



Christopher C. Harding
Commissioner

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House Committee on Ways and Means
State House
Room 243
Boston, MA 02133

Senate Committee on Ways and Means
State House
Room 413-A
Boston, MA 02133

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 2019, the seventh month of fiscal year 2019. The attached table shows January 2019 month-to-date tax revenue collections through January 15, 2019, along with changes from the equivalent period in January 2018.

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 urges that mid-month figures should not be used to assess trends or project future revenues.

Context for January revenues

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. Quarterly Estimated Payments for individuals are due in January.

The timing of federal tax reform has made the flow of Estimated Payments in the months of December and January less predictable. In December 2017, many taxpayers made significant early payments on their January tax bill, seeking to take advantage of the final year of full deductibility of state taxes. The current cycle (December 2018 and January 2019) is the first year under the new federal tax code, which places a limit on the deductibility of state taxes; the impact this will have on the timing of Estimated Payments is uncertain.

Further, because the due date for Estimated Payments coincides with the date of this report (January 15), only a portion of Estimated Payments are received and processed by this date.

Highlights

- **Total Tax** collections for the month-to-date period were \$1.118 billion, down \$531 million or 32.2% versus the same period in January 2018.

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

- **Income Taxes** totaled \$905 million, down \$531 million or 37.0% versus the same period in January 2018.
- **Sales & Use Tax** collections were \$90 million, up \$9 million or 10.8% versus the same period in January 2018.
- **Corporate & Business Taxes** were \$61 million, up \$13 million versus the same period in January 2018.
- **Other Taxes** totaled \$63 million, down \$23 million versus the same period in January 2018.

Detail

Total Income Tax of \$905 million for mid-month January comprises the following:

- **Withholding** of \$566 million, down \$24 million from mid-month January 2018.
- **Estimated Payments** of \$328 million, down \$489 million from mid-month January 2018. Note: Estimated Payment revenue recognized in early January 2018 was unusually high because of federal tax reform. The timing of payments in January 2019 will remain unclear until month-end.
- **Returns/Bills** of \$16 million, down \$10 million from mid-month January 2018.
- **Refunds** of \$6 million, up \$7 million from mid-month January 2018. Because refunds are an outflow, this represents a negative variance from the prior year.

Sales & Use Tax collections of \$90 million for the January month-to-date period are \$9 million or 10.8% more than the equivalent period last year. Only a small proportion of expected Regular Sales and Meals tax remittances, subcategories of Sales & Use Tax, are received by the mid-month date; the bulk of these payments are expected on or after the 20th of the month.

- \$39 million in Regular Sales Tax collections, up \$3 million from mid-month January 2018.
- \$14 million in Meals Tax revenues, up \$3 million from mid-month January 2018.
- \$37 million in Motor Vehicle Sales Tax revenues, up \$3 million from mid-month January 2018.

Corporate & Business tax revenues were \$61 million, up \$13 million from mid-month January 2018.

All Other includes a number of tax categories including motor fuels, cigarettes, estate taxes, and deeds. All other revenues were \$63 million, down \$23 million from mid-month January 2018. Some of the decrease in all other is timing related and may improve in the remainder of the month.

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,

A handwritten signature in black ink, appearing to read 'CH', is positioned above the printed name.

Christopher C. Harding
Commissioner

Attachment

Cc: Michael J. Heffernan, Secretary of Administration and Finance
The Honorable Karen Spilka, President of the Senate
The Honorable Robert A. DeLeo, Speaker of the House
Bradley H. Jones, Jr., House Minority Leader
Bruce E. Tarr, Senate Minority Leader
David Bunker, Budget Director, House Committee on Ways and Means
Rebecca Kaye, General Counsel, House Committee on Ways and Means
Christopher Marino, Budget Director, Senate Committee on Ways and Means
Martha Kwasnik, General Counsel, Senate Committee on Ways and Means

Mid-Month Tax Collection Report for January 2019 (in \$ Millions)
Tax Collections as of January 15, 2019, Compared to Same Collection Period in FY2018

| | January (Through January 15th) | | | FY19 YTD (Through January 15th) | | |
|---|--|--|---|---|--|---|
| | 01/2019 MTD Actual Collections | 01/2019 MTD v. 01/2018 MTD \$ Fav/(Unfav) | 01/2019 MTD v. 01/2018 MTD % Fav/(Unfav) | 01/2019 YTD Actual Collections | 01/2019 YTD v. 01/2018 YTD \$ Fav/(Unfav) | 01/2019 YTD v. 01/2018 YTD % Fav/(Unfav) |
| Income | | | | | | |
| Income Withholding | 566 | (24) | -4.1% | 7,002 | 205 | +3.0% |
| Income Est. Payments | 328 | (489) | -59.8% | 1,199 | (960) | -44.5% |
| Income Returns/Bills | 16 | (10) | -37.6% | 351 | 20 | +6.0% |
| Income Refunds Net (outflow) | (6) | (7) | -514.9% | (289) | 38 | +11.7% |
| Subtotal Income | 905 | (531) | -37.0% | 8,263 | (697) | -7.8% |
| Sales & Use | | | | | | |
| Sales - Regular | 39 | 3 | +7.8% | 2,365 | 128 | +5.7% |
| Sales - Meals | 14 | 3 | +28.9% | 651 | 33 | +5.4% |
| Sales - Motor Vehicles | 37 | 3 | +8.3% | 474 | 24 | +5.4% |
| Subtotal Sales & Use | 90 | 9 | +10.8% | 3,490 | 186 | +5.6% |
| Corporate & Business - Total | 61 | 13 | +27.0% | 1,287 | 196 | +18.0% |
| All Other | 63 | (23) | -26.5% | 1,390 | 171 | +14.0% |
| Total Tax Collections | 1,118 | (531) | -32.2% | 14,430 | (144) | -1.0% |

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.