



Executive Office for Administration & Finance

COMMONWEALTH OF MASSACHUSETTS

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CHARLES D. BAKER
GOVERNOR

MICHAEL J. HEFFERNAN
SECRETARY

KARYN E. POLITO
LIEUTENANT GOVERNOR

October 14, 2020

TO: His Excellency Charles D. Baker, Governor
The House Committee on Ways and Means
The Senate Committee on Ways and Means
The Joint Committee on Revenue

Under Massachusetts General Laws Chapter 29, Section 5B, on or before October 15th, I am required to prepare estimates of budgeted revenues for the current and ensuing fiscal years.

Based on available data on tax collections and economic trends, and without assuming any adjustments through the General Appropriations Act or otherwise, I am revising the total Fiscal Year 2021 (FY21) tax revenue estimate down to \$27.592 billion, or \$3.559 billion less than the consensus revenue estimate of \$31.151 billion. Excluding collections from the deferred income tax filing season, year-to-date tax revenues through September are \$69 million (1%) above collections year to date in the prior fiscal year; however, this increase is entirely attributable to unemployment benefits that have since been curtailed and to volatile corporate tax collections.

Tax collections since the spring have been significantly impacted by the COVID-19 pandemic and resultant economic disruptions. Fiscal Year 2020 (FY20) tax collections ended the year \$693 million below benchmarks. On October 7, an expert panel presented sobering testimony to the House and Senate Ways and Means chairs, and to me, indicating that taxes in FY21 will likely fall substantially short of last January's consensus revenue estimate.

The updated estimate assumes lower growth, or absolute declines, in all major tax categories. Withholding taxes (based on wages and salaries) are likely to be lower than forecast last January due to furloughs and layoffs; meals taxes are also likely to be substantially down, as are taxes on capital gains and other non-withheld income.

We will monitor developments in revenue policy, economic trends, and agency collections to determine the continued appropriateness of this estimate.

As is customarily the case, I am not providing a Fiscal Year 2022 (FY22) revenue estimate at this time. Our capacity to forecast FY22 revenues will benefit from a few more months of tax collection data and expert testimony regarding updated economic forecasts at the FY22 consensus revenue hearing this winter.

Sincerely,

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

Michael J. Heffernan