



AMY PITTER
COMMISSIONER

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

December 19, 2012

The Honorable Brian S. Dempsey, 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 Stephen M. Brewer, 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 Section 6 of Chapter 14 of the General Laws¹, the Department of Revenue hereby submits its mid-month tax revenue report for the month of December 2012. The attached table shows December 2012 month-to-date and FY2013 year-to-date tax revenue collections through December 14, 2012, along with the dollar and percentage changes from the same collection period in December 2011. Also shown are the percentage growth amounts for the full month of December 2012 and for FY2013 year-to-date through the end of December 2012 that were assumed in the benchmarks corresponding to the FY2013 tax revenue estimate of \$21.496 billion, which was revised by the Executive Office for Administration and Finance on December 4, 2012.

¹ <http://www.malegislature.gov/Laws/GeneralLaws/PartI/TitleII/Chapter14/Section6>

December is a significant tax collection month, as withholding reflects end-of-year bonuses, the final corporate and business quarterly estimated payments of the tax year are due for most corporations, and in the last week of the month individual income taxpayers begin to remit their final estimated payments of the year (which are not due until January 15th, but are paid by many taxpayers in December so that they can deduct the payments on the current tax year's federal income tax returns). The December monthly benchmark corresponding to the revised FY2013 revenue estimate of \$21.496 billion assumes revenue collections of \$2.013 billion, an increase of \$46 million, or 2.3% actual, and an increase of \$75 million, or 3.8% baseline from December 2011 collections. There are several tax law changes (e.g., the incremental impact of the cut in the corporate and financial institutions tax rates, the impact of income tax rate reduction from 5.3% to 5.25%, etc.), and other factors (one time revenues in excess of \$17 million which were received last December, but are assumed not to repeat this December, and the fact that this December has one fewer deposit day than last December) that are assumed to affect revenues.

Through December 14, 2012, month-to-date tax collections total \$701 million, up \$126 million, or 21.8% from the same period last December, compared to the benchmark estimate that projects an increase of \$46 million for the full month. The month-to-date growth is primarily due to strong withholding collections and corporate and business cash estimated payments compared to December 2011 (see below for further information).

It is still early in the month for month-to-date collections to be meaningful (more than 60% of the December collections typically come in during the second half of the month).

Month-to-date income tax collections through December 14, 2012 totaled \$478 million, up \$76 million, or 18.8% from the same period in December 2011. Month-to-date withholding taxes through December 14, 2012 totaled \$453 million, up \$84 million, or 22.8% from the same period in December 2011, compared to the benchmark estimate that projects an increase of \$30 million for the full month. Although withholding collections have been strong so far, some of the growth could be timing related (an offsetting slowdown during the second half of the month is a possibility). Some of the growth could also be related to early receipt of bonus related payments (assuming that many companies are moving their bonus payments to 2012 from 2013 due to the uncertainty about next year's federal tax laws), which typically begin to come in during the last week of December. It is not possible to determine how much of, if any, December withholding collections are bonus related at this time as the bonus season extends well into the next year.

Month-to-date income tax cash estimated payments totaled \$23 million, down \$1 million, or 4.0% from December 2011, with the full month benchmark projecting growth of \$9 million, or 4.8% from December 2011. It is too early in the month for the month-to-date income estimated payments to be meaningful as individual income taxpayers begin to send their final estimated payments of the year in the last week of the month. We do not know how (or if) companies, shareholders, and other individual taxpayers have been responding to possible (federal) rate increases that could occur as of January 1, 2013. It is possible that individual income taxpayers could have more dividend or capital gains related income this year relative to last year and in turn begin remitting estimated taxes on such income starting this month. This could result in a surge in income estimated payments this December and in January. Additional estimated payments and payments with returns and extensions during the filing season for the 2012 tax year, which usually start in January and continues through May or June, could also be affected.

It is possible that acceleration in bonus and investment related income (capital gains, dividends) due to the uncertainty about next year's federal tax laws could result in higher December (and January) revenues than projected in the benchmark. It is also possible that some of that increase could mean lower revenues in subsequent months of this fiscal year, depending on how taxpayers perceive and respond to such uncertainties and timing related factors, which cannot easily be identified at this time.

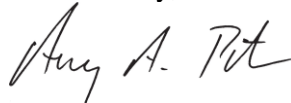
Corporate and business taxes are projected to total \$265 million, up \$11 million from December 2011. As of December 14, 2012, corporate and business tax collections totaled \$125 million, up \$57 million from the same period in December 2011. Month-to-date corporate and business cash estimated payments total \$125 million, up \$64 million from the same period last December, compared to the full month benchmark projecting a growth of \$10 million. There seems to be an acceleration in corporate cash estimated payments which are coming a bit earlier than usual. It is possible that this growth could be offset by slowdown of such payments during the second half of the month. Corporate and business cash refunds total \$16 million, up \$9 million from the same period last December.

December sales tax is projected to total \$418 million, a decline of \$8 million, or 1.9% actual, and an increase of \$12 million or 2.8% baseline from December 2011. December 14th was too early in the month for sales tax trends to be meaningful, as monthly sales tax payments (other than those for motor vehicle sales tax) are not due until December 20th. Through December 14th, month-to-date sales tax collections totaled \$58 million, down \$3 million from the same period last December.

Monthly motor fuels and rooms tax payments are due on December 20th. There may be 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 December 14th 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 December 2011 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 Kazim P. Ozyurt, Director of the Office of Tax Policy Analysis (at 626-2100).

Sincerely,



Amy Pitter
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 Katherine Clark, Senate Chair, Joint Committee on Revenue
Representative Bradley H. Jones, Jr., House Minority Leader
Senator Bruce Tarr, Senate Minority Leader
Steven Grossman, Treasurer and Receiver General

Mid-Month Tax Collection Report for December 2012 (in \$ Millions)

Tax Collections as of December 14, 2012, Compared to Same Collection Period in FY2012 and to the revised FY2013 Tax Revenue Estimate of \$21.496 Billion

	----- Month of December -----						----- FY13 Year-to-Date -----					
	12/12 MTD Collections	12/12 MTD v. 12/11 MTD \$ Change	12/12 MTD v. 12/11 MTD % Change	12/12 Full Month Benchmark (*)	% Growth from 12/12 Assumed in Monthly Benchmark	\$ Needed to Reach 12/12 Full Month Benchmark (*)	12/12 FY13 YTD Collections	12/12 FY13 YTD \$ Change	12/12 FY13 YTD % Change	FY13 YTD Benchmark (*)(**)	% Growth from 12/12 Assumed in FY13 YTD Benchmark	\$ Needed to Reach FY13 YTD Benchmark (*)(**)
Income - Total	478	76	18.8%	1,185	3.7%	708	4,938	178	3.7%	5,645	2.6%	708
Income Withholding	453	84	22.8%	961	3.3%	507	4,343	133	3.2%	4,850	1.7%	507
Income Est. Payments (Cash)	23	(1)	(4.0%)	202	4.8%	179	545	27	5.1%	723	5.4%	179
Income Returns/Bills	10	(4)	(28.6%)	28	11.5%	18	234	21	10.1%	252	12.6%	18
Income Refunds (Cash)	9	4	73.0%	5	(0.1%)	(4)	188	8	4.6%	184	2.6%	(4)
Sales & Use - Total	58	(3)	(5.4%)	418	(1.9%)	361	2,224	58	2.7%	2,585	2.1%	361
Sales - Regular	25	(5)	(16.0%)	297	(3.5%)	272	1,507	24	1.6%	1,779	1.0%	272
Sales - Meals	9	2	20.9%	71	4.5%	62	416	24	6.2%	477	5.7%	62
Sales - Motor Vehicles	23	(0)	(0.2%)	50	(0.5%)	27	302	10	3.3%	329	2.9%	27
Corporate & Business - Total	125	57	83.6%	265	4.3%	140	640	(72)	(10.1%)	780	(13.1%)	140
All Other	40	(4)	(8.8%)	145	0.4%	104	802	(13)	(1.6%)	906	(1.0%)	104
Total Tax Collections	701	126	21.8%	2,013	2.3%	1,312	8,604	151	1.8%	9,916	0.7%	1,312

(*) Benchmarks are based on the revised FY13 tax revenue estimate of \$21.496 billion

(**) Year-to-date benchmarks are year-to-date full month benchmark totals (i.e., sum of July through November actual, and December benchmark)

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