



Christopher C. Harding
Commissioner

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

January 18, 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 January 2018. The attached table shows January month-to-date tax revenue collections through January 12, 2018, along with changes from the equivalent period in January 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 January estimates

In recent years, January has contributed an average of 10% of total annual revenues, ranking number three among the twelve months of the year for share of collections. In general, Quarterly Estimated Payments for individuals are due in January, but many individuals also probably choose to make payments in

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

December in order to gain a deduction on their federal taxes for the ending tax year. The payment patterns of this year's estimated payments since December 1st have been unusually different than prior years. As indicated in the December revenue release, we saw a significant uptick in estimated payments compared to the prior Decembers; this trend seems to have continued through the January 12th. According to public reports, this is a trend that has also materialized in other states, and it remains possible that the accelerated payments could result in lower-than-anticipated revenue in future months.

Highlights

- **Total Tax** collections for the month-to-date period were \$1.507 billion, up \$392 million or 35.1% versus the same period last year.
- **Income Taxes** totaled \$1.35 billion, up \$366 million or 37.1% from the equivalent period in January 2017.
- **Sales & Use Tax** collections were \$59 million at mid-month, which is \$9 million or 13.9% less 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 \$30 million, which is \$26 million or, 546.5% more than the same period last year.
- **Other Taxes** totaled \$67 million at January mid-month, which is \$10 million or 17.5% more than the 2017 figure.

Detail

Total Income Tax of \$1.35 billion for mid-month January comprises the following:

- **Withholding** of \$559 million, down \$50 million from mid-month January 2017. Too soon to determine if the MTD decline in withholding is due to timing-related factors at this time.
- **Estimated Payments** of \$767 million, up \$412 million versus the same period last year.
- **Returns/Bills** of \$22 million, down \$1 million from the same period last year.
- **Refunds** for the January 2018 month-to-date period were -\$2 million, which is \$4 million less than the same period last year (favorable variance).

Sales & Use Tax collections of \$59 million for the January month-to-date period are \$9 million or 13.9% less 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 \$24 million in Regular Sales Tax collections is \$4 million less than the same month-to-date period in 2017.
- Meals Tax revenues of \$8 million month-to-date are \$1 million less than the January month-to-date period last year.
- Vehicle Tax revenues of \$27 million for the month-to-date period are \$4 million below the equivalent 2017 figure.

Corporate & Business revenues were \$30 million for the month-to-date period, which is \$26 million or 546.5% more than the same period in January 2017.

All Other includes a number of tax categories including motor fuels, cigarettes, estate taxes, and deeds. Revenues of \$67 million for the month-to-date period were \$10 million more than mid-month January 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, Acting 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 January 2018 (in \$ millions)
Tax Collections as of January 12, 2018, Compared to Same Collection Period in FY2017

	<u>Tax Collections Through January 12</u>			<u>FY18 YTD Through January 12</u>		
	01/2018 MTD Actual Collections	01/2018 MTD v. 01/2017 MTD \$ Fav/(Unfav)	01/2018 MTD v. 01/2017 MTD % Fav/(Unfav)	01/2018 YTD Actual Collections	01/2018 YTD v. 01/2017 YTD \$ Fav/(Unfav)	01/2018 YTD v. 01/2017 YTD % Fav/(Unfav)
Income						
Income Withholding	559	(50)	-8.3%	6,768	327	+5.1%
Income Est. Payments	767	412	+116.3%	2,107	802	+61.5%
Income Returns/Bills	22	(1)	-3.2%	324	42	+14.7%
Income Refunds Net (outflow)	2	4	NA	(326)	(55)	-20.3%
Subtotal Income	1,350	366	+37.1%	8,873	1,116	+14.4%
Sales & Use						
Sales - Regular	24	(4)	-15.0%	2,225	77	+3.6%
Sales - Meals	8	(1)	-9.5%	615	25	+4.2%
Sales - Motor Vehicles	27	(4)	-14.0%	442	4	+0.9%
Subtotal Sales & Use	59	(9)	-13.9%	3,282	105	+3.3%
Corporate & Business - Total	30	26	+546.5%	1,074	103	+10.7%
All Other	67	10	+17.5%	1,200	32	+2.7%
Total Tax Collections	1,507	392	+35.1%	14,430	1,357	+10.4%

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.