



Michael J. Heffernan
Commissioner

The Commonwealth of Massachusetts
Department of Revenue
Office of the Commissioner
P.O. Box 9550
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October 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 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 October 2016. The attached table shows October 2016 month-to-date and Fiscal Year 2017 year-to-date tax revenue collections through October 14, 2016, along with changes from the same collection period in October 2015. The 15th of the month fell on a Saturday this year, so we use the preceding day in this report.

Context for October estimates

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.

October is one of the smallest collection months, contributing roughly 6.5% of yearly collections on average. Only the month of February consistently ranks below October in terms of the share of revenues collected by month.

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

Highlights

- **Total Tax Collections** for the month-to-date period were \$670 million, up \$94 million from the same period last year. For the year-to-date period of Fiscal Year 2017 (July 1 through October 14), Total Tax Collections were \$6.855 billion, which is \$327 million more than the same period in FY16.
- **Income Taxes** totaled \$507 million, up \$73 million from the mid-month of October 2015. On a fiscal year-to-date basis, Income Taxes were \$3.938 billion, up \$189 million.
- **Sales & Use Tax** collections were \$76 million at mid-month, up \$12 million from the same period last October. For the fiscal year-to-date, Sales & Use revenues were \$1.668 billion, up \$48 million. Please note: Regular Sales and Meals tax revenues are heavily weighted toward the second part of the month, so that the mid-month figure generally represents less than 20% of the expected monthly total.
- **Corporate & Business Taxes** totaled \$29 million, up \$5 million from the same period last October. For the fiscal year-to-date period, collections were \$630 million, up \$75 million.
- **Other Taxes** totaled \$59 million at October mid-month (which is \$3 million more than the same period last year) and \$618 million fiscal year-to-date, which is \$15 million more.

Detail

The **Income Tax total** of \$507 million for mid-month October comprises the following:

- **Income Withholding** of \$492 million, which is \$85 million above mid-month October 2015.
- **Estimated Payments** were \$21 million in the month-to-date period, down \$2 million versus the same period last year.
- **Income Returns/Bills** were \$19 million for October month-to-date, which is the same figure collected in the period last year.
- **Income Refunds** were \$25 million for month-to-date October, which is \$10 million greater (unfavorable) in comparison to the same period last year.

Sales & Use Tax collections of \$76 million comprise \$38 million in Regular Sales, \$10 million in Meals, and \$28 million in Motor Vehicles.

- The \$38 million figure for Regular Sales is \$11 million more than the month-to-date period in 2015. In addition to the note above about the small proportion of Regular Sales taxes that are received by mid-month, there is an additional consideration in comparing the figures:

During 2015, the Sales Tax Holiday would have accelerated some purchasing from September into August, with the September purchasing impact then reflected in October revenues. Because the Sales Tax Holiday was not implemented this year, September 2016 retail sales would have benefited relative to August. This can be expected to cause year-over-year comparisons for October to be favorable for 2016 versus 2015.

- Meals Tax revenues of \$10 million month-to-date is \$2 million over the prior year period.
- Vehicle revenues of \$28 million for October month-to-date were slightly below the same period last year.

As described in the highlights, **Corporate & Business** revenues of \$29 million for October month-to-date is \$5 million ahead of the same period last year. There are no major estimated payments due during October for business taxpayers, making it historically one of the smallest collection months for this category.

We do not use the mid-month figures to project full-month results, because collections are heavily weighted to the end of the month, making the mid-month results unreliable as predictors.

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,

A handwritten signature in black 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

Tax Collection Report for October 2016 (in \$ millions)
Tax Collections as of October 14, 2016, Compared to Same Collection Period in FY2016

	<u>Month of October</u>			<u>FY17 YTD</u>		
	10/2016 MTD Actual Collections	10/2016 MTD v. 10/2015 MTD \$ Fav/(Unfav)	10/2016 MTD v. 10/2015 MTD % Fav/(Unfav)	10/2016 YTD Actual Collections	10/2016 YTD v. 10/2015 YTD \$ Fav/(Unfav)	10/2016 YTD v. 10/2015 YTD % Fav/(Unfav)
Income						
Income Withholding	492	85	+21.0%	3,320	242	+7.9%
Income Est. Payments	21	(2)	-8.3%	606	(49)	-7.5%
Income Returns/Bills	19	0	+1.8%	135	10	+7.8%
Income Refunds Net (outflow)	(25)	(10)	-68.5%	(122)	(14)	-12.5%
Subtotal Income	507	73	+16.9%	3,938	189	+5.0%
Sales & Use						
Sales - Regular	38	11	+38.4%	1,101	32	+3.0%
Sales - Meals	10	2	+28.8%	316	13	+4.3%
Sales - Motor Vehicles	28	(0)	-1.7%	252	3	+1.2%
Subtotal Sales & Use	76	12	+19.2%	1,668	48	+3.0%
Corporate & Business - Total	29	5	+19.4%	630	75	+13.6%
All Other	59	3	+6.0%	618	15	+2.4%
Total Tax Collections	670	94	+16.2%	6,855	327	+5.0%

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.