

MARK E. NUNNELLY  
COMMISSIONER

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

February 22, 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 Laws<sup>1</sup>, the Department of Revenue hereby submits its mid-month tax revenue report for the month of February 2016. The attached table shows February 2016 month-to-date and Fiscal Year 2016 year-to-date tax revenue collections through February 12, 2016, along with the dollar and percentage changes from the same collection period in February 2015. Also shown are the percentage growth amounts for the full month of February 2016 and for Fiscal Year 2016 year-to-date through the end of February 2016 that were assumed in the benchmarks corresponding to the

---

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

revised Fiscal Year 2016 tax revenue estimate of \$25.751 billion<sup>2</sup>. The \$25.751 billion estimate does not include the \$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 at this time as about 55% to 65% of monthly collections typically come in during the second half of the month.
- Month-to-date total *tax collections* are down \$163 million from the same period last February.
- Month-to-date *withholding* totals \$532 million, down \$81 million from the same period last February.
- Month-to-date *income tax cash refunds* total \$194 million, up \$90 million from the same period last February.
- Refunds are expected to increase significantly this month relative to last February. Last year's refunds were lower than anticipated due to refund fraud processing delays (see below for further details).
- Month-to-date *sales & use tax collections* total \$54 million, up \$5 million from the same period last February.
- Month-to-date *corporate & business taxes* total \$16 million, down \$4 million from the same period last February.

### Details:

February has historically been the lowest net tax collection month of the year, as there are no quarterly estimated payments due, sales tax is low because of the post-holiday season shopping lull in January (February sales tax payments reflect taxable January sales transactions), and February is usually the largest income tax refund month of the year, as income tax refunds ramp up with the start of the tax filing season. The February 2016 monthly benchmark corresponding to the Fiscal Year 2016 revised revenue estimate of \$25.751 billion assumes revenue collections of \$1.445 billion, a decrease of \$66 million, or 4.4% actual, but an increase of \$77 million, or 5.1% baseline, from February 2015 collections.

Through February 12, 2016, month-to-date tax collections totaled \$509 million, down \$163 million, with the full month benchmark projecting a decline of \$66 million from last February. The most activity so far in the month is in withholding (down \$81 million) and income tax cash refunds (up \$90 million).

Month-to-date withholding tax collections, which totaled \$532 million, down \$81 million, compared to the benchmark estimate that projects a withholding increase of \$60 million for the full month. Some of the month-to-date decrease in withholding may be timing related: 1) some payers may have delayed their payments (will remit in the second half of February instead) and/or 2) some of the withholding collections in January may be borrowed from this February as noted in the January revenue release.

As of February 12, 2016, income tax cash refunds totaled \$194 million, up \$90 million from the same period in February 2015, with the full month benchmark projecting an increase of \$167 million. Month-to-date increase in income tax cash refunds was timing-related and expected. Last year, the significant number of refunds shifted from February to March when DOR held up refunds for further scrutiny in response to reports of increased refund fraud. It was expected that such delays would not recur this year, and they would be processed on time, in February (a shift aback from March).

<sup>2</sup> Revised up by \$140 million from \$25.611 billion on January 14<sup>th</sup>, 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.

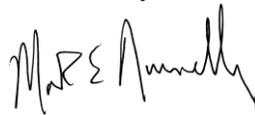
Month-to-date corporate & business tax collections totaled \$16 million, down \$4 million from the same period last year, compared with the full month benchmark projecting a decrease of \$7 million from last February.

As of February 12, 2016, month-to-date sales tax collections totaled \$54 million, up \$5 million from the same period last February, with the full month benchmark projecting an increase of \$39 million, or 9.5% actual, and an increase of \$27 million or 6.5% baseline from February 2015. February 12<sup>th</sup> 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 February 22<sup>nd</sup> (usual due of 20<sup>th</sup> falls on a weekend this year).

Monthly motor fuels and rooms tax payments are also due on February 22<sup>nd</sup> (usual due of 20<sup>th</sup> falls on a weekend this year). 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 February 12<sup>th</sup> 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 February 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,



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 February 2016 (in \$ Millions)

Tax Collections as of February 12, 2016, Compared to Same Collection Period in FY2015 and to the FY2016 Tax Revenue Estimate of \$25.751 Billion

	----- Month of February -----						----- FY16 Year-to-Date -----					
	02/16 MTD Collections	02/16 MTD v. 02/15 MTD \$ Change	02/16 MTD v. 02/15 MTD % Change	02/16 Full Month Benchmark (*)	% Growth from 02/15 Assumed in Monthly Benchmark	\$ Needed to Reach 02/16 Full Month Benchmark (*)	02/16 FY16 YTD Collections	02/16 FY16 YTD \$ Change	02/16 FY16 YTD % Change	FY16 YTD Benchmark (**)	% Growth from 02/15 Assumed in FY16 YTD Benchmark	\$ Needed to Reach FY16 YTD Benchmark (**)
<b>Income - Total</b>	<b>369</b>	<b>(167)</b>	<b>(31.2%)</b>	<b>756</b>	<b>(12.0%)</b>	<b>387</b>	<b>8,744</b>	<b>132</b>	<b>1.5%</b>	<b>9,112</b>	<b>2.0%</b>	<b>368</b>
Income Withholding	532	(81)	(13.2%)	1,118	5.7%	586	7,167	230	3.3%	7,661	3.8%	494
Income Est. Payments (Cash)	16	(1)	(3.4%)	22	(2.0%)	6	1,722	21	1.2%	1,809	6.0%	88
Income Returns/Bills	16	4	38.2%	36	14.4%	21	324	5	1.6%	341	0.6%	17
Income Refunds (Cash)	194	90	86.9%	419	66.2%	224	468	125	36.5%	697	42.1%	229
<b>Sales &amp; Use - Total</b>	<b>54</b>	<b>5</b>	<b>9.6%</b>	<b>453</b>	<b>9.5%</b>	<b>399</b>	<b>3,680</b>	<b>203</b>	<b>5.8%</b>	<b>4,085</b>	<b>6.3%</b>	<b>405</b>
Sales - Regular	25	(1)	(5.3%)	317	6.0%	292	2,526	121	5.0%	2,824	5.5%	298
Sales - Meals	7	1	23.2%	73	8.2%	66	651	37	6.1%	716	6.1%	65
Sales - Motor Vehicles	22	5	28.2%	63	33.7%	41	504	45	9.7%	545	11.5%	41
<b>Corporate &amp; Business - Total</b>	<b>16</b>	<b>(4)</b>	<b>(20.3%)</b>	<b>61</b>	<b>(10.5%)</b>	<b>46</b>	<b>974</b>	<b>52</b>	<b>5.6%</b>	<b>997</b>	<b>2.7%</b>	<b>23</b>
<b>All Other</b>	<b>70</b>	<b>4</b>	<b>5.5%</b>	<b>174</b>	<b>2.9%</b>	<b>104</b>	<b>1,389</b>	<b>71</b>	<b>5.4%</b>	<b>1,480</b>	<b>4.2%</b>	<b>91</b>
<b>Total Tax Collections</b>	<b>509</b>	<b>(163)</b>	<b>(24.3%)</b>	<b>1,445</b>	<b>(4.4%)</b>	<b>936</b>	<b>14,787</b>	<b>457</b>	<b>3.2%</b>	<b>15,674</b>	<b>3.3%</b>	<b>887</b>
<i>Tax-Related Settlements &amp; Judgments Exceeding \$10 Million Each (NOT included in the February MTD and YTD collections figures above. February and YTD benchmarks DO NOT assume such large settlements and judgments exceeding \$10 million each).</i>												
	<b>0.0</b>						<b>26.9</b>					
<b>Total Tax Collections</b> <small>(Including tax-related settlements &amp; judgments)</small>	509	(189)	(27.1%)				14,814	363	2.5%			
<b>Corporate &amp; Business - Total</b> <small>(Including tax-related settlements &amp; judgments)</small>	16	(30)	-66.0%				1,001	31	3.2%			
<b>Income Returns/Bills</b> <small>(Including tax-related settlements &amp; judgments)</small>	16	4	38.2%				324	(69)	-17.5%			

(\*) 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 February full month totals)

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