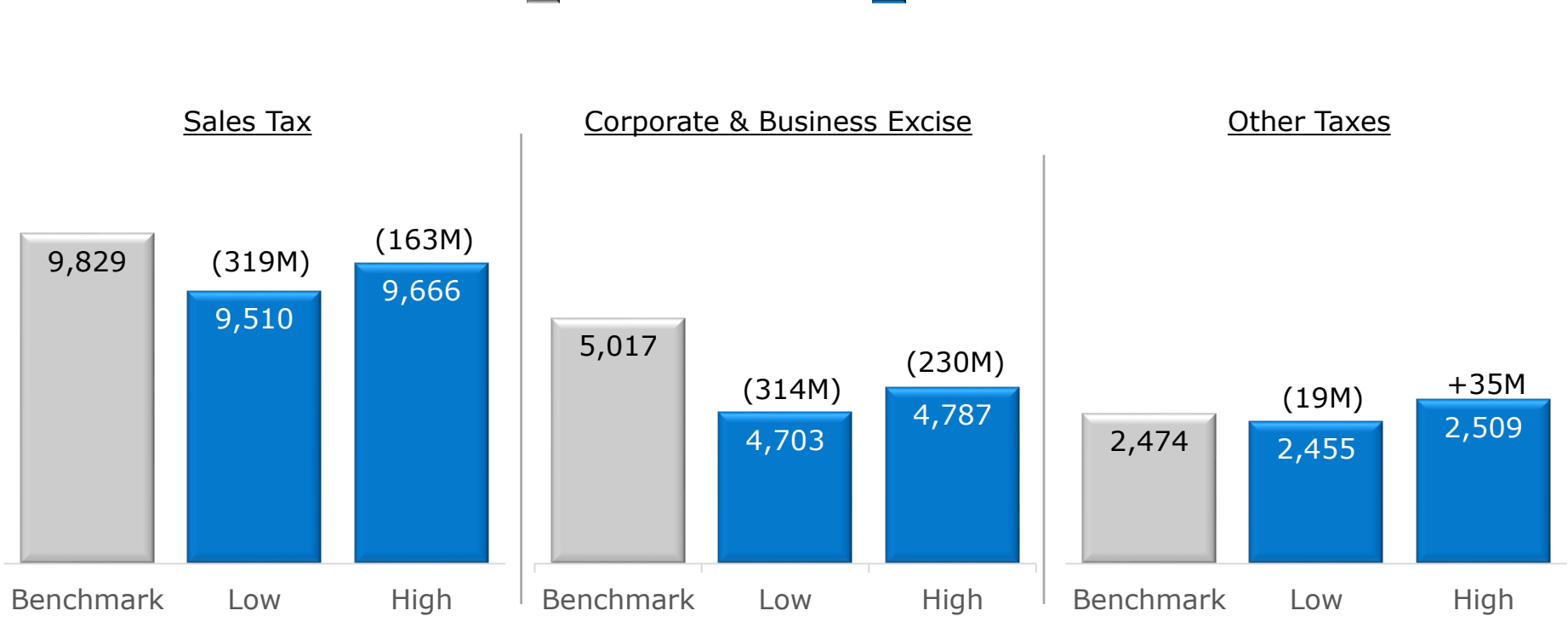
FY25 total income tax will be impacted by the 4% surtax, which we forecast to be between $2.349 billion and $2.491 billion.

Fiscal Year 2025 Forecast

Sales Tax, Corporate and Business Excise, and Other Taxes

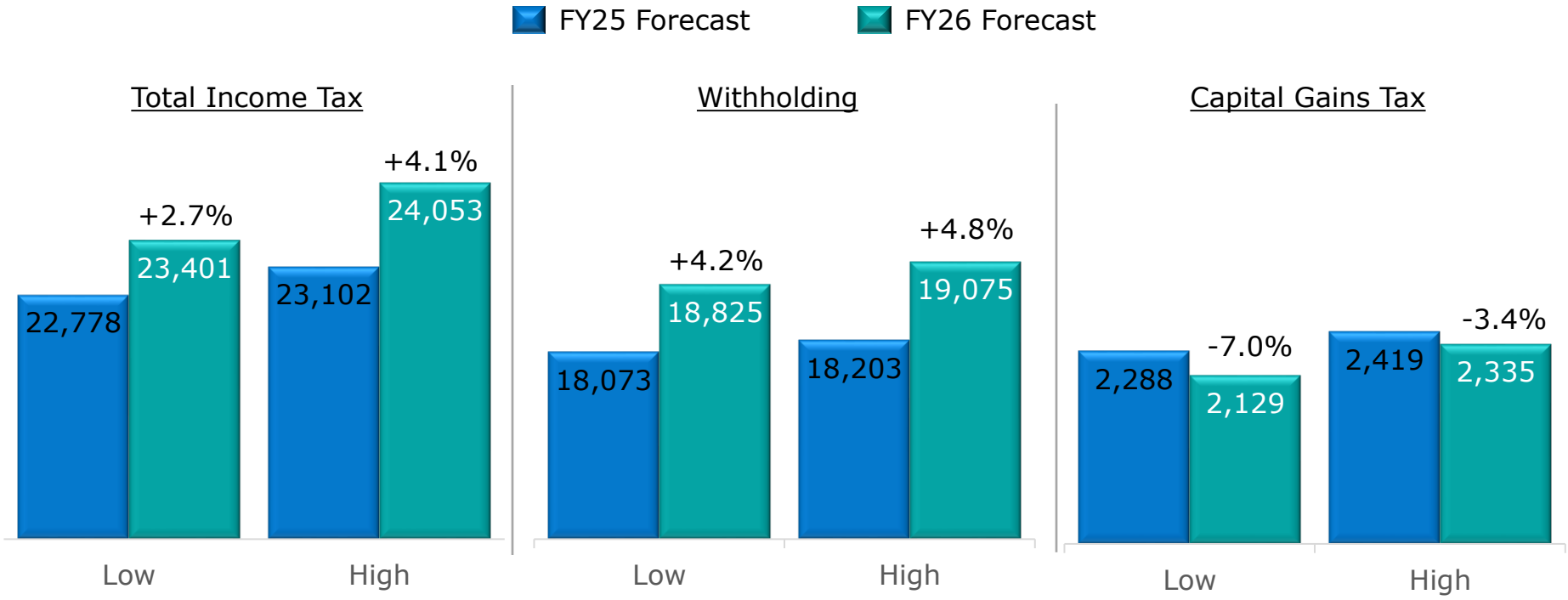
FY25 Sales Tax, Corporate & Business Excise, and All Other Taxes

$ Millions



FY26 Income Tax Forecast, Excluding the 4% Surtax

$ Millions



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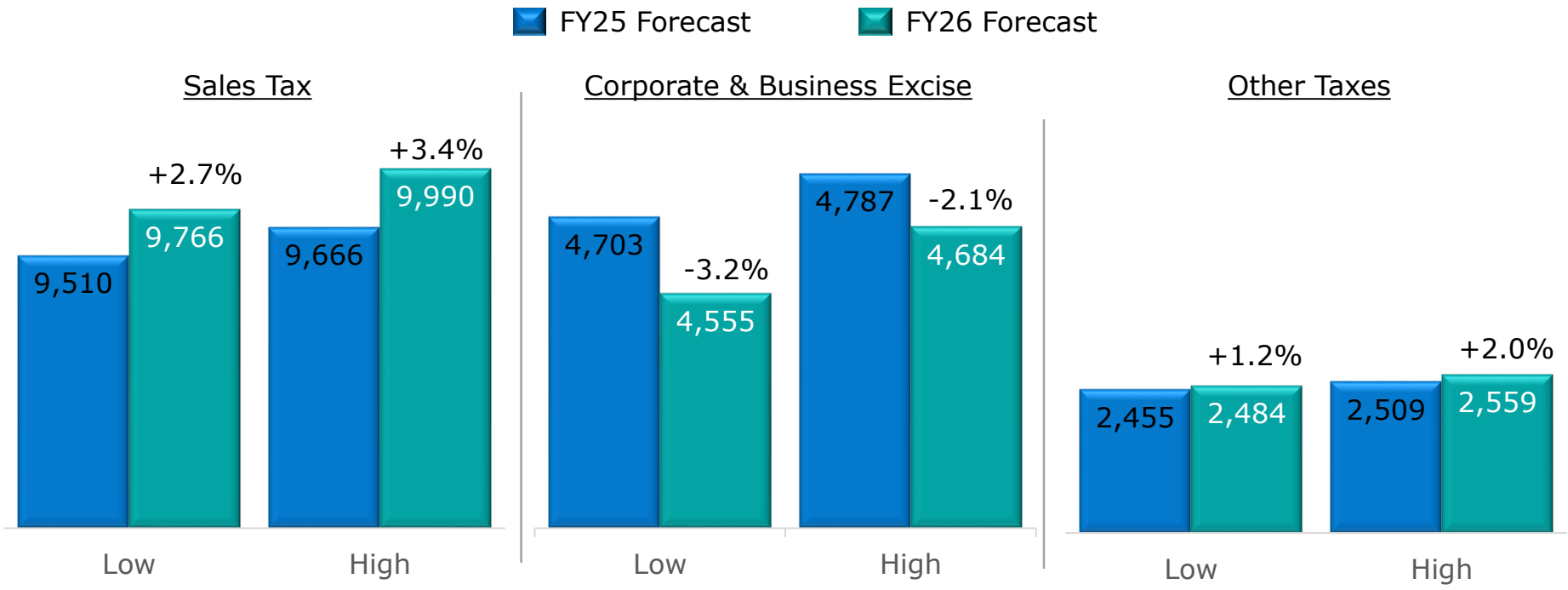
FY26 Sales Tax, Corporate & Business Excise, and All Other Taxes

$ Millions



Fiscal Year 2024 and Fiscal Year 2025 Forecast Recap

- **FY25 revenue excluding the surtax**: forecasted to be between $39.447 billion and $40.063 billion, 2.1% to 0.6% less than the FY25 revenue benchmark of $40.307 billion excluding the surtax.
- **FY26 revenue excluding the surtax**: forecasted to be between $40.206 billion and $41.286 billion, 1.9% to 3.1% higher than the FY25 forecast excluding the surtax.
- **Surtax:** forecasted to be between $2.349 billion and $2.491 billion in FY25 and $2.186 billion and $2.561 billion in FY26.
- **FY25 year-to-date revenue excluding surtax:** $372 million below the year-to-date benchmark excluding the surtax, driven by lower-than-expected collections in all major tax categories.
- **Massachusetts' economy:**
  - Recent labor market trends are characterized by slow employment growth and moderate wage growth.
  - Our vendors are projecting moderate growth in Massachusetts' economy.
- **Key risk factors:** The potential impact of President-elect Trump's policy proposals; possible changes to the $10k Federal cap on deductions of state and local taxes; the path of the Federal Reserves' monetary policy; and potential worsening of the Middle East and the Russia-Ukraine conflicts.
- Because of these risks, there is a significant amount of uncertainty in both the economic projections and revenue forecasts.