



Christopher C. Harding
Commissioner

The Commonwealth of Massachusetts
Department of Revenue
Office of the Commissioner
P.O. Box 9550
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March 20, 2018

The Honorable Jeffrey Sánchez, 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 March 2018. The attached table shows March month-to-date tax revenue collections through March 15, 2018, along with changes from the equivalent period in March 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.**

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

Context for March estimates

March is a mid-size month for revenue collections, ranking #6 of the twelve months in each of the last nine years. The tax filing season is well underway; historically, the amount sent out in refunds is substantially greater than payments with returns during March. In 2018, refunds are substantially ahead of the prior year, due mainly to timing changes in tax return processing.

Collections of corporate taxes were lower than prior year because of state legislative changes in due dates that were enacted in 2017. Corporate returns formerly due in March are now due in April, as the state moves into alignment with a prior federal legislative change. The benchmarks for the full months of March and April reflect this change.

Highlights

- **Total Tax** collections for the month-to-date period were \$1.173 billion, down \$187 million or 13.8% versus the same period last year.
- **Income Taxes** totaled \$484 million, down \$84 million or 14.9% from the equivalent period in March 2017.
- **Sales & Use Tax** collections were \$101 million at mid-month, which is \$5 million or 5.6% 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 March mid-month were \$534 million, \$119 million or 18.2% less than the same period last year.
- **Other Taxes** totaled \$54 million at March mid-month, which is \$10 million or 23.7% more than the 2017 figure.

Detail

Total Income Tax of \$484 million for mid-month March comprises the following:

- **Withholding** of \$634 million, up \$24 million from mid-month March 2017.
- **Estimated Payments** of \$6 million, down \$1 million versus the same period last year.
- **Returns/Bills** of \$37 million, up \$14 million from the same period last year.
- **Refunds** for the March 2018 month-to-date period were \$193 million, which is \$122 million more than the same period last year (unfavorable variance).
- The tax filing season is well underway, and it is normal for the timing of returns and refunds to fluctuate on a year-to-year basis.

Sales & Use Tax collections of \$101 million for the March month-to-date period are \$5 million or 5.6% 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 \$51 million in Regular Sales Tax collections is \$11 million more than the same month-to-date period in 2017.
- Meals Tax revenues of \$11 million are about the same as the March month-to-date period last year.
- Vehicle Tax revenues of \$39 million for the month-to-date period are \$5 million below the equivalent 2017 figure.

Corporate & Business revenues were \$534 million for the March month-to-date period, which is \$119 million or 18.2% less than the same period in March 2017. Month-to-date decline is not unexpected given the due date change in corporate return filings.

All Other includes a number of tax categories including motor fuels, cigarettes, estate taxes, deeds, and others. Revenues of \$54 million for the month-to-date period were \$10 million more than mid-month March 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 March 2018 (in \$ Millions)
Tax Collections as of March 15, 2018, Compared to Same Collection Period in FY2017

	<u>March (Through March 15th)</u>			<u>FY18 YTD (Through March 15th)</u>		
	03/2018 MTD Actual Collections	03/2018 MTD v. 03/2017 MTD \$ Fav/(Unfav)	03/2018 MTD v. 03/2017 MTD % Fav/(Unfav)	03/2018 YTD Actual Collections	03/2018 YTD v. 03/2017 YTD \$ Fav/(Unfav)	03/2018 YTD v. 03/2017 YTD % Fav/(Unfav)
Income						
Income Withholding	634	24	+3.9%	8,994	458	+5.4%
Income Est. Payments	6	(1)	-10.5%	2,286	655	+40.2%
Income Returns/Bills	37	14	+62.7%	427	75	+21.1%
<u>Income Refunds Net (outflow)</u>	<u>(193)</u>	<u>(122)</u>	<u>-170.6%</u>	<u>(996)</u>	<u>(192)</u>	<u>-23.9%</u>
Subtotal Income	484	(84)	-14.9%	10,712	996	+10.3%
Sales & Use						
Sales - Regular	51	11	+27.0%	3,039	109	+3.7%
Sales - Meals	11	(0)	-0.5%	793	32	+4.2%
<u>Sales - Motor Vehicles</u>	<u>39</u>	<u>(5)</u>	<u>-12.1%</u>	<u>578</u>	<u>12</u>	<u>+2.1%</u>
Subtotal Sales & Use	101	5	+5.6%	4,410	152	+3.6%
Corporate & Business - Total	534	(119)	-18.2%	1,635	(84)	-4.9%
All Other	54	10	+23.7%	1,576	57	+3.8%
Total Tax Collections	1,173	(187)	-13.8%	18,333	1,122	+6.5%

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.