



MICHAEL J. HEFFERNAN
COMMISSIONER

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

May 19, 2016

The Honorable Brian S. Dempsey, 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 70
Boston, MA 02133

Honorable Chairmen and Ranking Minority Members of the Ways and Means Committees:

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 May 2016. The attached table shows May 2016 month-to-date and Fiscal Year 2016 year-to-date tax revenue collections through May 13, 2016, along with the dollar and percentage changes from the same collection period in May 2015. Also shown are the percentage growth amounts for the full month of May 2016 and for Fiscal Year 2016 year-to-date through the end of May 2016 that were assumed in the benchmarks corresponding to the revised Fiscal Year 2016 tax revenue estimate of \$25.751 billion². The \$25.751 billion estimate does not include the

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

² Revised up by \$140 million from \$25.611 billion on January 14th, 2016 by the Secretary of the Executive Office for Administration and Finance. The \$25.611 billion estimate reflects the FY2016 consensus tax estimate of \$25.479 billion adjusted for the impact of changes affecting revenues.

\$125 million estimate for tax and non-tax related settlement and judgment payments in excess of \$10 million each, which was assumed in the Fiscal Year 2016 budget.

Highlights:

- It is too soon for the month-to-date collections to be meaningful to gauge full month's revenue performance; the majority of monthly collections typically come in during the second half of the month.
- Month-to-date *total tax collections* are down \$32 million from the same period last May.
- Month-to-date *withholding* totals \$486 million, up \$54 million from the same period last May.
- Month-to-date *income tax cash refunds* total \$61 million, up \$13 million from the same period last May.
- Month-to-date *income tax payments with returns and extensions* total \$140 million, down \$52 million from the same period last May.
- Month-to-date *corporate & business* tax collections total \$14 million, down \$35 million from the same period last May.

Details:

May is normally a small tax collection month, as there are no quarterly estimated payments due for most corporate and business taxpayers or individuals, and the filing season is winding down. The May monthly benchmark corresponding to the Fiscal Year 2016 tax revenue estimate of \$25.751 billion totals \$1.918 billion, an increase of \$84 million, or 4.6% actual and 4.5% baseline from May 2015. The incremental impacts of tax law changes are expected to increase collections by about \$17 million this month, reflecting mostly the revenue gain due to the 2016 amnesty program offset by revenue loss due to the recent reduction in part B personal income tax rate, as well as net revenue impact from other tax law changes. Having one more deposit day this month versus last May will increase revenues by about \$9 to \$11 million.

Through May 13, 2016, month-to-date tax collections totaled \$732 million, down \$32 million, with the full month benchmark projecting an increase of \$84 million. Month-to-date tax collections reflect a decline in income tax payments with returns and bills, a decline in corporate and business tax payments, growth in income tax cash refunds, partly offset by an increase in withholding payments. This early in the month virtually all meaningful collection activity is in withholding, income tax payments with returns and extensions, income tax refunds, and sales and use tax collections.

Month-to-date income tax withholding totaled \$486 million, up \$54 million from the same period last year, with the full month benchmark projecting an increase of \$49 million, or 5.4% actual and 5.1% baseline. The month-to-date increase reflects mostly the shift of the first quarterly withholding payments from last month to the first deposit day of this month, which was expected and built into the May benchmark estimate.

As of May 13, 2016, the month-to-date income tax payments with returns and extensions total \$140 million, down \$52 million from the same period last May, with the full month benchmark projecting a decline of \$14 million.

Month-to-date income tax cash refunds total \$61 million, up \$13 million from the same period last year, with the full month benchmark projecting a decline of \$6 million from last May. It is still too soon in the month to make any judgments about refunds performance relative to the monthly benchmark.

May is not a significant corporate and business collections month. Month-to-date corporate and business tax collections total \$14 million, down \$35 million from the same period last year, with the full month

benchmark projecting a decline of \$6 million. It is still too early in the month to make any judgments about the performance of these payments relative to benchmark.

As of May 13, 2016, month-to-date sales tax collections totaled \$72 million, almost no change from the same period last May, with the full month benchmark projecting an increase of \$43 million or 8.8% actual, and 6.7% baseline from May 2015. May 13th was too early in the month for month-to-date sales tax trends to be meaningful, as monthly sales tax payments (other than those for motor vehicle sales tax) are not due until May 20th.

Monthly motor fuels and rooms tax payments are also due on May 20th. There may be differences in the due dates for certain tax payments from one fiscal year to the next (e.g., in withholding payments or the timing of refund cycles) which complicate month-to-date comparisons to the prior year. As a result of these factors, revenues received through May 13th as reported in the attached table may not be indicative of what the final results for the full month will be. Specifically, they do not necessarily represent one-half of the revenues to be received in the full month and the month-to-date growth rates compared to May 2015 could change significantly by the end of this month. Any variances from the monthly benchmark at this point in the month should not be relied on as an indicator of what total final revenues for the month will be, compared to the full month benchmarks.

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

Sincerely,

A handwritten signature in dark ink, appearing to read 'Michael J. Heffernan', with a long horizontal flourish extending to the right.

Michael J. Heffernan
Commissioner

Attachment

Cc: Kristen Lepore, Secretary of Administration and Finance
Representative Robert A. DeLeo, House Speaker
Senator Stanley C. Rosenberg, Senate President
Jay R. Kaufman, House Chair, Joint Committee on Revenue
Senator Michael J. Rodrigues, 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 May 2016 (in \$ Millions)

Tax Collections as of May 13, 2016, Compared to Same Collection Period in FY2015 and to the FY2016 Tax Revenue Estimate of \$25.751 Billion

	----- Month of May -----						----- FY16 Year-to-Date -----						FY16 Full Year Benchmark	
	05/16 MTD Collections	05/16 MTD v. 05/15 MTD \$ Change	05/16 MTD v. 05/15 MTD % Change	05/16 Full Month Benchmark (*)	% Growth from 05/15 Assumed in Monthly Benchmark	\$ Needed to Reach 05/16 Full Month Benchmark (*)	05/16 FY16 YTD Collections	05/16 FY16 YTD \$ Change	05/16 FY16 YTD % Change	FY16 YTD Benchmark (*)(**)	% Growth from 05/15 Assumed in FY16 YTD Benchmark	\$ Needed to Reach FY16 YTD Benchmark (*)(**)	FY16 Full Year Benchmark	\$ Needed to Reach FY16 Full Year Benchmark
Income - Total	577	(10)	(1.7%)	1,127	3.7%	550	12,600	89	0.7%	13,424	3.2%	824	14,868	2,269
Income Withholding	486	54	12.4%	964	5.4%	478	10,112	388	4.0%	10,548	3.3%	436	11,484	1,371
Income Est. Payments (Cash)	12	1	13.0%	22	(2.0%)	10	2,017	1	0.0%	2,124	4.7%	107	2,638	621
Income Returns/Bills	140	(52)	(27.1%)	217	(5.9%)	78	1,938	(143)	(6.9%)	2,140	1.0%	202	2,215	277
Income Refunds (Cash)	61	13	28.3%	76	-7.0%	16	1,465	158	12.1%	1,385	3.2%	(80)	1,465	(0)
Sales & Use - Total	72	(0)	(0.5%)	532	8.8%	460	5,087	262	5.4%	5,592	6.7%	505	6,162	1,075
Sales - Regular	31	1	4.0%	361	8.1%	330	3,484	160	4.8%	3,843	5.9%	360	4,226	742
Sales - Meals	10	1	6.7%	91	10.5%	82	888	57	6.8%	968	6.9%	79	1,070	181
Sales - Motor Vehicles	32	(2)	(6.3%)	80	9.6%	48	716	45	6.8%	781	10.2%	66	867	151
Corporate & Business - Total	14	(35)	(71.5%)	75	(7.8%)	61	1,900	38	2.0%	1,936	2.2%	36	2,484	584
All Other	69	13	22.5%	184	3.7%	115	1,912	118	6.6%	1,992	4.1%	80	2,237	325
Total Tax Collections	732	(32)	(4.2%)	1,918	4.6%	1,185	21,499	507	2.4%	22,945	4.0%	1,446	25,751	4,253

Tax-Related Settlements & Judgments Exceeding \$10 Million Each (NOT included in the May MTD and YTD collections figures above. May and YTD benchmarks DO NOT assume such large settlements and judgments exceeding \$10 million each). FY16 budget assumes \$125 million from such settlements and judgments).

	0.0			26.9		
Total Tax Collections (Including tax-related settlements & judgments)	732	(32)	(4.2%)	21,526	351	1.7%

Corporate & Business - Total (Including tax-related settlements & judgments)	14	(35)	-71.5%	1,927	(45)	-2.3%	
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Income Returns/Bills	140	(52)	-27.1%	1,938	(217)	-10.1%
(Including tax-related settlements & judgments)						

(*) Benchmarks are based on the FY16 tax revenue estimate of \$25.751 billion

(**) Year-to-date benchmarks are year-to-date full month benchmark totals (i.e., July through May full month totals)

Note: Detail may not add to total due to rounding and other technical factors.