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COMMISSIONER

*The Commonwealth of Massachusetts*  
*Department of Revenue*  
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January 21, 2015

The Honorable Brian S. Dempsey, Chair  
House Committee on Ways and Means  
State House  
Room 243  
Boston, MA 02133

(Vacant) House Minority Member  
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 320  
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 Laws<sup>1</sup>, the Department of Revenue hereby submits its mid-month tax revenue report for the month of January 2015. The attached table shows January 2015 month-to-date and FY2015 year-to-date tax revenue collections through January 15, 2015, along with the dollar and percentage changes from the same collection period in January 2014. Also shown are the percentage growth amounts for the full month of January 2015 and for FY2015 year-to-date through the end of January 2015 that were assumed in the benchmarks corresponding to the FY2015 revised tax revenue estimate of \$24.312 billion. (The \$24.312 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 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

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

at the ballot.). Please note that the \$24.312 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.

January is one of the three largest tax collection months of the year, as withholding payments continue to reflect end-of-year bonuses, final income tax estimated payments of the tax year ending in December are due, and sales taxes are remitted on holiday season transactions. The January 2015 monthly benchmark corresponding to the FY15 revised revenue estimate of \$24.312 billion assumes revenue collections of \$2.384 billion, a decrease of \$45 million, or 1.9 % actual, but an increase of 5.3% baseline, from January 2014 collections. Income tax withholding is projected to decrease by \$72 million, or 7.3% actual, but increase by 5.57% baseline from January 2014, with the projected withholding decline due to the fact that 1) this January has one less deposit day than last January, 2) quarterly withholding payments that are due on January 31st will be shifted into February because January 31st falls on weekend this year, and 3) there were some timing-related withholding payments shifted into last January from surrounding months, but the January 2015 benchmark projects the reversal of this dynamic this year. Income tax estimated payments are projected to increase by \$23 million, or 3.4% actual and 3.9% baseline, and sales tax is projected to grow by \$24 million, or 4.6% actual and 5.7% baseline. Corporate/business taxes are projected to decline by \$17 million (the decline is mostly due to timing-related payment/refund dynamics that affected last January, which will not recur this January). The incremental impacts of tax law changes are expected to reduce collections by about \$13 million this month, most of which is due to the recent reduction in part B personal income tax rate. Having one less deposit day this month vs. last January will also reduce the revenues by about \$9-11 million.

Through January 15, 2015, tax collections totaled \$1.166 billion, up \$89 million from the same period in January 2014, versus the full month benchmark that calls for a decrease of \$45 million from January 2014. Most activity so far in the month is still in withholding and income tax estimated payments. There is also some activity in sales tax collections, and income & corporate refunds. About 50-60% of January collections are typically received after the middle of the month, so there is a great degree of uncertainty as to where the revenues would end the month at this time.

Month-to-date income tax collections through January 15, 2014 totaled \$1.039 billion, up \$96 million from the same period in January 2014, with the full month benchmark projecting a decline of \$60 million, or 3.6% actual, and increase of \$84 million, or 5.1% baseline from January 2014. Month-to-date income tax cash estimated payments totaled \$489 million, up \$75 million from the same period last January, versus the full month benchmark that calls for growth of \$23 million from January 2014. Income tax cash estimated payments in December 2014 were above the December 2013 levels (and \$45 million above the December 2014 benchmark), which may indicate that many taxpayers wanted to deduct state tax payments against their calendar year 2014 income. The fact that income estimated payments have been up so far this January after ending December on a high note might be a reflection of last year's strong stock market performance and investment-related gains. As of January 15, 2015, income cash estimated payments were up 20.9% since the beginning of December (the number of payments were down 8.4% but the average payment is up 32%). Because these payments will continue throughout January, and they tend to fluctuate on a daily basis, it is extremely difficult to assess the performance of income tax estimated payments relative to last year and benchmark at this time.

As of January 15, 2015, corporate and business tax collections totaled \$5 million, down \$17 million, from the same period last January, with the full month benchmark projecting to total \$38 million, a decline of \$17 million from January 2014.

Month-to-date sales and use tax collections through January 15, 2015 totaled \$79 million, up \$19 million from the same period in January 2014, with the full month benchmark projecting an increase of \$24 million, or 4.6% actual and 5.7% baseline from January 2014. Since monthly sales tax payments (other than those for motor vehicle sales tax, which are remitted daily) are due on January 20<sup>th</sup>, 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 up \$8 million, from the same period last January.

Monthly motor fuels and rooms tax payments are also due on January 20<sup>th</sup>. 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 January 15<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 January 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  
Representative 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 January 2015 (in \$ Millions)

Tax Collections as of January 15, 2015, Compared to Same Collection Period in FY2015 and to the FY2015 Tax Revenue Estimate of \$24.312 Billion

	----- Month of January -----						----- FY15 Year-to-Date -----					
	01/15 MTD Collections	01/15 MTD v. 01/14 MTD \$ Change	01/15 MTD v. 01/14 MTD % Change	01/15 Full Month Benchmark (*)	% Growth from 01/14 Assumed in Monthly Benchmark	\$ Needed to Reach 01/15 Full Month Benchmark (*)	01/15 FY15 YTD Collections	01/15 FY15 YTD \$ Change	01/15 FY15 YTD % Change	FY15 YTD Benchmark (*)(**)	% Growth from 01/14 Assumed in FY15 YTD Benchmark	\$ Needed to Reach FY15 YTD Benchmark (*)(**)
<b>Income - Total</b>	<b>1,039</b>	<b>96</b>	<b>10.2%</b>	<b>1,622</b>	<b>(3.6%)</b>	<b>583</b>	<b>7,372</b>	<b>393</b>	<b>5.6%</b>	<b>7,921</b>	<b>2.6%</b>	<b>549</b>
Income Withholding	551	27	5.1%	913	(7.3%)	362	5,925	276	4.9%	6,289	2.9%	364
Income Est. Payments (Cash)	489	75	18.2%	705	3.4%	216	1,375	180	15.0%	1,515	3.5%	139
Income Returns/Bills	11	(0.0)	(0.2%)	33	12.1%	21	290	(64)	(18.0%)	359	(3.3%)	69
Income Refunds (Cash)	13	5.9	82.6%	29	105.3%	16.2	218	(3)	(1.2%)	242	6.6%	25
<b>Sales &amp; Use - Total</b>	<b>79</b>	<b>19</b>	<b>32.7%</b>	<b>545</b>	<b>4.6%</b>	<b>466</b>	<b>2,954</b>	<b>149</b>	<b>5.3%</b>	<b>3,471</b>	<b>6.3%</b>	<b>517</b>
Sales - Regular	38	10	36.7%	413	5.0%	375	1,997	90	4.7%	2,421	6.5%	423
Sales - Meals	10	2	17.7%	78	4.5%	68	538	28	5.6%	608	5.7%	70
Sales - Motor Vehicles	31	8	33.5%	54	1.8%	24	419	31	7.9%	443	5.7%	23
<b>Corporate &amp; Business - Total</b>	<b>5</b>	<b>(17)</b>	<b>(77.3%)</b>	<b>38</b>	<b>(30.5%)</b>	<b>33</b>	<b>916</b>	<b>(52)</b>	<b>(5.3%)</b>	<b>953</b>	<b>(4.7%)</b>	<b>37</b>
<b>All Other</b>	<b>43</b>	<b>(9)</b>	<b>(18.0%)</b>	<b>178</b>	<b>4.4%</b>	<b>135</b>	<b>1,128</b>	<b>39</b>	<b>3.6%</b>	<b>1,236</b>	<b>2.4%</b>	<b>108</b>
<b>Total Tax Collections</b>	<b>1,166</b>	<b>89</b>	<b>8.3%</b>	<b>2,384</b>	<b>(1.9%)</b>	<b>1,217</b>	<b>12,370</b>	<b>530</b>	<b>4.5%</b>	<b>13,581</b>	<b>2.9%</b>	<b>1,211</b>

(\*) Benchmarks are based on the FY15 tax revenue estimate of \$24.312 billion

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

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