



NAVJEET K. BAL
COMMISSIONER

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

August 19, 2009

The Honorable Charles A. Murphy, Chair
House Committee on Ways and Means
State House
Room 243
Boston, MA 02133

The Honorable Viriato Manuel deMacedo, Representative
House Committee on Ways and Means
State House
Room 124
Boston, MA 02133

The Honorable Steven C. Panagiotakos, Chair
Senate Committee on Ways and Means
State House
Room 212
Boston, MA 02133

The Honorable Michael R. Knapik, Senator
Senate Committee on Ways and Means
State House
Room 419
Boston, MA 02133

Honorable Chairmen and Ranking Minority Members of the Ways and Means Committees:

Pursuant to Chapter 196 of the Acts of 2008, the Department of Revenue hereby submits its mid-month tax collection report for August 2009. The attached table shows August 2009 month-to-date and FY2010 year-to-date tax revenue collections through August 14, 2009, along with the dollar and percentage changes from the same collection period in August 2008. Also shown are the percentage growth amounts for the full month of August 2009 and for FY2010 year-to-date through the end of August 2009 that were assumed in the benchmarks corresponding to the FY2010 General Appropriation Act tax revenue estimate of \$18.879 billion. (The \$18.879 billion estimate reflects the FY10 consensus tax estimate of \$17.989 billion adjusted for the impact of tax law changes enacted as part of the FY2010 budget.) Please note that the \$18.879 billion estimate and the August 2009 month-to-date and year-to-date budgetary fund collection totals do not include increased cigarette tax collections resulting from the July 2008 increase in the cigarette tax rate, which are dedicated to the Commonwealth Care Trust Fund, a non-

budgetary fund. However, the increase in cigarette tax collections resulting from the higher cigarette tax rate is shown in a separate line at the bottom of the table.

August is a relatively small tax collection month, as there are no quarterly estimated payments due for most business and individuals. August revenues are therefore driven mostly by monthly withholding and sales tax revenues. Through August 14, 2009, tax collections totaled \$497 million, up \$44 million from the same period in August 2008, with the full month August benchmark (based on the \$18.879 billion estimate) projecting total tax revenues of \$1.239 billion, a decrease of \$70 million from August 2008. So far this month, the notable activity is in withholding and motor vehicle sales tax. The month-to-date increase through August 14th was primarily the result of higher withholding and sales and use tax collections compared to August 2008.

Month-to-date withholding taxes through August 14, 2009 totaled \$387 million, up \$34 million from the same period in August 2008, compared to the benchmark estimate that projects a withholding decline of \$79 million for the full month. August 2009 withholding has most likely been driven up by some as yet unidentified timing issue, and may be reversed either over the remainder of August (there are two more major weekly withholding payments due during the second half of August) or in September.

Month-to-date motor vehicle sales tax collections total \$25 million, up \$5 million, or about 28% from the same period last year, with the full month benchmark calling for a growth of \$10 million from August 2008. The month-to-date increase is due primarily to the 25% increase in the sales tax rate that took effect on August 1st, although motor vehicle sales in August might have increased due to the cash-for-clunkers program as well.

August 14th was too early in the month for regular sales (tax on tangible property, telecom and use) and meals tax trends to be meaningful, as monthly sales tax payments (other than those for motor vehicle sales tax) are not due until August 20th. Through August 14th, month-to-date regular sales and meals (other than motor vehicles) tax collections totaled \$29 million, up \$2 million from the same period in last August, with the full month benchmark calling for a decline of \$12 million from August 2008.

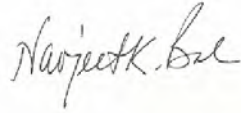
In addition, monthly motor fuels and rooms tax payments are due on August 20th this year. Therefore, month-to-date growth comparisons for those tax types before the third week of the month are not necessarily indicative of final collections for the full month.

Finally, there may be other 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 the factors noted above, revenues received through August 14th 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 August 2008 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 Howard Merkowitz, Director of the Office of Tax Policy Analysis (at 626-2100).

Sincerely,

A handwritten signature in black ink that reads "Navjeet K. Bal". The signature is written in a cursive style with a light blue shadow effect behind the text.

Navjeet K. Bal
Commissioner

Attachment

Cc: Leslie A. Kirwan, Secretary of Administration and Finance
Representative Robert A. DeLeo, House Speaker
Senator Therese Murray, Senate President
Representative Jay R. Kaufman, House Chair, Joint Committee on Revenue
Senator Benjamin B. Downing, Senate Chair, Joint Committee on Revenue
Representative Bradley H. Jones, Jr., House Minority Leader
Senator Richard R. Tisei, Senate Minority Leader

Mid-Month Tax Collection Report for August 2009 (in \$ Millions)

Tax Collections as of August 14, 2009, Compared to Same Collection Period in FY10 General Appropriation Act Tax Estimate of \$18.879 Billion

	----- Month of August -----						----- FY10 Year-to-Date -----					
	08/09 MTD Collections	08/09 MTD v. 08/08 MTD \$ Change	08/09 MTD v. 08/08 MTD % Change	08/09 Full Month Benchmark (*)	% Growth from 08/08 Assumed in Monthly Benchmark	\$ Needed to Reach 08/09 Full Month Benchmark (*)	08/09 FY10 YTD Collections	08/09 FY10 YTD \$ Change	08/09 FY10 YTD % Change	FY10 YTD Benchmark (**)(**)	% Growth from 08/08 Assumed in FY10 YTD Benchmark	\$ Needed to Reach FY10 YTD Benchmark (**)(**)
Income - Total	394	25	6.8%	684	(12.5%)	290	1,094	(37)	(3.3%)	1,392	(9.9%)	297
Income Withholding	387	34	9.6%	671	(10.6%)	284	1,071	1	0.1%	1,365	(7.0%)	294
Income Est. Payments (Cash)	5	(1)	(21.2%)	10	(39.9%)	5	19	(11)	(35.6%)	24	(39.9%)	5
Income Returns/Bills	12	(7)	(38.1%)	23	(29.3%)	12	35	(22)	(38.8%)	40	(43.6%)	5
Income Refunds (Cash)	10	0	2.0%	22	10.0%	12	31	5	21.6%	39	10.0%	8
Sales & Use - Total	53	8	16.8%	342	(0.6%)	289	398	(10)	(2.5%)	695	(1.6%)	297
Sales - Regular	21	1	6.7%	232	(4.6%)	212	260	(19)	(6.7%)	482	(4.2%)	222
Sales - Meals	8	1	14.2%	58	(1.3%)	51	65	(1)	(1.5%)	117	(0.5%)	53
Sales - Motor Vehicles	25	5	28.0%	51	24.2%	26	73	10	15.4%	95	12.5%	23
Corporate & Business - Total	17	10	146.5%	62	96.7%	45	101	(26)	(20.4%)	146	(3.4%)	45
Corporate Excise	12	6	102.4%	56	103.9%	44	68	(53)	(43.5%)	117	(18.3%)	48
Insurance Excise	(0)	(0)	N/A	1	4.1%	1	1	0	120.6%	1	4.3%	1
Financial Institutions Excise	2	0	7.2%	4	4.4%	2	30	23	332.0%	29	221.0%	(1)
Public Utilities Excise	2	4	N/A	(0)	N/A	(2)	2	4	N/A	(0)	(83.9%)	(2)
All Other	33	2	5.2%	152	(0.1%)	118	155	(23)	(12.8%)	284	(1.9%)	129
Total Tax Collections	497	44	9.8%	1,239	(5.3%)	742	1,748	(96)	(5.2%)	2,516	(6.5%)	769

Memo: Cigarette Tax Increase for Commonwealth Care Trust Fund

(Not in Estimate or Benchmarks)	5.6	2.8	N/A	6.3	N/A	0.7	20.0	(0.9)	N/A	15.3	N/A	(4.6)
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(*) Benchmarks are FY10 General Appropriation Act Estimate of \$18.879 Billion

(**) YTD Benchmarks are YTD full month benchmark totals (i.e., July through August full month totals)

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