

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.



Fiscal Year 2025 and Fiscal Year 2026 Forecast

Economic and Political Factors

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.

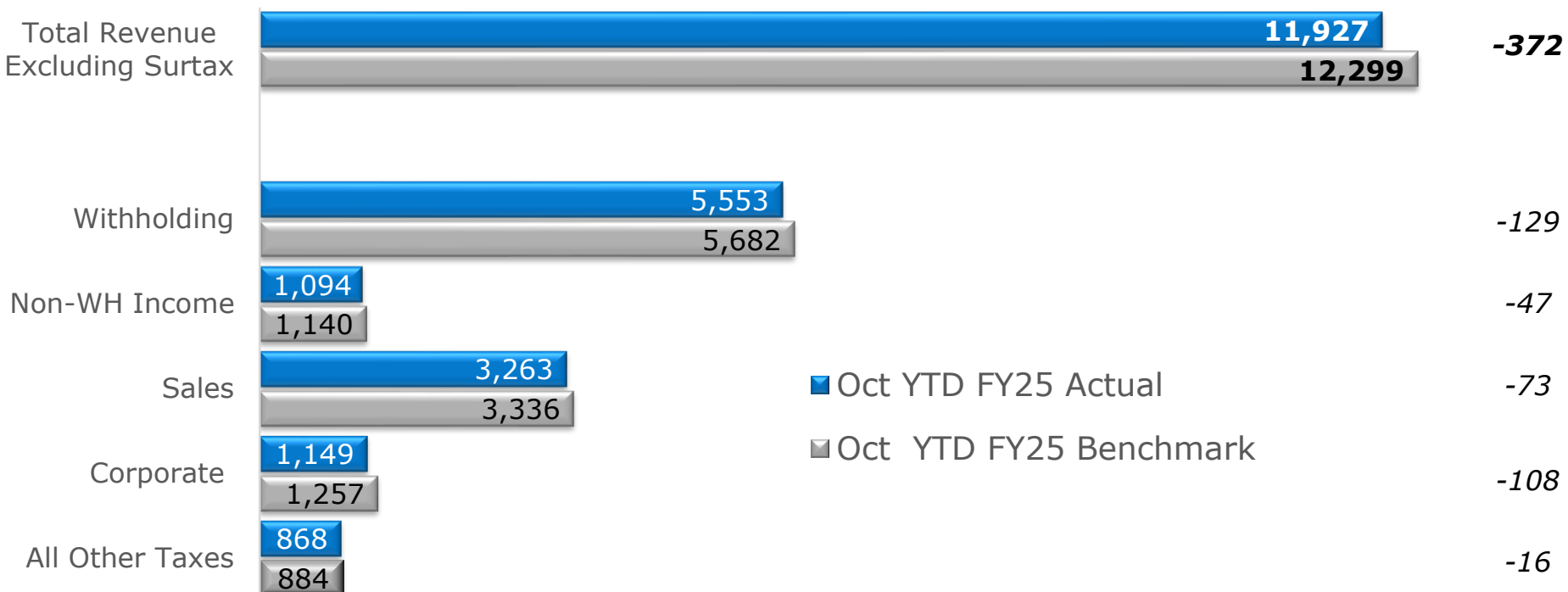


Fiscal Year 2025 Year-to-Date Collections

- 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)

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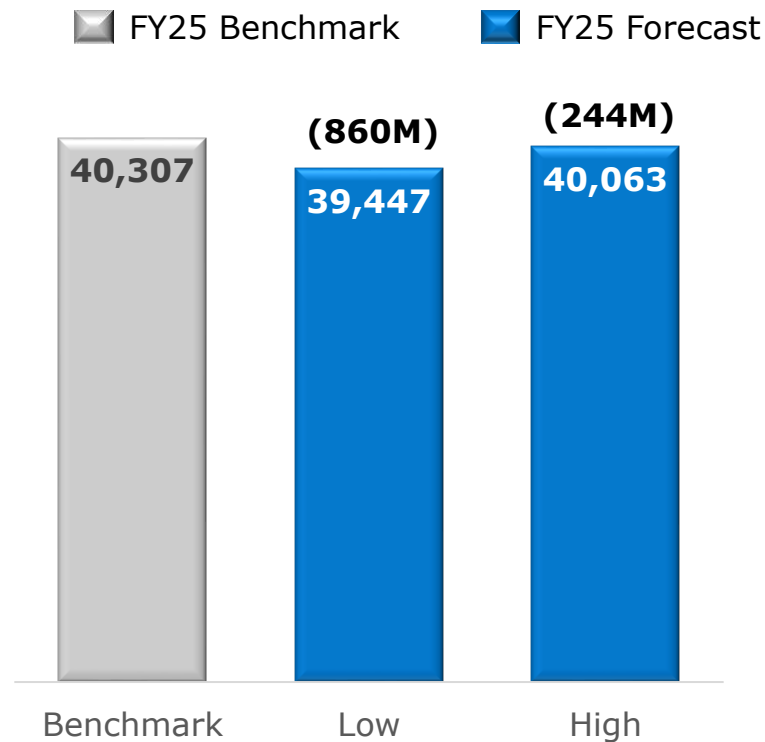




Fiscal Year 2025 And Fiscal Year 2026 Forecasts

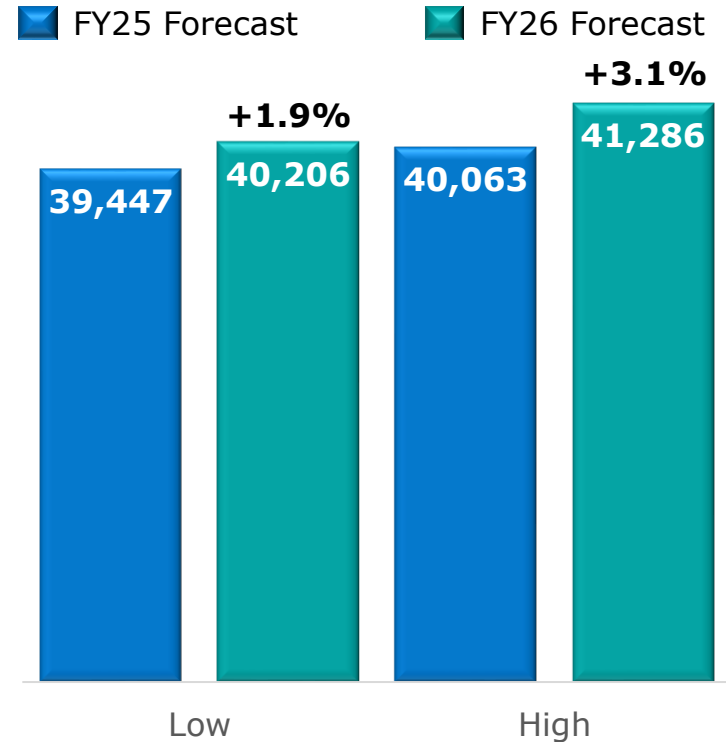
Summary

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.



Fiscal Year 2025 Forecast

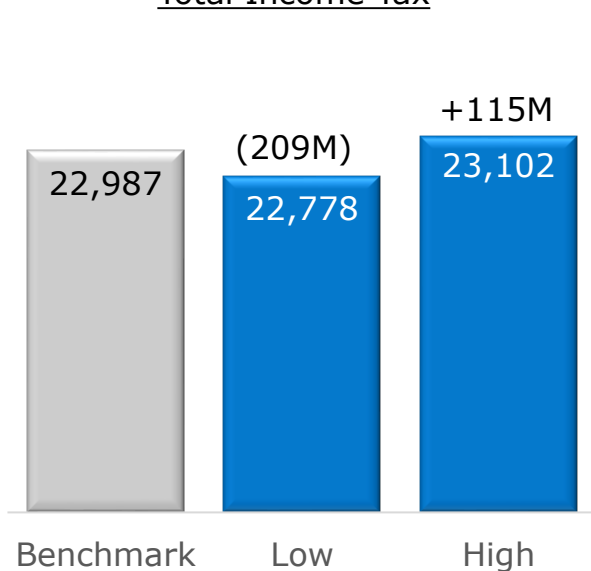
Income Taxes

FY25 Income Tax Forecast, Excluding the 4% Surtax

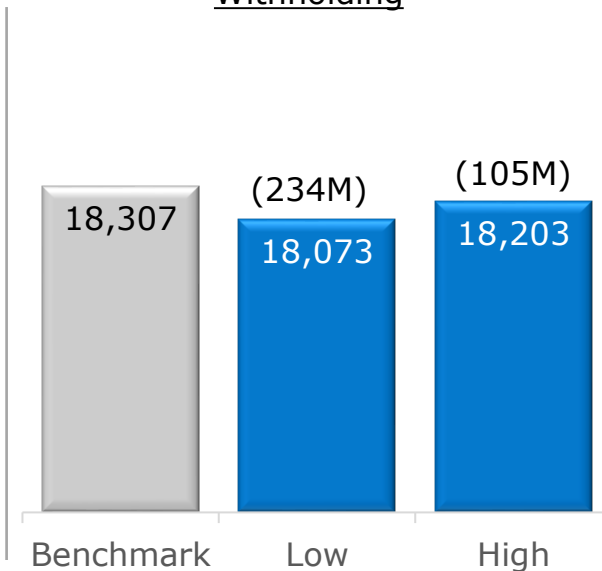
\$ Millions

■ FY25 Benchmark ■ FY25 Forecast

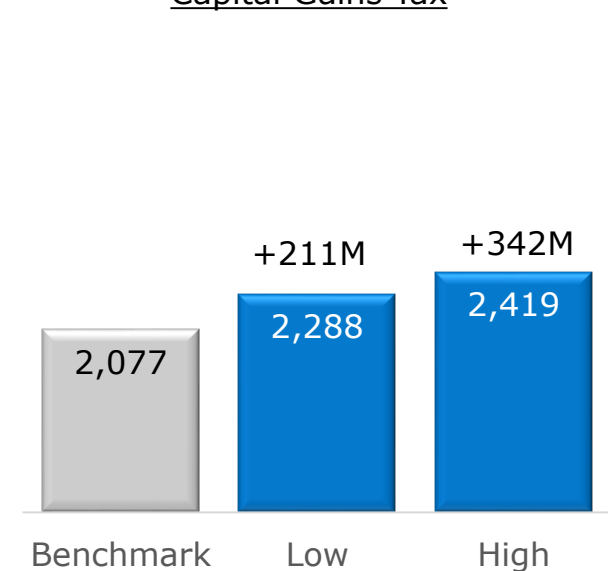
Total Income Tax



Withholding



Capital Gains Tax



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

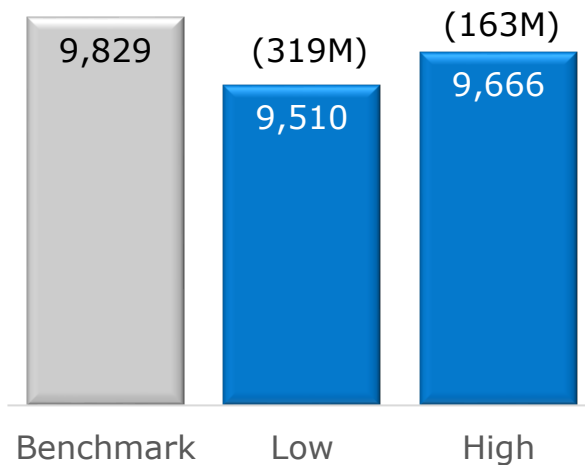
Sales Tax, Corporate and Business Excise, and Other Taxes

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

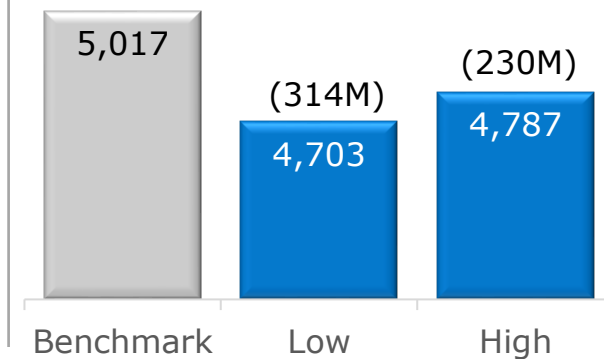
\$ Millions

■ FY25 Benchmark ■ FY25 Forecast

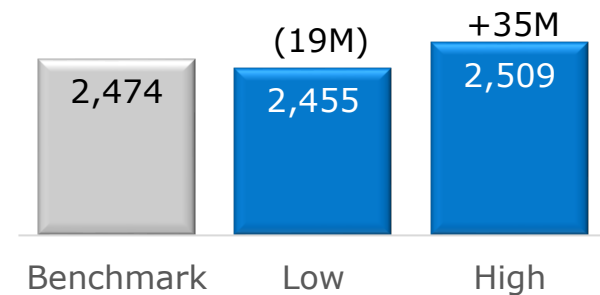
Sales Tax



Corporate & Business Excise



Other Taxes





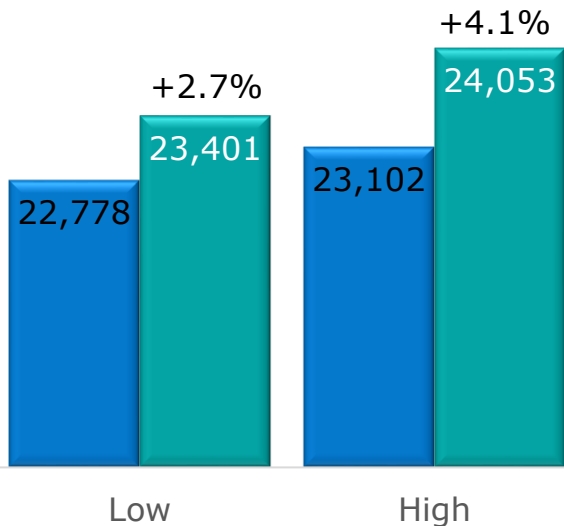
Fiscal Year 2026 Forecast

Income Taxes

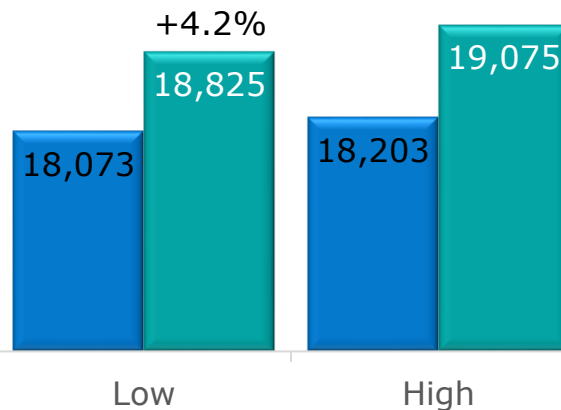
FY26 Income Tax Forecast, Excluding the 4% Surtax \$ Millions

■ FY25 Forecast ■ FY26 Forecast

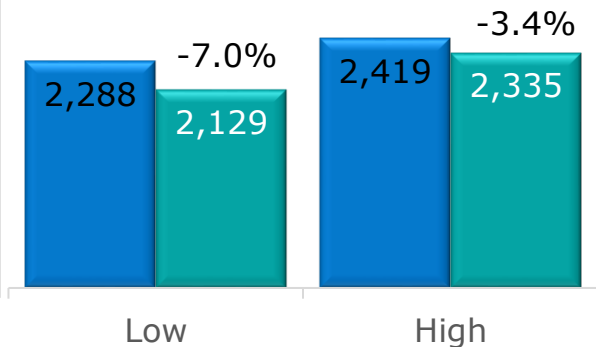
Total Income Tax



Withholding



Capital Gains Tax



FY26 total income tax will be impacted by the 4% surtax, which we forecast to be between \$2.186 billion and \$2.561 billion.



Fiscal Year 2026 Forecast

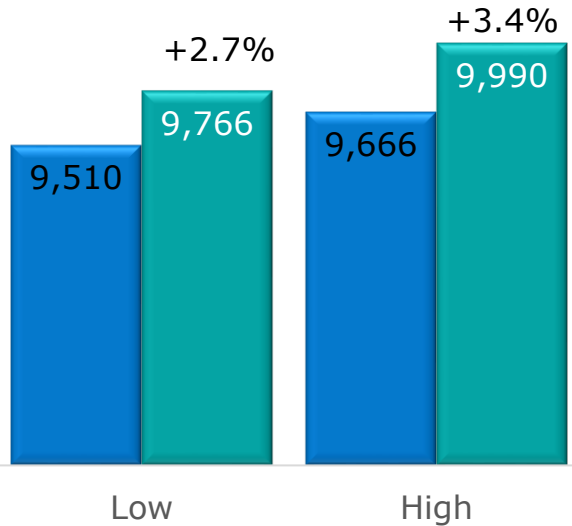
Sales Tax, Corporate and Business Excise, and Other Taxes

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

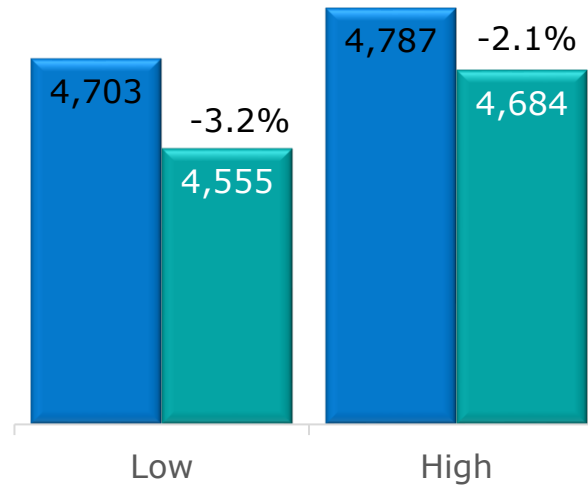
\$ Millions

 FY25 Forecast  FY26 Forecast

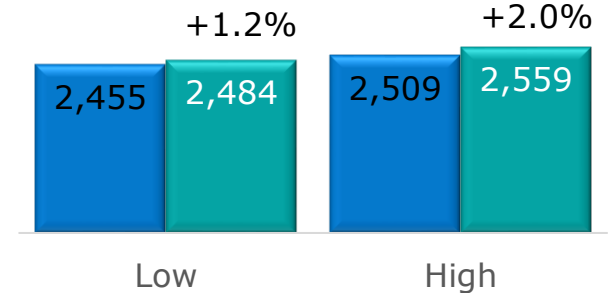
Sales Tax



Corporate & Business Excise



Other Taxes





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.