

MARK E. NUNNELLY
COMMISSIONER

The Commonwealth of Massachusetts
Department of Revenue
Office of the Commissioner
P.O. Box 9550
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March 18, 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 Laws¹, the Department of Revenue (DOR) hereby submits its mid-month tax revenue report for the month of March 2016. The attached table shows March 2016 month-to-date and Fiscal Year 2016 year-to-date tax revenue collections through March 15, 2016, along with the dollar and percentage changes from the same collection period in March 2015. Also shown are the percentage growth amounts for the full month of March 2016 and for Fiscal Year 2016 year-to-date through the end of March 2016 that were assumed in the benchmarks corresponding to the revised

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

Fiscal Year 2016 tax revenue estimate of \$25.751 billion². 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 45% to 50% of monthly collections typically come in during the second half of the month.
- Month-to-date total *tax collections* are up \$199 million from the same period last March.
- Month-to-date *withholding* totals \$589 million, up \$1 million from the same period last March.
- Month-to-date *income tax cash refunds* total \$180 million, down \$83 million from the same period last March.
- Month-to-date decrease in *income tax cash refunds* was timing-related and expected (see below for further details).
- Month-to-date *sales & use tax collections* total \$77 million, up \$1 million from the same period last March.
- Month-to-date *corporate & business taxes* total \$654 million, up \$101 million from the same period last March.

Details:

March is an important tax collection month, as payments with tax returns and extensions are due for most corporations for the prior tax year, as are the first corporate estimated payments (equal to 40% of estimated annual tax liability) of the current tax year. March is the largest corporate & business excise tax collection month of the year. It is also the last significant month for bonus payments, which are reflected in withholding, and usually the second largest month of the year for income tax refunds. The March 2016 monthly benchmark corresponding to the Fiscal Year 2016 revised tax revenue estimate of \$25.751 billion assumes revenue collections of \$2.24 billion, an increase of \$215 million, or 10.6% actual, and an increase of \$105 million, or 5.2% baseline, from March 2015. The incremental impacts of tax law changes are expected to reduce collections by about \$14 million (net) this month. Having one more deposit day this month versus last March will increase the revenues by about \$9 million to \$11 million.

Through March 15, 2016, month-to-date tax collections totaled \$1.247 billion, up \$199 million, with the full month benchmark projecting an increase of \$215 million from last March. The month-to-date increase of \$199 million is mostly due to decrease in income tax cash refunds (-\$83 million), and increase in corporate/business tax collections (+\$101 million).

Month-to-date withholding tax collections totaled \$589 million, up \$1 million from the same period of last year, compared to the benchmark estimate that projects a withholding increase of \$36 million for the full month. It is possible that part of the month-to-date weakness might be timing-related and/or attributable to having a much softer bonus season this year relative to last year.

As of March 15, 2016, income tax cash refunds totaled \$180 million, down \$83 million from the same period in March 2015, with the full month benchmark projecting a decline of \$109 million. Month-to-date decrease in income tax cash refunds was timing-related and expected. As indicated in the [February revenue release](#), a significant number of refunds shifted from February to March last year when DOR held up refunds for further scrutiny in response to reports of increased refund fraud. It is expected that such delays would not recur this year, and refunds would shift back to February from March.

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

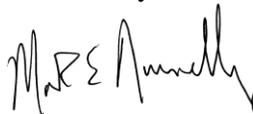
Month-to-date corporate & business tax collections totaled \$654 million, up \$101 million from the same period last year, compared with the full month benchmark projecting an increase of \$18 million from last March. A significant portion of month-to-date increase (+\$91 million) was in corporate and business payments with returns and bills filed for the prior (2015) tax year. Some of the return/extension payments and the first quarter estimated payments for 2016 will spill over to several deposits days after the 15th, so collections comparison to last year and benchmark will not be meaningful at this time.

As of March 15, 2016, month-to-date sales tax collections totaled \$77 million, up \$1 million from the same period last March, with the full month benchmark projecting an increase of \$34 million or 8.2% actual from March 2015. March 15th 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 March 21st (usual due date of 20th falls on a weekend this year).

Monthly motor fuels and rooms tax payments are also due on March 21st (usual due date of 20th 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 March 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 March 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 Nunnally
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 March 2016 (in \$ Millions)

Tax Collections as of March 15, 2016, Compared to Same Collection Period in FY2015 and to the FY2016 Tax Revenue Estimate of \$25.751 Billion

	----- Month of March -----						----- FY16 Year-to-Date -----					
	03/16 MTD Collections	03/16 MTD v. 03/15 MTD \$ Change	03/16 MTD v. 03/15 MTD % Change	03/16 Full Month Benchmark (*)	% Growth from 03/15 Assumed in Monthly Benchmark	\$ Needed to Reach 03/16 Full Month Benchmark (*)	03/16 FY16 YTD Collections	03/16 FY16 YTD \$ Change	03/16 FY16 YTD % Change	FY16 YTD Benchmark (**)	% Growth from 03/15 Assumed in FY16 YTD Benchmark	\$ Needed to Reach FY16 YTD Benchmark (**)
Income - Total	450	86	23.8%	848	22.9%	398	9,427	129	1.4%	9,960	3.5%	533
Income Withholding	589	1	0.2%	1,073	3.5%	484	8,212	243	3.0%	8,734	3.7%	522
Income Est. Payments (Cash)	9	1	10.0%	20	(2.0%)	11	1,737	23	1.3%	1,829	5.9%	92
Income Returns/Bills	33	2	5.6%	94	17.4%	61	384	14	3.7%	435	3.8%	51
Income Refunds (Cash)	180	(83)	(31.6%)	338	-24.3%	159	905	152	20.1%	1,036	10.5%	131
Sales & Use - Total	77	1	1.6%	448	8.2%	372	4,141	223	5.7%	4,534	6.5%	393
Sales - Regular	31	(2)	(6.9%)	298	7.9%	267	2,834	123	4.5%	3,122	5.7%	288
Sales - Meals	11	3	29.6%	72	8.2%	61	730	46	6.7%	788	6.3%	58
Sales - Motor Vehicles	35	1	2.6%	78	9.7%	44	577	54	10.4%	623	11.2%	46
Corporate & Business - Total	654	101	18.3%	776	2.4%	122	1,667	143	9.4%	1,772	2.5%	106
All Other	66	10	18.3%	168	3.0%	102	1,563	86	5.8%	1,648	4.0%	85
Total Tax Collections	1,247	199	19.0%	2,240	10.6%	993	16,797	581	3.6%	17,914	4.2%	1,117

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

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Total Tax Collections (Including tax-related settlements & judgments)	1,247	189	17.9%				16,824	449	2.7%			
Corporate & Business - Total (Including tax-related settlements & judgments)	654	91	16.2%				1,694	86	5.3%			
Income Returns/Bills (Including tax-related settlements & judgments)	33	2	5.6%				384	(60)	-13.6%			

(*) 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 March full month totals)

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