

MARK E. NUNNELLY
COMMISSIONER

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

May 20, 2015

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 hereby submits its mid-month tax revenue report for the month of May 2015. The attached table shows May 2015 month-to-date and FY2015 year-to-date tax revenue collections through May 15, 2015, along with the dollar and percentage changes from the same collection period in May 2014. Also shown are the percentage growth amounts for the full month of May 2015 and for FY2015 year-to-date through the end of May 2015 that were assumed in the benchmarks corresponding to the FY2015 revised tax revenue estimate of \$24.325 billion². The \$24.325 billion estimate does not include the \$183 million for tax and non-tax related

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

² The \$24.325 billion estimate reflects the FY2015 consensus tax estimate of \$24.337 billion adjusted for the impacts from revenue enhancements, tax amnesty and FAS109 delay, based on the fiscal 2015 budget approved by the Governor on July 11, 2014, as well as the impacts from the enacted economic development and county governments financial management legislations, the impacts of Part B income tax rate reduction through a trigger process (5.20% to 5.15%), elimination of inflation indexing of gas/special fuels tax at the ballot, a \$5 million transfer to Substance Abuse Service Fund (an off-budget trust fund), the Fall 2014 non-corporate and business tax amnesty, and the Spring 2015 corporate and business tax amnesty.

judgment & settlement payments in excess of \$10 million each, which was assumed in the FY2015 budget fix legislation.

Highlights:

- Month-to-date tax collections are up \$193 million from the same period last year, reflecting mostly strong growth in withholding (+\$56 million) and income tax payments with returns and extensions (+\$117 million).
- Month-to-date withholding totals \$493 million, up \$56 million from the same period last year. The strong growth may be partially related to timing and could reverse during the remainder of this month.
- Month-to-date income tax payments with returns and extensions total \$195 million, up \$117 million. Some of the month-to-date increase was due to processing delays (shifting of payments from April to May).
- Month-to-date income tax refunds are up \$13 million.

Details:

May is typically a small tax collection month, as there are no quarterly estimated payments due for most corporate & business taxpayers or individuals, and filing season is winding down. The May monthly benchmark corresponding to the FY2015 tax revenue estimate of \$24.325 billion totals \$1.608 billion, a decline of \$15 million, or 0.9% actual, but increase of 6.0% baseline from May 2014. The incremental impacts of tax law changes are expected to reduce collections by about \$4 million this month, reflecting mostly the revenue loss due to the recent reduction in part B personal income tax rate offset by net revenue gain from other tax law changes. May estate tax benchmark assumes that a one-time payment of \$80 million received in May 2014 would not recur in May 2015.

Through May 15, 2015, month-to-date tax collections total \$841 million, up \$193 million from the same period last May, with the full month benchmark projecting a decline of \$15 million from last May's total tax collections. 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 collections through May 15, 2015 total \$647 million, up \$161 million, or 33.1% from the same period in May 2014. Month-to-date withholding totals \$493 million, up \$56 million from the same period last year, with the full month benchmark projecting an increase of \$31 million. Some of the increase in withholding seems timing related and could reverse during the remainder of the month.

Through May 15, 2015, month-to-date income tax payments with returns and extensions total \$195 million, up \$117 million from the same period last year, with the full month benchmark projecting an increase of \$16 million, or 15.6% actual and 14.5% baseline. Some of the month-to-date increase was due to processing delays (shifting of payments from April to May).

Month-to-date income tax refunds total \$52 million, an increase of \$13 million, or 32.5%, from the same period last year with the full month benchmark projecting no growth from last May. As mentioned in previous months' press releases, income tax refunds were delayed in February due to concerns of fraud. We saw a strong catch-up in March but a slight decline in April. So the strong month-to-date increase could be related to these delays.

As of May 15, 2015, month-to-date income tax cash estimated payments total \$12 million, up \$1 million from the same period last year, with the full month benchmark projecting \$20 million, an increase of \$0.4 million, or 1.9% actual, and 3.9% baseline.

May is not a significant month for corporate and business tax collections. Month-to-date corporate and business taxes total \$42 million, up \$17 million from the same period last year, with the full month benchmark projecting a decline of \$11 million.

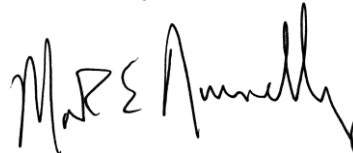
Through May 15, 2015, month-to-date sales tax collections total \$85 million, up \$1 million from the same period last year, with the full month benchmark projecting an increase of \$23 million, or 4.8% actual and 5.8% baseline from May 2014. May 15th was too early in the month for sales tax trends to be meaningful, as monthly sales tax payments (other than those for motor vehicle sales tax) were not due until May 20th. Motor vehicle sales taxes, which are received daily and should not be affected by timing issues, are up \$5 million from the same period last May.

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 15th 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 2014 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 benchmark.

If you have any questions concerning this report, please contact either me (at 617-626-2201) or Kazim P. Ozyurt, Director of the Office of Tax Policy Analysis (at 617-626-2100).

Sincerely,

A handwritten signature in black ink, appearing to read 'Mark Nunnelly', with a stylized, cursive script.

Mark Nunnelly
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 2015 (in \$ Millions)

Tax Collections as of May 15, 2015, Compared to Same Collection Period in FY2014 and to the FY2015 Tax Revenue Estimate of \$24.325 Billion

----- Month of May -----							----- FY15 Year-to-Date -----					
	05/15 MTD Collections	05/15 MTD v. 05/14 MTD \$ Change	05/15 MTD v. 05/14 MTD % Change	05/15 Full Month Benchmark (*)	% Growth from 05/14 Assumed in Monthly Benchmark	\$ Needed to Reach 05/15 Full Month Benchmark (*)	05/15 FY15 YTD Collections	05/15 FY15 YTD \$ Change	05/15 FY15 YTD % Change	FY15 YTD Benchmark (*)(**)	% Growth from 05/14 Assumed in FY15 YTD Benchmark	\$ Needed to Reach FY15 YTD Benchmark (*)(**)
Income - Total	647	161	33.1%	893	5.5%	246	12,571	1,070	9.3%	12,553	5.8%	(18)
Income Withholding	493	56	12.9%	834	3.8%	341	9,785	516	5.6%	10,071	4.5%	286
Income Est. Payments (Cash)	12	1	9.9%	20	1.9%	8	2,018	275	15.7%	1,809	3.2%	(209)
Income Returns/Bills	195	117	149.2%	117	15.6%	(78)	2,084	212	11.4%	2,096	10.6%	12
Income Refunds (Cash)	52	13	32.5%	78	0.0%	26	1,312	(69)	(5.0%)	1,420	0.1%	108
Sales & Use - Total	85	1	0.7%	495	4.8%	411	4,837	218	4.7%	5,308	6.0%	471
Sales - Regular	39	(5)	(10.4%)	343	5.3%	304	3,334	139	4.3%	3,689	6.1%	356
Sales - Meals	11	0	2.7%	83	4.5%	72	834	41	5.2%	909	5.5%	75
Sales - Motor Vehicles	34	5	16.1%	69	2.7%	35	670	38	6.0%	710	6.0%	40
Corporate & Business - Total	42	17	71.1%	52	(17.4%)	10	1,855	(172)	(8.5%)	1,931	(6.5%)	76
All Other	67	14	25.9%	167	(30.4%)	100	1,804	86	5.0%	1,881	(1.3%)	76
Total Tax Collections	841	193	29.7%	1,608	(0.9%)	767	21,067	1,202	6.0%	21,674	4.0%	606
<i>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).</i>												
	0.0						183.4					
Total Tax Collections (Including tax-related settlements & judgments)	841	193	29.7%				21,251	1,385	7.0%			
Corporate & Business - Total (Including tax-related settlements & judgments)	42	17	71.1%				1,965	(63)	-3.1%			
Income Returns/Bills (Including tax-related settlements & judgments)	195	117	149.2%				2,158	286	15.3%			

(*) Benchmarks are based on the FY15 tax revenue estimate of \$24.325 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.