



AMY PITTER
COMMISSIONER

The Commonwealth of Massachusetts
Department of Revenue
Office of the Commissioner
P.O. Box 9550
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February 19, 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 Richard J. Ross, Senator
Senate Committee on Ways and Means
State House
Room 520
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 February 2015. The attached table shows February 2015 month-to-date and FY2015 year-to-date tax revenue collections through February 13, 2015, along with the dollar and percentage changes from the same collection period in February 2014. Also shown are the percentage growth amounts for the full month of February 2015 and for FY2015 year-to-date through the end of February 2015 that were assumed in the benchmarks corresponding to the FY2015 revised tax revenue estimate of \$24.307 billion. (The \$24.307 billion estimate reflects the FY2015 consensus tax estimate of \$24.337 billion adjusted for the impact of the subsequent changes affecting budgetary taxes, which include changes in the General Appropriation Act (GAA) such as tax amnesty, delayed FAS109 deductions, and enhanced DOR tax enforcements, changes in the economic development bill, and changes in the county government financial management bill, and the impacts of Part B income tax rate reduction through a trigger process (5.20% to 5.15%) and elimination of inflation indexing of gas/special fuels tax

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

at the ballot). Please note that the \$24.307 billion estimate does not include \$240 million for tax- and non-tax-related judgment & settlement payments in excess of \$10 million each, which was assumed in the FY2015 GAA budget.

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), 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 2015 monthly benchmark corresponding to the FY2015 revised tax revenue estimate of \$24.307 billion totals \$1.357 billion (including \$37 million in non-DOR tax revenue, virtually mostly from the Division of Insurance, whose annual tax on writing high-risk insurance policies is deposited this month), an increase of \$19 million or 1.4% actual, and up \$91 million or 6.6% baseline from February 2014. The incremental impacts of tax law changes are expected to reduce collections by about \$7 million this month, reflecting mostly the revenue loss due to the recent reduction in part B personal income tax rate offset by net revenue gain from other tax law changes.

Through February 13, 2015 month-to-date tax collections total \$653 million, up \$101 million, with the full month benchmark projecting a growth of \$19 million from last February's total tax collections. The most activity so far in the month is in withholding (up \$120 million), income tax refunds (down \$114 million), and corporate/business taxes (down \$109 million). There has also been some activity in sales and use tax collections (down \$8 million). Most of the month-to-date increase in withholding was expected and built into the February benchmark estimate (it was due to a quarterly withholding shift that took place at the end of January and at the beginning of February); most of the month-to-date decline in corporate/business taxes was also expected and built into the February benchmark estimate (it was due to one-time settlement payments totaling over \$100 million received during the same period of last February but that does not recur this month); month-to-date decline in income refunds was probably timing-related and/or due to processing delays, and therefore they could be offset by acceleration of refunds during the filing season.

Month-to-date income tax collections through February 13, 2015 total \$535 million, up \$236 million, or 78.7% from the same period in February 2014, mostly due to strong growth in withholding collections and large decline in income tax refunds. Month-to-date withholding totals \$612 million, up \$120 million from the same period in February 2014, with the full month benchmark projecting an increase of \$124 million. As mentioned above, month-to-date increase is mostly due to the fact that quarterly withholding payments that were due on January 31st shifted into February (paid mostly on February 2, 2015) because the 31st falls on weekend this year. Although withholding has been strong since the beginning of this month, it is too early to say anything about its performance relative to the benchmark until the third weekly withholding payments on or around February 23rd. Month-to-date income tax cash refunds total \$103 million, down \$114 million from the same period in February 2014, with the full month benchmark projecting a decline of \$15 million. The month-to-date decline seems to be timing related and may reverse by the end of this month or in March.

As of February 13, 2015, corporate and business tax collections total \$20 million, down \$109 million, from the same period last February, with the full month benchmark projecting to total \$89 million, a decline of \$163 million from February 2014 (the projected decline is mostly due to one-time settlement payments received last February, which will not recur this month).

Month-to-date sales and use tax collections through February 13, 2015 total \$48 million, down \$8 million from the same period in February 2014, with the full month benchmark projecting an increase of \$31 million, or 7.7% actual, and \$23 million or 5.8% baseline from February 2014. Since monthly sales tax payments (other than those for motor vehicle sales tax, which are remitted daily) are due on February 20th,

it is too early in the month for sales tax trends to be meaningful. Motor vehicle sales taxes, which are received daily and should not be affected by timing issues, are down \$3 million, from the same period last February.

Monthly motor fuels and rooms tax payments are also due on February 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 February 13th 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 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 benchmark.

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,



Amy Pitter
Commissioner

Attachment

Cc: Kristen Lepore, Secretary of Administration and Finance
Representative Robert A. DeLeo, House Speaker
Senator Stanley C. Rosenberg, Senate President
(Vacant), 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 2015 (in \$ Millions)

Tax Collections as of February 13, 2015, Compared to Same Collection Period in FY2014 and to the FY2015 Tax Revenue Estimate of \$24.307 Billion

	----- Month of February -----						----- FY15 Year-to-Date -----					
	02/15 MTD Collections	02/15 MTD v. 02/14 MTD \$ Change	02/15 MTD v. 02/14 MTD % Change	02/15 Full Month Benchmark (*)	% Growth from 02/14 Assumed in Monthly Benchmark	\$ Needed to Reach 02/15 Full Month Benchmark (*)	02/15 FY15 YTD Collections	02/15 FY15 YTD \$ Change	02/15 FY15 YTD % Change	FY15 YTD Benchmark (**)**	% Growth from 02/14 Assumed in FY15 YTD Benchmark	\$ Needed to Reach FY15 YTD Benchmark (**)**
Income - Total	535	236	78.7%	670	27.6%	135	8,685	668	8.3%	8,591	4.2%	(94)
Income Withholding	612	120	24.4%	1,037	13.5%	424	6,936	334	5.1%	7,325	4.3%	389
Income Est. Payments (Cash)	17	8	85.9%	13	1.9%	(3)	1,701	229	15.5%	1,528	3.5%	(173)
Income Returns/Bills	10	(7)	(40.6%)	44	15.4%	34	391	3	0.8%	403	(1.5%)	12
Income Refunds (Cash)	103	(114)	(52.5%)	424	-3.4%	320.1	342	(103)	(23.1%)	666	0.0%	323
Sales & Use - Total	48	(8)	(14.9%)	427	7.7%	379	3,476	153	4.6%	3,898	6.4%	422
Sales - Regular	26	(3)	(10.0%)	302	8.0%	276	2,405	102	4.4%	2,722	6.6%	318
Sales - Meals	6	(2)	(30.9%)	69	7.6%	63	613	30	5.2%	677	5.9%	64
Sales - Motor Vehicles	16	(3)	(15.6%)	56	6.5%	40	458	20	4.6%	499	5.8%	40
Corporate & Business - Total	20	(109)	(84.8%)	89	(64.8%)	69	970	(159)	(14.1%)	1,042	(16.8%)	72
All Other	50	(17)	(25.7%)	171	4.2%	121	1,302	27	2.1%	1,407	2.6%	105
Total Tax Collections	653	101	18.3%	1,357	1.4%	704	14,433	688	5.0%	14,938	2.8%	505

(*) Benchmarks are based on the FY15 tax revenue estimate of \$24.307 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.