

MARK E. NUNNELLY
COMMISSIONER

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

October 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 October 2015. The attached table shows October 2015 month-to-date and Fiscal Year 2016 year-to-date tax revenue collections through October 15, 2015, along with the dollar and percentage changes from the same collection period in October 2014. Also shown are the percentage growth amounts for the full month of October 2015 and for Fiscal Year 2016 year-to-date through the end of October 2015 that were assumed in the benchmarks corresponding to the Fiscal Year

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

2016 tax revenue estimate of \$25.611 billion². The \$25.611 billion estimate does not include the \$100 million estimate for tax and non-tax related judgment & settlement payments in excess of \$10 million each, which was assumed in the Fiscal Year 2016 budget.

Highlights:

- Month-to-date total tax collections are up \$66 million from the same period last October.
- Month-to-date withholding totals \$422 million, up \$4 million from the same period last October.
- Month-to-date sales & use tax collections total \$83 million, up \$20 million from the same period last October.
- Month-to-date corporate & business taxes total \$47 million, up \$8 million from the same period last October.

Details:

October is a relatively small net tax collection month, as no quarterly estimated payments are due for individuals and most corporations (other than retailers, most of which are on an estimated payment schedule that lags other companies by one month) and refunds are high due to the processing of refunds for returns filed on extension. (October has historically been the largest corporate & business refund month of the year, and net corporate & business collections in October are usually negative.) The October benchmark corresponding to the Fiscal Year 2016 tax revenue estimate of \$25.611 billion assumes tax collections of \$1.57 billion, a decrease of \$46 million, or 2.8% actual, and up 4.6% baseline from October 2014. The incremental impacts of tax law changes are expected to reduce collections by about \$41 million (net) this month, reflecting mostly the impact due to the recent reduction in part B personal income tax rate (-\$13 million) and the fall 2014 tax amnesty program (-\$30 million), as well as minor impact from other tax law changes. In addition, there is one less deposit day this October compared with last October, which reduces tax collections by about \$10 million. Due to timing factors, quarterly withholding payments will shift from October to November on the last day of this month, as well (see below).

Through October 15, 2015, month-to-date tax collections totaled \$649 million, up \$66 million, or 11.3% from the same period in October 2014, with the full month benchmark projecting a decline of \$46 million. The month-to-date increase reflects mostly growth in sales & use tax, corporate & business taxes, estate tax, deeds tax, as well as decline in cash income tax refunds.

The most activity so far in the month is in withholding, which totaled \$422 million, up \$4 million, compared to the benchmark estimate that projects a decline of \$15 million for the full month. Part of the projected decline in withholding is timing related: the due date for the third quarterly withholding payments, which are due on October 31st, falls on a weekend this year but it fell on a weekday last year, so these payments will be received on the first business day of November. The benchmark assumes that there is a shift of \$52 million withholding payments from October to November.

² The \$25.611 billion estimate reflects the FY2016 consensus tax estimate of \$25.479 billion adjusted for the impact of changes affecting revenues: non-filer/non-registrant tax amnesty, illegal tobacco task force, delayed FAS109 deductions, self-imposed life sciences tax incentive cap, and sales tax holiday.

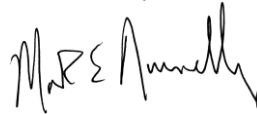
As of October 15, 2015, month-to-date corporate & business tax collections totaled \$47 million, up \$8 million, or 20.3% from the same period in October 2014, compared to the benchmark estimate that projects a decline of \$13 million, or 46% actual and 45.1% baseline from October 2014, mostly due to the settlement payments of \$17 million received last October, which would not recur this October.

Month-to-date sales tax collections through October 15, 2015 totaled \$83 million, up \$20 million, or 31.2% from the same period in October 2014, compared to the benchmark estimate that projects an increase of \$12 million, or 2.5% actual, and 4.9% baseline from October 2014. October 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) are not due until October 20th.

Monthly motor fuels and rooms tax payments are also due on October 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 October 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 October 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 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 black ink, appearing to read 'Mark Nunnelly', with a stylized flourish at the end.

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 October 2015 (in \$ Millions)

Tax Collections as of October 15, 2015, Compared to Same Collection Period in FY2015 and to the FY2016 Tax Revenue Estimate of \$25.611 Billion

	----- Month of October -----						----- FY16 Year-to-Date -----					
	10/15 MTD Collections	10/15 MTD v. 10/14 MTD \$ Change	10/15 MTD v. 10/14 MTD % Change	10/15 Full Month Benchmark (*)	% Growth from 10/14 Assumed in Monthly Benchmark	\$ Needed to Reach 10/15 Full Month Benchmark (*)	10/15 FY16 YTD Collections	10/15 FY16 YTD \$ Change	10/15 FY16 YTD % Change	FY16 YTD Benchmark (*)(**)	% Growth from 10/14 Assumed in FY16 YTD Benchmark	\$ Needed to Reach FY16 YTD Benchmark (*)(**)
Income - Total	459	17	3.9%	867	(5.3%)	409	3,774	167	4.6%	4,160	1.9%	386
Income Withholding	422	4	0.9%	845	(1.7%)	423	3,094	134	4.5%	3,498	2.8%	403
Income Est. Payments (Cash)	27	3	13.3%	44	5.4%	17	659	62	10.3%	647	5.3%	(12)
Income Returns/Bills	24	1	2.3%	86	(16.0%)	62	131	1	0.5%	177	(15.0%)	47
Income Refunds (Cash)	14	(10)	(42.5%)	105	22.9%	91	108	29	36.9%	159	13.9%	51
Sales & Use - Total	83	20	31.2%	506	2.5%	423	1,639	111	7.3%	2,038	4.1%	399
Sales - Regular	42	12	41.9%	348	3.0%	307	1,083	71	7.0%	1,371	3.8%	288
Sales - Meals	12	1	11.7%	90	0.6%	78	307	20	6.9%	378	3.3%	71
Sales - Motor Vehicles	29	6	26.7%	68	2.6%	39	249	20	8.6%	289	6.4%	41
Corporate & Business - Total	47	8	20.3%	16	(46.0%)	(31)	578	9	1.5%	574	2.7%	(4)
All Other	61	21	53.3%	181	2.2%	120	610	37	6.5%	715	0.8%	105
Total Tax Collections	649	66	11.3%	1,570	(2.8%)	920	6,600	324	5.2%	7,487	2.4%	887

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

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0.0

Total Tax Collections (Including tax-related settlements & judgments)	649	66	11.3%				6,600	324	5.2%			
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Corporate & Business - Total (Including tax-related settlements & judgments)	47	8	20.3%				578	9	1.5%			
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Income Returns/Bills (Including tax-related settlements & judgments)	24	1	2.3%				131	1	0.5%			
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(*) Benchmarks are based on the FY16 tax revenue estimate of \$25.611 billion

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

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