



Christopher C. Harding
Commissioner

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

February 21, 2018

The Honorable Jeffrey Sanchez, Chair
House Committee on Ways and Means
State House
Room 243
Boston, MA 02133

The Honorable Todd M. Smola, Representative
House Committee on Ways and Means
State House
Room 124
Boston, MA 02133

The Honorable Karen E. Spilka, Chair
Senate Committee on Ways and Means
State House
Room 212
Boston, MA 02133

The Honorable Viriato M. deMacedo, Senator
Senate Committee on Ways and Means
State House
Room 313C
Boston, MA 02133

Honorable Chairs and Ranking Minority Members of the Committees on Ways and Means:

Pursuant to Section 6 of Chapter 14 of the General Laws¹, the Department of Revenue (DOR) hereby submits its mid-month tax revenue report for the month of February 2018. The attached table shows February month-to-date tax revenue collections through February 15, 2018, along with changes from the equivalent period in February 2017.

Revenue collections are uneven and weighted toward month-end, and the brief period covered in the mid-month does not provide sufficient data for comparison to prior years. **Therefore, the Department strongly urges that mid-month figures should not be used to assess trends or project future revenues.**

Context for February estimates

February has historically been the lowest month for revenue, contributing less than 6% of annual collections. Neither individual nor business taxpayers are required to make estimated payments during the month. In addition, February tends to be the lowest month of the year for sales & use tax collections.

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

Finally, as tax filing season gains momentum, February is the first month in which refunds reach substantial levels, reducing the overall net revenue figure.

Highlights

- **Total Tax** collections for the month-to-date period were \$543 million, down \$64 million or 10.5% versus the same period last year.
- **Income Taxes** totaled \$358 million, down \$87 million or 19.5% from the equivalent period in February 2017.
- **Sales & Use Tax** collections were \$91 million at mid-month, which is \$13 million or 16.4% more than the 2017 figure. Regular Sales and Meals Tax revenues are heavily weighted toward the second part of the month, so the mid-month revenue figure is not predictive.
- **Corporate & Business Taxes** collections for the month were -\$5 million, an outflow for the month, which is \$9 million less than the same period last year.
- **Other Taxes** totaled \$98 million at February mid-month, which is \$19 million or 23.9% more than the 2017 figure.

Detail

Total Income Tax of \$358 million for mid-month February comprises the following:

- **Withholding** of \$554 million, up \$38 million from mid-month February 2017.
- **Estimated Payments** of \$7 million, down \$6 million versus the same period last year.
- **Returns/Bills** of \$18 million, almost no change from the same period last year.
- **Refunds** for the February 2018 month-to-date period were \$221 million, which is \$118 million more than the same period last year (unfavorable variance). The tax filing season effectively commences in February, and it is normal for the timing of returns and refunds to fluctuate on year-to-year basis

Sales & Use Tax collections of \$91 million for the February month-to-date period are \$13 million or 16.4% more than the equivalent period last year. Only a small proportion of expected Regular Sales and Meals remittances are received by the mid-month date (the bulk of these payments are expected on or after the 20th).

- The \$47 million in Regular Sales Tax collections is \$10 million more than the same month-to-date period in 2017.
- Meals Tax revenues of \$11 million month-to-date are \$2 million more than the February month-to-date period last year.
- Vehicle Tax revenues of \$33 million for the month-to-date period are \$1 million above the equivalent 2017 figure.

Corporate & Business revenues were a \$5 million outflow in the month-to-date period, which is \$9 million unfavorable to the same period in February 2017. February is a minor month for corporate revenues, so the processing of refunds can result in a negative net figure.

All Other includes a number of tax categories including motor fuels, cigarettes, estate taxes, deeds, and others. Revenues of \$98 million for the month-to-date period were \$19 million more than mid-month February 2017.

Because collections are weighted to the end of the month, we do not use the mid-month figures to project full-month revenue. Comparisons to prior-year periods are unreliable because of normal fluctuations and calendar differences in the short 15-day window of incremental data.

If you have any questions concerning this report, please contact either me (617-626-2201) or Kazim P. Ozyurt, Director of the Office of Tax Policy Analysis (617-626-2100).

Sincerely,



Christopher C. Harding
Commissioner

Attachment

Cc: Michael J. Heffernan, Secretary of Administration and Finance
Representative Robert A. DeLeo, House Speaker
Senator Harriette L Chandler, Senate President
Representative Jay R. Kaufman, House Chair, Joint Committee on Revenue
Senator Michael D. Brady, Senate Chair, Joint Committee on Revenue
Representative Bradley H. Jones, Jr., House Minority Leader
Senator Bruce Tarr, Senate Minority Leader
Deborah B. Goldberg, Treasurer and Receiver General

Mid-Month Tax Collection Report for February 2018 (in \$ millions)

Tax Collections as of February 15, 2018, Compared to Same Collection Period in FY2017

	<u>February (Through February 15th)</u>			<u>FY18 YTD (Through February 15th)</u>		
	02/2018 MTD Actual Collections	02/2018 MTD v. 02/2017 MTD \$ Fav/(Unfav)	02/2018 MTD v. 02/2017 MTD % Fav/(Unfav)	02/2018 YTD Actual Collections	02/2018 YTD v. 02/2017 YTD \$ Fav/(Unfav)	02/2018 YTD v. 02/2017 YTD % Fav/(Unfav)
Income						
Income Withholding	554	38	+7.3%	7,897	393	+5.2%
Income Est. Payments	7	(6)	-48.1%	2,277	654	+40.3%
Income Returns/Bills	18	(0)	-1.1%	367	44	+13.6%
Income Refunds Net (outflow)	(221)	(118)	-114.5%	(555)	(170)	-44.3%
Subtotal Income	358	(87)	-19.5%	9,986	921	+10.2%
Sales & Use						
Sales - Regular	47	10	+27.1%	2,700	88	+3.4%
Sales - Meals	11	2	+15.6%	715	32	+4.7%
Sales - Motor Vehicles	33	1	+4.0%	512	10	+2.0%
Subtotal Sales & Use	91	13	+16.4%	3,927	131	+3.4%
Corporate & Business - Total	(5)	(9)	NA	1,093	52	+5.0%
All Other	98	19	+23.9%	1,434	52	+3.8%
Total Tax Collections	543	(64)	-10.5%	16,441	1,156	+7.6%

It would not be advisable to use this data to predict trends.

At the time of the mid-month estimate, the available tax collection data is too early to provide a reliable estimate of full-month results.