



NAVJEET K. BAL
COMMISSIONER

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

December 20, 2010

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 revenue tax collection report for the month of December 2010. The attached table shows December 2010 month-to-date and FY2011 year-to-date tax revenue collections through December 15, 2010, along with the dollar and percentage changes from the same collection period in December 2009. Also shown are the percentage growth amounts for the full month of December 2010 and for FY2010 year-to-date through the end of December 2010 that were assumed in the benchmarks corresponding to the FY2011 tax revenue estimate of \$19.078 billion. (The \$19.078 billion estimate reflects the FY2011 consensus tax estimate of \$19.050 billion adjusted for the impact of FY2011 revenue initiatives enacted as part of the FY2011 budget and the impact of the sales tax holiday, which was included in the recently enacted Economic Development legislation. The \$19.078 billion estimate has not been adjusted yet for the \$46 million revenue impact resulting from the passage of the initiative petition that eliminates the sales tax on alcoholic beverage, effective 1/1/2011). Please note that the \$19.078 billion estimate and the December

2010 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.

The monthly benchmark corresponding to the FY2011 tax revenue estimate of \$19.078 billion projected December tax revenues of \$1.831 billion, a decline of \$54 million from December 2009 tax collections. The projected decline mainly reflects a non-recurring corporate/business tax settlement payment of approximately \$120 million that was received in December 2009, offset by increases in withholding and sales taxes reflecting slightly improved economic conditions and having one more deposit day this year than last year.

Through December 15, 2010, December 2010 month-to-date tax collections totaled \$782 million, down \$53 million from the same period in December 2009. Of the main revenue sources, month-to-date income tax withholding totaled \$428 million, up \$42 million from the same period last year, month-to-date sales and use tax totaled \$66 million, up \$13 million from the same period last year, and month-to-date corporate/business taxes totaled \$203 million, down \$131 million from the same period last year. As noted in the prior paragraph, most of the month-to-date decline in corporate and business tax was expected as a result of a non-recurring settlement payment received during the first week of last December which will not be repeated this year. Corporate and business refunds totaled \$25 million, up \$11 million from the same period last December, \$11 million above the monthly benchmark.


Several additional caveats are in order when considering the attached report:

- In December, the Commonwealth receives and deposits most of its tax revenues during the second half of the month, primarily because non-motor vehicle sales, meals, motor fuels, and rooms tax payments are due on the 20th of each month, and most income tax estimated payments are received in the last few days of the month. Therefore, month-to-date growth comparisons with last December for sales tax, meals tax, and income tax estimated payments are not meaningful at this point, and month-to-date growth for these tax types is not necessarily indicative of what final growth will be for the full month. Additionally it is much too early in the month to gauge meaningful trends on withholding payments which include end-of-year bonuses that are received at the end of the month;
- There may be other differences in the due dates for certain tax payments from one fiscal year to the next which complicate month-to-date comparisons to the prior year.

As a result of these considerations, revenues received through the 15th day of December as reported in the attached table are not necessarily indicative of what the final results for the full month will be. Specifically, they do not represent one-half of the revenues to be received in the full month and are at best a mere snap-shot picture of the revenues received through the reported date. Any variances from the monthly benchmark at this point should not be relied on as an indicator of what the total final revenues for the month will be, compared to the monthly benchmarks.

If you have any questions concerning this report, please contact me (at 626-2201) or Kazim P. Ozyurt, Acting Director of the Office of Tax Policy Analysis (at 626-2100).

Sincerely,

A handwritten signature in cursive script that reads "Navjeet K. Bal". The signature is written in black ink on a light-colored background.

Navjeet K. Bal
Commissioner

Attachment

Cc: Jay Gonzalez, 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 December 2010 (in \$ Millions)

Tax Collections as of December 15, 2010, Compared to Same Collection Period in FY2010 and to the FY2011 Tax Revenue Estimate of \$19.078 Billion

	----- Month of December -----						----- FY11 Year-to-Date -----					
	12/10 MTD Collections	12/10 MTD v. 12/09 MTD \$ Change	12/10 MTD v. 12/09 MTD % Change	12/10 Full Month Benchmark (*)	% Growth from 12/09 Assumed in Monthly Benchmark	\$ Needed to Reach 12/10 Full Month Benchmark (*)	12/10 FY11 YTD Collections	12/10 FY11 YTD \$ Change	12/10 FY11 YTD % Change	FY11 YTD Benchmark (**)	% Growth from 12/09 Assumed in FY11 YTD Benchmark	\$ Needed to Reach FY11 YTD Benchmark (**)
Income - Total	456	58	14.6%	1,002	5.4%	546	4,548	346	8.2%	4,971	4.6%	423
Income Withholding	428	42	10.9%	848	5.4%	420	4,131	224	5.7%	4,487	3.7%	357
Income Est. Payments (Cash)	23	9	70.1%	140	6.1%	117	460	54	13.3%	586	11.9%	126
Income Returns/Bills	11	(2)	(17.2%)	28	(4.5%)	17	177	(11)	(5.6%)	174	(14.3%)	(2)
Income Refunds (Cash)	6	(9)	(60.2%)	14	(6.9%)	8	216	(84)	(27.9%)	278	(7.1%)	62
Sales & Use - Total	66	13	25.1%	395	4.9%	328	2,156	249	13.1%	2,451	9.9%	295
Sales - Regular	36	12	50.4%	283	3.7%	248	1,502	181	13.7%	1,725	9.9%	223
Sales - Meals	8	(1)	(7.9%)	63	5.7%	55	374	44	13.3%	427	12.0%	52
Sales - Motor Vehicles	23	2	10.0%	49	11.7%	26	280	24	9.2%	299	7.1%	19
Corporate & Business - Total	203	(131)	(39.1%)	301	(27.7%)	98	820	28	3.5%	561	(35.9%)	(259)
Corporate Excise	190	(105)	(35.6%)	243	(32.3%)	53	792	199	33.5%	433	(34.2%)	(359)
Insurance Excise	20	(3)	(13.1%)	28	3.6%	7	96	(5)	(5.2%)	109	3.7%	13
Financial Institutions Excise	(8)	(19)	N/A	25	(1.8%)	33	(55)	(156)	N/A	22	(80.7%)	78
Public Utilities Excise	1	(3)	(83.0%)	5	0.0%	4	(13)	(10)	N/A	(3)	0.0%	10
All Other	57	6	12.3%	134	(6.4%)	77	781	21	2.8%	857	0.5%	76
Total Tax Collections	782	(53)	(6.3%)	1,831	(2.9%)	1,049	8,305	644	8.4%	8,840	1.5%	535

Memo: Cigarette Tax Increase for Commonwealth Care Trust Fund (Not in Estimate or Benchmarks)

	6	(1)	(18.6%)	11	(21.9%)	5	58	7	13.0%	59	0.9%	1
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(*) Benchmarks are based on the FY11 tax revenue estimate of \$19.078 billion

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

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