



Geoffrey E. Snyder
Commissioner

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

July 20, 2020

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

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

The Honorable Michael J. Rodrigues, Chair
Senate Committee on Ways and Means
State House
Room 212
Boston, MA 02133

The Honorable Patrick M. O'Connor, Ranking Member
Senate Committee on Ways and Means
State House
Room 419
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 July 2020, the first month of fiscal year 2021. The attached table shows July 2020 month-to-date tax revenue collections through July 15, 2020, along with changes from the equivalent period in July 2019.

Revenue collections are uneven and usually 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 not be used to assess trends or project future revenues.

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

Context for July revenues

July is historically one of the smaller months for revenue collection, because neither individual nor business taxpayers make significant estimated payments during the month. As a result, roughly 6.7% of annual revenue has been received on average during July.

However, this July is different from previous years because of the impact of COVID-19 on tax bases and the filing and payment due date extensions for several tax types. This month, the most significant change is the extension of the April 15th personal income tax return filing and payment due date to July 15th, and the extension of the personal income estimated payments ordinarily due in April and June to July 15th (note, however, that payments and refunds associated with these filings that are received in July and August will be treated as fiscal year 2020 revenue). Adding to the uniqueness of this July, late-file and late-pay penalties were waived for corporate excise (including financial institution and insurance premiums excise) returns and payments due on April 15th, when those returns and payments were filed and made by July 15th. In addition, returns and payments for certain vendors collecting regular sales, meals, and room occupancy taxes have been deferred to September. For a summary of these and other selected Commonwealth measures, please see the *Special Disclosure Regarding COVID-19 Related Matters* in the Commonwealth of Massachusetts Information Statement dated May 22, 2020 (as supplemented).²

Therefore, tax revenues collected in the first half of this month include a material amount of the deferred payments on personal income tax and corporate excise payments, but exclude some regular sales, meals and room occupancy tax which are postponed to September. As noted above, deferred personal income tax payments and refunds will be booked back to FY20 by the Comptroller. Consequently, the July month-to-date figures should be interpreted with extreme caution.

Highlights

- **Total Tax** collections for the month-to-date period were \$2.133 billion, up \$1.338 billion or 168.5% versus the same period in July 2019.
- **Income Taxes** totaled \$1.858 billion, up \$1.295 million or 230.2% versus the same period in July 2019.
- **Sales & Use Tax** collections were \$80 million, down \$7 million or 7.8% versus the same period in July 2019.
- **Corporate & Business Taxes** were \$149 million, up \$56 million or 60.1% versus the same period in July 2019.
- **Other Taxes** totaled \$46 million, down \$6 million or 11.4% versus the same period in July 2019.

² <https://emma.msrb.org/SS1488121.pdf>

Detail

Total Income Tax of \$1.858 billion for mid-month July comprises the following:

- **Withholding** of \$540 million, up \$17 million from mid-month July 2019.
- **Estimated Payments** of \$206 million, up \$187 million from mid-month July 2019. Estimated payments for the current month to date period were impacted by the deferral of the April/June personal income tax estimated tax due date to July 15th.
- **Returns/Bills** of \$1.143 billion, up \$1.122 billion from mid-month July 2019. A larger portion the month-to-date increase is due to the extension of the income tax filing/payment deadline from April 15th to July 15th.
- **Refunds** of \$32 million, up \$31 million from mid-month July 2019. Refunds are an outflow and this represents a negative variance from the prior year. Most of the month-to-date increase is due to the extension of filing/payment deadline from April 15th to July 15th.

Sales & Use Tax collections of \$80 million for the July month-to-date period are \$7 million or 7.8% less than the equivalent period last year. The month-to-date decrease may be partially related to the aforementioned filing and payment deferral to September. Typically, only a small proportion of expected regular sales and meals tax remittances are received by the mid-month date; the bulk of these payments are received on or after the due date, which is generally the 20th of the month.

The \$80 million in month-to-date sales and use tax collections is comprised of the following:

- \$49 million in regular sales tax collections, down \$4 million from mid-month July 2019.
- \$11 million in meals tax revenues, down \$7 million from mid-month July 2019.
- \$20 million in motor vehicle sales tax revenues, up \$3 million from mid-month July 2019.

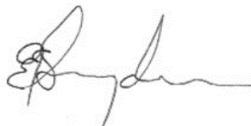
Corporate & Business tax revenues were \$149 million, up \$56 million from mid-month July 2019. A significant portion of the month-to-date increase may be related to the waiver of penalties for payments originally due on April 15th but received by July 15th.

Other Taxes includes a number of tax categories including motor fuels, cigarettes, estate taxes, room occupancy and deeds. All other tax revenues totaled \$46 million, which is \$6 million less than the mid-month July 2019.

Collections are usually weighted to the end of the month, therefore 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 (snyderge@dor.state.ma.us) or Kazim P. Ozyurt, Director of the Office of Tax Policy Analysis (ozyurtk@dor.state.ma.us).

Sincerely,

A handwritten signature in black ink, appearing to read "G. Snyder", written over a light blue circular stamp.

Geoffrey E. Snyder
Commissioner

Attachment

cc: Michael J. Heffernan, Secretary of Administration and Finance
Representative Robert A. DeLeo, House Speaker
Senator Karen E. Spilka, Senate President
Representative Mark J. Cusack, House Chair, Joint Committee on Revenue
Senator Adam G. Hinds, 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 July 2020 (in \$ Millions)
Tax Collections as of July 15, 2020, Compared to Same Collection Period in FY2020

	July			FY21 YTD		
	(Through July 15th)			(Through July 15th)		
	07/2020 MTD Actual Collections	07/2020 MTD v. 07/2019 MTD \$ Fav/(Unfav)	07/2020 MTD v. 07/2019 MTD % Fav/(Unfav)	07/2020 YTD Actual Collections	07/2020 YTD v. 07/2019 YTD \$ Fav/(Unfav)	07/2020 YTD v. 07/2019 YTD % Fav/(Unfav)
Income						
Income Withholding	540	17	+3.2%	540	17	+3.2%
Income Est. Payments	206	187	+965.3%	206	187	+965.3%
Income Returns/Bills	1,143	1,122	+5182.3%	1,143	1,122	+5182.3%
Income Refunds Net (outflow)	(32)	(31)	-2391.8%	(32)	(31)	-2391.8%
Subtotal Income	1,858	1,295	+230.2%	1,858	1,295	+230.2%
Sales & Use						
Sales - Regular	49	(4)	-6.7%	49	(4)	-6.7%
Sales - Meals	11	(7)	-38.0%	11	(7)	-38.0%
Sales - Motor Vehicles	20	3	+20.4%	20	3	+20.4%
Subtotal Sales & Use	80	(7)	-7.8%	80	(7)	-7.8%
Corporate & Business - Total	149	56	+60.1%	149	56	+60.1%
All Other	46	(6)	-11.4%	46	(6)	-11.4%
Total Tax Collections	2,133	1,338	+168.5%	2,133	1,338	+168.5%

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.