



Massachusetts Department of Revenue

Briefing Book FY2011 Consensus Revenue Estimate Hearing

December 16, 2009

Presented by:

Navjeet K. Bal
COMMISSIONER

Howard Merkowitz
DIRECTOR
OFFICE OF TAX POLICY ANALYSIS

Table of Contents

Introduction.....3

FY09 Results.....4

FY10 Summary.....5

FY11 Summary.....7

Recent Revenue Trends.....8

The U.S. Economy.....12

The Massachusetts Economy.....16

Massachusetts Economic Forecast Table.....19

Capital Gains Taxes.....20

FY10 and FY11 Tax Revenue Projections.....22

Historical Comparison of Projections to Actual Collections.....26

Introduction

This Briefing Book was created by the Department of Revenue (DOR) and is intended to provide you with DOR's current tax revenue estimates for FY10 and FY11 and relevant background information.

With the national economy only just emerging from the most severe recession since WWII and the stock and credit markets experiencing unprecedented volatility, tax revenue forecasting is more difficult and uncertain than it has been in recent memory.

Our FY10 and FY11 revenue forecasts are based on tax collections through November 2009 and economic projections of our outside vendors: Moody's Economy.com, Global Insight, and the New England Economic Partnership (NEEP). These figures have been adjusted for legislatively mandated tax changes. The table below summarizes the Department's tax revenue forecasts for FY10 and FY11.

**FY10 and FY11 Department of Revenue Tax Revenue Projections
(in \$ Billions)**

	FY10 Projections	%Growth Actual fromFY09	%Growth Baseline fromFY09	FY11 Projections	\$ Growth fromFY10	%Growth Actual fromFY10	%Growth Baseline fromFY10
A&F 10/15/09	\$18.279	0.1%	-4.3%	N/A	N/A	N/A	N/A
Economy.com	\$18.369	0.6%	-3.8%	\$18.709	\$0.339	1.8%	2.0%
Global Insight	\$18.653	2.2%	-2.2%	\$19.342	\$0.689	3.7%	3.9%
NEEP	\$18.246	-0.1%	-4.5%	\$18.531	\$0.285	1.6%	1.7%

FY09 Results

- FY09 tax collections totaled \$18.259 billion, down \$2.62 billion, or 12.5% from FY08.
- FY09 “baseline” tax collections (i.e., growth adjusted for the impact of tax law and administrative changes) were down 13.2% from FY08.
- FY09 tax collections were \$177 million below the final FY09 revenue estimate of \$18.436 billion, primarily due to lower than projected income taxes and corporate and business taxes. Capital gains taxes were down 75% in FY09 compared to FY08, and totaled about \$541 million.
- FY09 saw one of the steepest declines in revenue collections ever due to a major global economic crisis. Income tax paid on capital gains, dividends and interest, and withholding tax collections – all fell dramatically:
 - FY09 income tax collections totaled \$10.584 billion, a decrease of 15.2%. Withholding declined 1.6%, while income from estimated payments which include capital gains, interest and dividends, and unincorporated business income, declined 28.6%. Refunds were up 16.2%. Income tax payments with returns and bills declined 36.4%.
 - FY09 sales tax was \$3.869 billion, down 5.3%. Within the three main categories of sales tax, only meals tax collections, down 0.5% from the previous year, came close to holding their own.
 - FY09 corporate and business tax collections of \$2.099 billion for the year were down 17.6%. Only corporate excise tax collections were 2.4% higher than the previous year’s collections. Financial institutions excise tax collection declined 55.7% from the previous year, though much of this decline was due to non-recurring settlement payments received in FY08.

FY10 Summary

- The FY10 consensus revenue estimate assumed FY10 revenue collections of \$17.989 billion. After adjusting for tax law changes not incorporated into the consensus estimate, the FY10 tax forecast was \$18.879 billion.
- On October 15, 2009 the Executive Office for Administration and Finance (A&F) reduced the FY10 revenue estimate by \$600 million, to \$18.279 billion. The revised estimate reflects projected revenue declines of 0.1% actual and -4.3% baseline from FY09 collections.
- Through November 2009, FY10 tax collections totaled \$6.827 billion, down \$369 million, or 5.1% actual and 9.8% baseline compared to the same five-month period in FY09, \$37 million above the November year-to-date benchmark set out in the October 15, 2009 revised revenue estimate. Specifically:
 - Year-to-date withholding is down 3.8% actual and 4.3% baseline.
 - Year-to-date income tax estimated payments are down 35.4% actual and 32.9% baseline, reflecting declines in non-wage income, especially capital gains.
 - Year-to-date corporate and business tax collections are up 6.8% actual and down 1.7% baseline, with estimated payments (an indicator of current business conditions) down 7.8%.

FY10 Summary

- The Massachusetts economy is projected to recover slowly in terms of output during the last three quarters of FY10. But employment is projected to decline through the third quarter of next year:
 - Real Gross State Product is projected to grow by -0.7% to 1.6% over the remainder of FY10.
 - Massachusetts payroll employment is projected to decline by between 1.2% and 3.0% in the last three quarters of FY10, and wages and salaries are projected to decline by 0.7% to 5.1% over the same period.
 - Retail sales are projected to grow by -0.6% to 1.0% over the remainder of FY10.
- Economy.com forecasts that tax year 2009 capital gains realizations (which mainly determine FY10 capital gains tax collections) will decline by 9.3% from tax year 2008, and will then increase by 13.8% in tax year 2010 before increasing by an additional 2.1% in tax year 2011. An alternative model run by DOR projects that capital gains realizations will drop by 13.5% in tax year 2009 and then increase 10.3% in tax year 2010 before declining 15.1% in tax year 2011 when the maximum federal tax rate on capital gains is scheduled to increase from 15% to 20%. We have used the DOR model in our forecasts, as recently it has proved more accurate.
- Using economic projections from Global Insight, Economy.com, and the New England Economic Partnership (NEEP), and DOR's capital gains projections, FY10 tax revenue is projected at \$18.246 billion to \$18.653 billion, \$33 million below to \$373 million above the A&F October 15, 2009 FY10 estimate of \$18.279 billion. Included in this forecast is an adjustment for the impact of tax law changes and revenue initiatives (primarily the sales tax increases), which are expected to result in a net revenue increase of approximately \$832 million.

FY11 Summary

- The national economy is emerging from recession and is expected to grow moderately in calendar years 2010 and 2011, with FY11 real Gross Domestic Product (GDP) forecasts ranging from an increase of 2.4% to 2.7%. Growth rates are expected to accelerate at the end of FY11.

- The three forecast vendors project the following for FY11:
 - Projections for Massachusetts employment range from a decline of 0.6% to an increase by 0.5% in FY11, compared to declines of 1.8% to 3.2% in FY10, and Massachusetts wages and salary projections range from growth of 1.1% to 3.4% in FY11, compared to a decline of 1.7% to 5.1% in FY10;
 - Massachusetts personal income is expected to rise 2.6% to 3.5% in FY11, compared to a decline of 0.1% to 1.9% in FY10;
 - Nationally, corporate profits are expected to grow by 2.9% to 6.4% in FY11, compared to growth of 3.8% to 22.6% in FY10;
 - The stock market as measured by the S&P 500 is expected to increase 15.6% to 24.7% in calendar year 2010, compared to a decline of 23.2% to 24.0% in calendar 2009.

- Using the economic growth assumptions from Economy.com, Global Insight,, and the New England Economic Partnership (NEEP), and the capital gains estimates from DOR, FY11 tax revenue is projected to be \$18.531 billion to \$19.342 billion, reflecting baseline growth of 1.7% to 3.9% over FY10. Included in this forecast is an adjustment for the impact of tax law changes and revenue initiatives (primarily the sales tax increase and the reduction in corporate tax rates), which are expected to result in a net revenue increase of \$148 million.

Recent Revenue Trends

- **Two Measures of Tax Revenue Growth:**
 - Actual growth - growth in actual collections over two periods.
 - Baseline growth - growth had there been no tax law or administrative changes that affected tax collections. Baseline growth also adjusts for fluctuations in the timing of tax collections. Baseline growth is a better measure of the change in the underlying tax base and the economy.

FY2010 Year-to-Date Collections Through November 2009 (in \$ Millions)					
	11/09 FY10 YTD Collections	11/09 FY10 YTD \$ Change	11/09 FY10 YTD Actual % Change	11/09 FY10 YTD Baseline % Change	FY10 YTD \$ Above/(Below) Benchmark Based on A&F 10/15/09 FY10 Estimate of \$18,279 Billion
Income - Total	3,805	(488)	-11.4%	-11.5%	11
Income Withholding	3,521	(138)	-3.8%	-4.3%	8
Income Est. Payments (Cash)	393	(215)	-35.4%	-32.9%	4
Income Returns/Bills	174	(51)	-22.8%	-24.1%	14
Income Refunds (Cash)	284	80	39.3%	38.9%	12
Sales & Use - Total	1,854	156	9.2%	-7.5%	11
Sales - Regular	1,297	80	6.5%	-9.9%	0
Sales - Meals	322	34	11.6%	-3.2%	4
Sales - Motor Vehicles	235	42	22.0%	1.6%	7
Corporate & Business - Total	459	29	6.8%	-1.7%	(2)
Corporate Excise	299	(119)	-28.4%	-38.2%	8
Insurance Excise	78	(13)	-14.6%	9.5%	(1)
Financial Institutions Excise	89	138	N/A	N/A	(8)
Public Utilities Excise	(7)	23	N/A	N/A	(0)
All Other	710	(66)	-8.5%	-9.8%	17
Total Tax Collections	6,827	(369)	-5.1%	-9.8%	37

Recent Revenue Trends

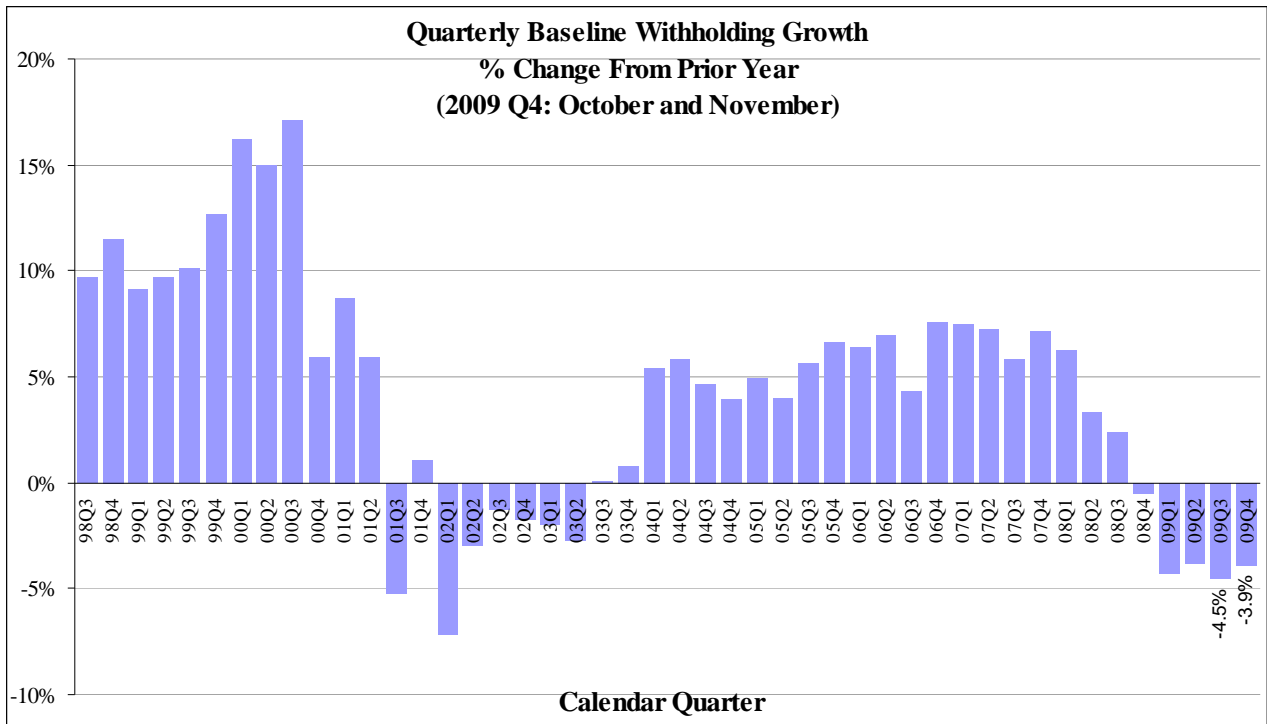
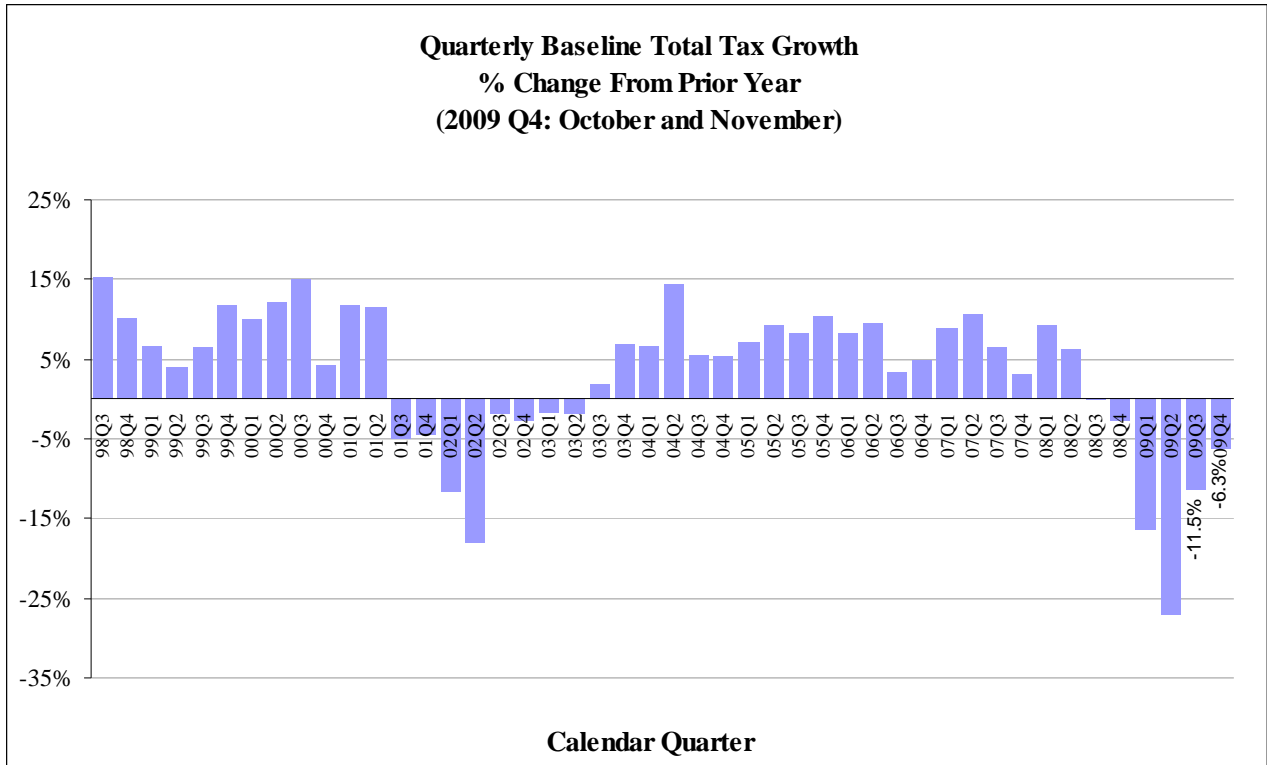
- **Withholding**
 - Withholding has declined significantly so far in FY10, with baseline collections down 4.3% through November 2009, after having declined by 1.7% in FY09.

- **Income Tax Estimated Payments**
 - Income tax estimated payments have declined by 32.9% baseline in FY10, after having declined by 27.7% in FY09. This reflects the expectation of weak non-wage income, primarily interest and dividends and capital gains.

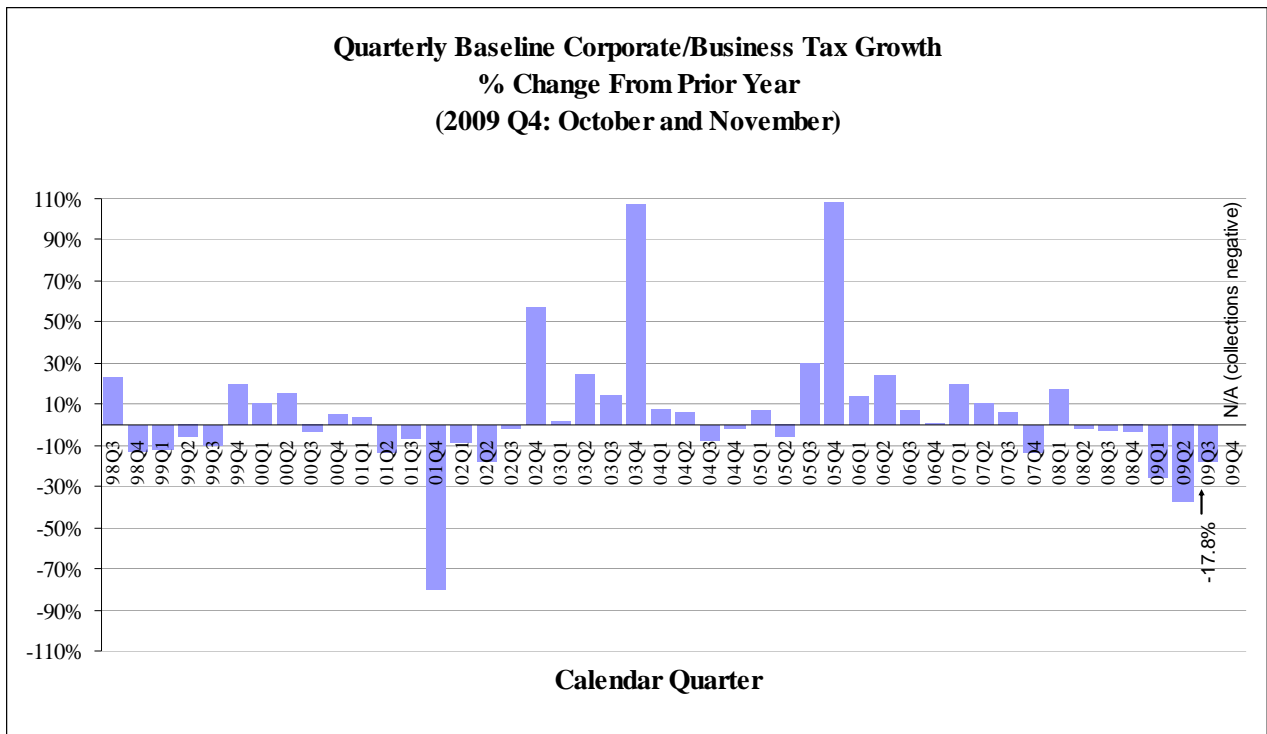
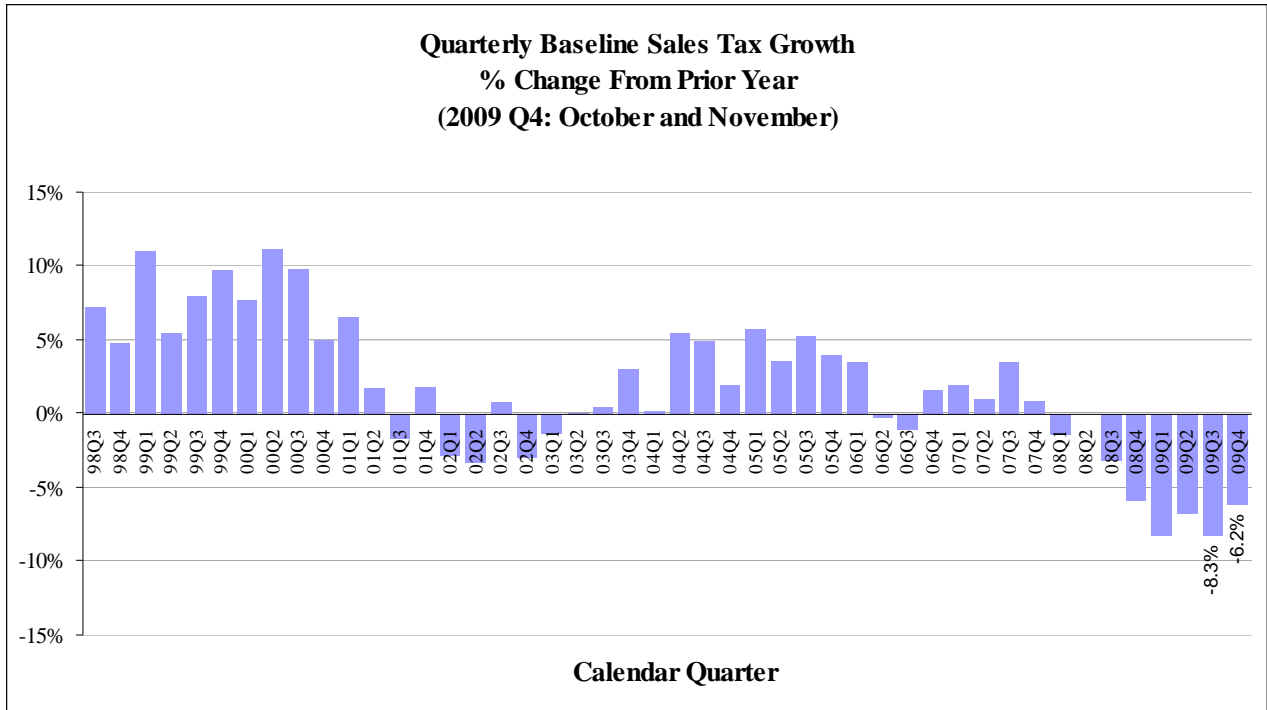
- **Sales Tax**
 - As consumers cut their spending, sales tax collections have declined in FY10, though the pace of decline has moderated in the last two months. After having declined by 6.0% in FY09, sales tax collections are down 7.5% baseline FY10 year-to-date, with weakness in regular sales tax and meals tax: regular sales tax is down by 9.9% baseline and meals tax is down 3.2% baseline. Motor vehicle sales tax has increased by 1.6% baseline, possibly due to the effect of the “cash for clunkers” program and the slow recovery of demand. The decline in sales tax is comparable to that in other states – sales tax collections fell by 8.2% nationally in the three months ending in September (the most recent period for which comprehensive data are available).

- **Corporate and Business Excise**
 - As the economy starts to recover, the decline of corporate and business tax collections have slowed in the first five months of FY10, with a baseline decline of 1.7% through November compared with a decline of 18.9% in FY09. YTD corporate estimated payments, which reflect current economic activity, are down 10.7%.

Recent Revenue Trends



Recent Revenue Trends



The U.S. Economy

- DOR utilizes national and Massachusetts state economic forecasts from Global Insight, Moody's Economy.com, and the New England Economic Partnership.
- The national economy is beginning to emerge from recession, but the recovery is expected to be uneven and sluggish. Following declines in the first quarter (-6.4%, annual rate) and second quarter (-0.7%, annual rate) of 2009, real GDP growth turned positive in the third quarter at an annual rate of 2.8%, and is expected to remain positive in the fourth quarter and through 2010.
- The labor market has begun to stabilize as the pace of job losses has slowed. US payroll employment fell by 11,000 in November 2009, far below the job losses posted in the past 22 months. The unemployment rate edged down to 10.0% in November 2009. However, the recovery of the labor market is expected to be very slow. The unemployment rate will remain close to the current level in 2010.
- The housing market has improved substantially. Driven by historically low interest rates, the first-time home buyer tax credit, and lower prices, sales of new and existing homes have increased substantially since early 2009. In October 2009, new- and existing-home sales rose 5.1% and 23.5% respectively compared with October 2008. The inventory of unsold homes has declined greatly. But the high foreclosure rate still remains a concern, and will weigh on the economic recovery.
- The commercial real estate market is a cause for concern, especially with respect to regional banks, which have significant loans to non-residential properties whose values have declined in the last several years.

The U.S. Economy

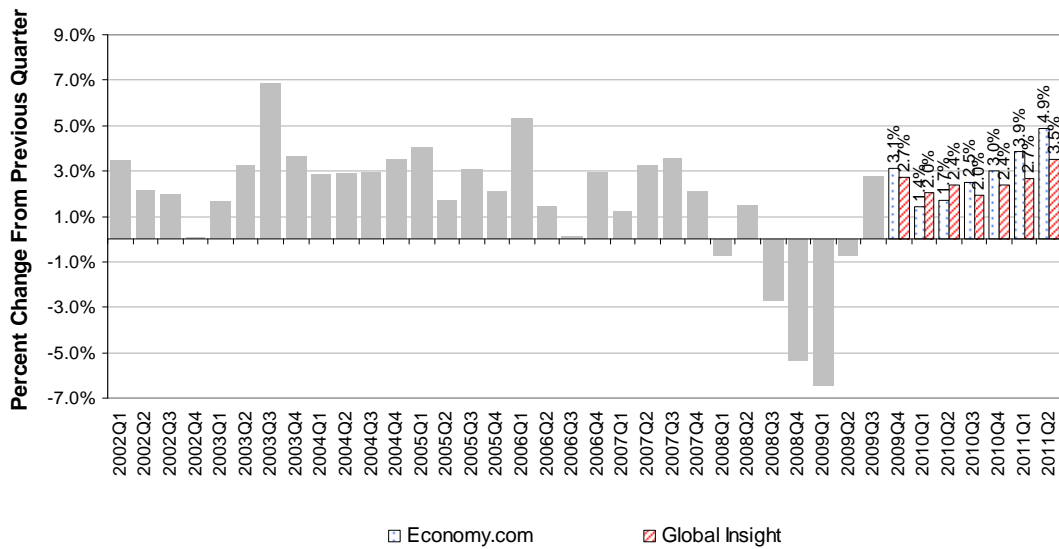
- Short-term interest rates are expected to remain very low over the remainder of 2009 and in early 2010. The Federal Reserve is expected to keep the federal funds rate in its current target range of 0.0%-0.25% through early 2010, but may raise it slowly by the end of next year as the economy recovers. The bank prime rate will follow a similar trend.
- After falling 22.7% in FY09, corporate profits are expected to increase significantly over the remainder of FY10 as the economy recovers. Forecasters diverge on how much corporate profits will increase in FY10, with Economy.com projecting an increase of 3.8% and Global Insight projecting growth of 22.6%.
- While the stock market, as measured by the S&P 500, has staged a dramatic recovery since March 2009 (up more than 60% from the March low, which itself was down 57% from its October 2007 peak), compared with the same period in calendar year 2008, the stock market fell substantially in the first three quarters of calendar year 2009, with the average daily close of the S&P 500 index down by 32.1% compared to the same period of 2008. However, in the fourth quarter of calendar 2009, the stock market is expected to increase 11%-16% compared to the fourth quarter of 2008. The calendar year 2010 (FY11) average of the S&P 500 index is expected to rise further, with Economy.com projecting an increase of 24.7% and Global Insight predicting an increase of 15.6% compared to calendar year 2009.

The U.S. Economy

Real GDP Growth FY94-11 (Forecasts begin in FY10)



Annualized Quarterly Growth in U.S. Real GDP (Change from Previous Quarter, Annualized)

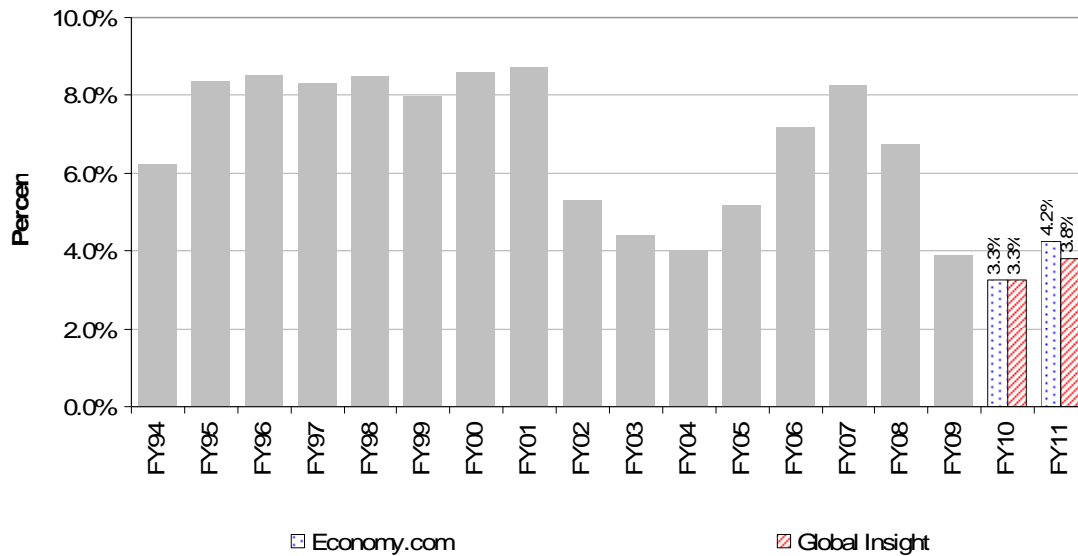


The U.S. Economy

Business Profits Are Expected to Increase
(Corporate Profits Before Tax FY94-11)



Interest Rates Will Remain Low Through FY11
(Bank Prime Rate)



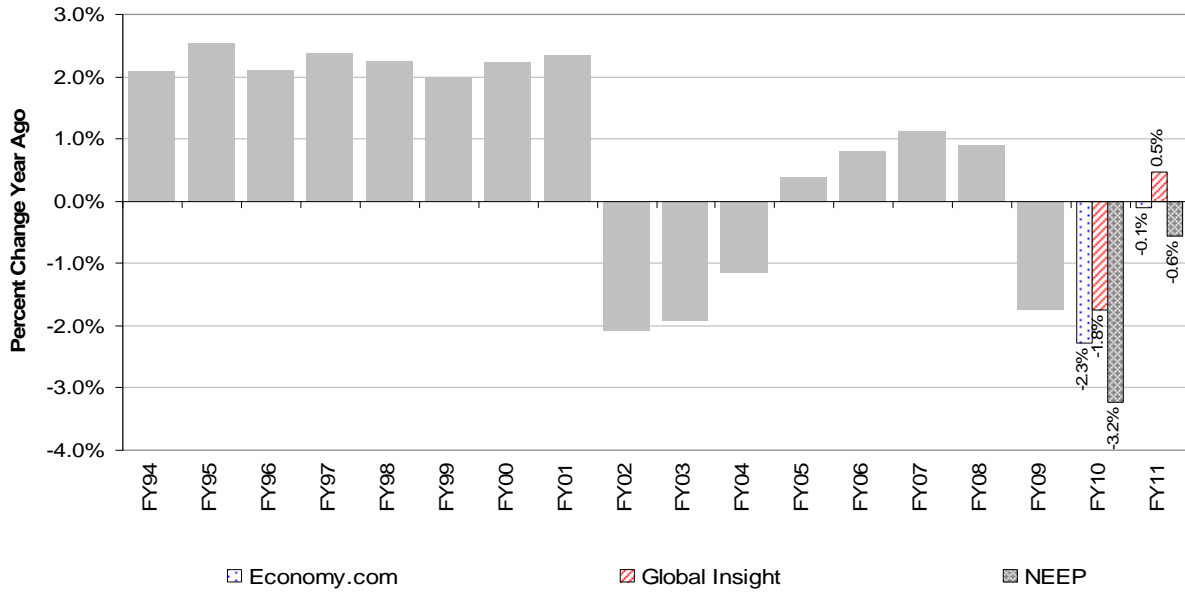
The Massachusetts Economy

The forecast assumptions for the Massachusetts economy are as follows:

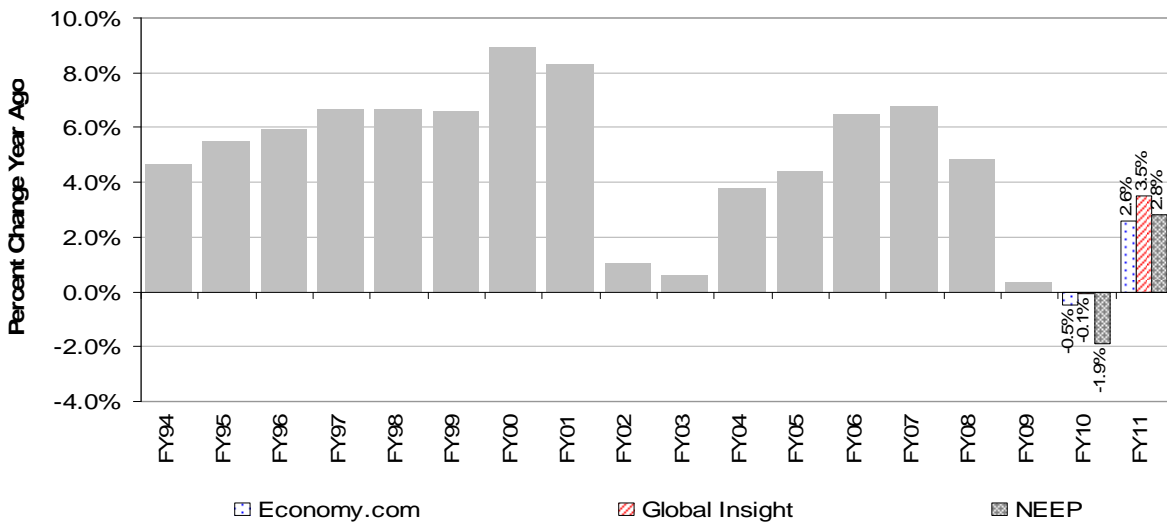
- The state economy will bottom out in the fourth quarter of 2009 in terms of output (state gross domestic product). But the recovery is expected to be weak.
- Massachusetts state employment is expected to bottom out between the first and third quarters of calendar 2010, at which point the Commonwealth's employment will have declined by 124,000 to 196,000 (3.8% to 5.9%) from the peak reached in the first quarter of calendar 2008. The unemployment rate is projected to average 9.2% to 9.7% for all of FY10 and 9.1% to 10.0% for FY11.
- According to the U.S. Bureau of Economic Analysis's most recent reports, Massachusetts wage and salary disbursements in the second quarter of 2009 decreased by 5.1% (compared to the same quarter in 2008) after falling by 3.7% in the first quarter. Personal income decreased by 1.9% in the second quarter after declining by 1.4% in the first quarter. Compared to the same period in FY09, wage and salary disbursements are projected to decline by 0.7% to 5.1% over the remainder of FY10. For FY11, wages and salaries are expected to increase by 1.1% to 3.4% over FY10.
- The state's housing market has hit bottom, with the fall in house prices making housing as affordable as in the mid-1990's. According to the Massachusetts Association of Realtors, the median price fell by 2.6% for single family homes and 4.0% for condominiums in October 2009 on a year-over-year basis. During the same period of time, sales rose by 17.7% for single family homes and 17.2% for condominiums.
- Retail sales are projected to grow by -0.6% to 1.0% for the remainder of FY10, and grow by 3.5% to 4.4% in FY11 as the economy slowly recovers.

The Massachusetts Economy

Massachusetts Employment Forecasts

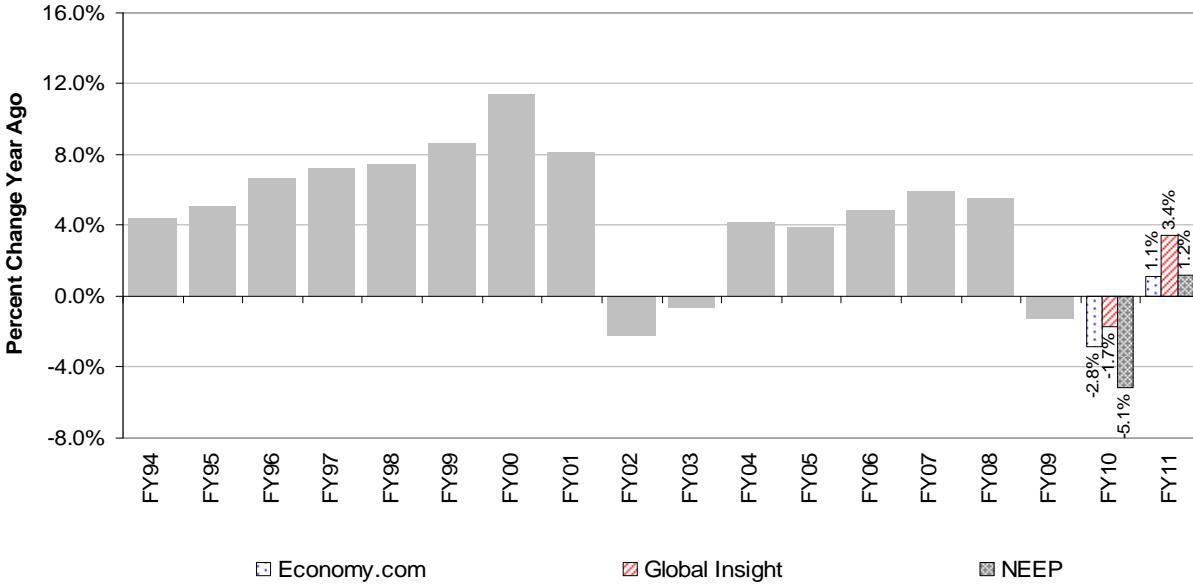


Massachusetts Personal Income Forecasts

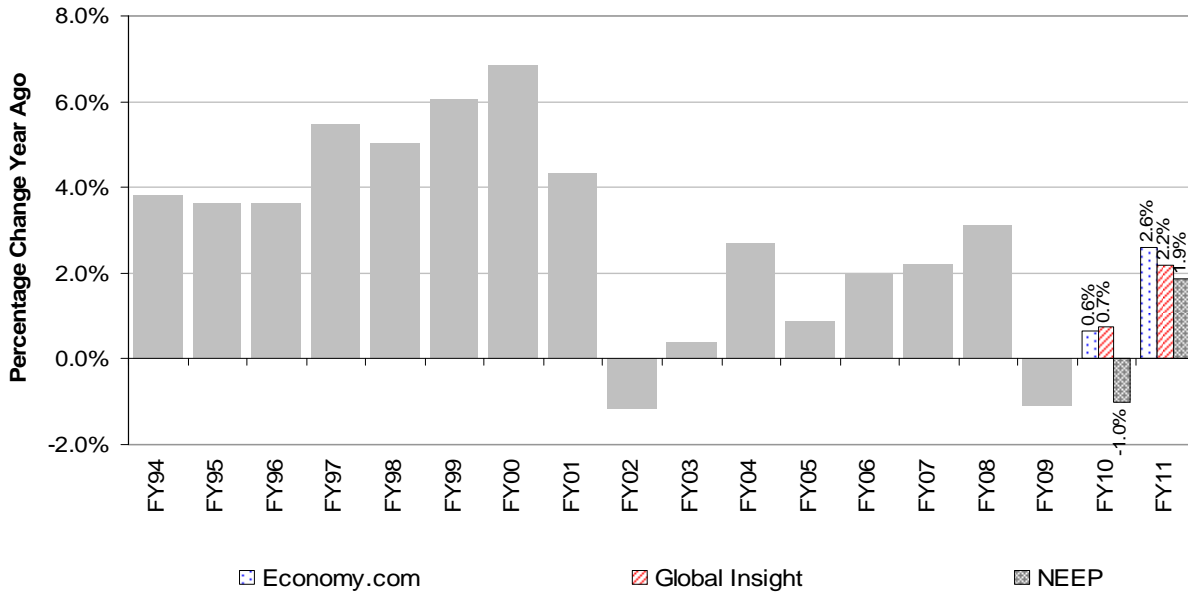


The Massachusetts Economy

Massachusetts Wages and Salaries Forecasts



Massachusetts Real Gross State Product (GSP) Growth FY94-11



U.S and Massachusetts Economic Forecast Table

(Percent Change from Prior Fiscal Year)

	History			Forecast			
	FY2008	FY2009	FY2010 First Quarter	FY2010 Last	FY2010 Full Year	FY2011	FY2012
				Three Quarters			
<u>US - Global Insight 11/09</u>							
Real GDP	2.2%	-2.2%	-2.3%	1.4%	0.4%	2.4%	3.5%
Corporate Profits	-6.3%	-22.7%	-2.5%	33.5%	22.6%	6.4%	9.1%
S&P500 (Calendar year)	12.7%	-17.3%	-32.1%	15.5%	-23.2%	15.6%	8.6%
Unemployment Rate	5.0%	7.6%	9.6%	10.1%	10.0%	9.8%	9.0%
Bank Prime Rate	6.7%	3.9%	3.3%	3.3%	3.3%	3.8%	5.7%
Federal Funds Rate	3.7%	0.7%	0.2%	0.1%	0.1%	0.8%	2.7%
<u>US - Economy.com 11/09</u>							
Real GDP	2.2%	-2.2%	-2.3%	1.4%	0.4%	2.7%	5.1%
Corporate Profits	-6.3%	-22.7%	-14.5%	11.8%	3.8%	2.9%	12.4%
S&P500 (Calendar year)	12.7%	-17.3%	-32.1%	11.4%	-24.0%	24.7%	7.2%
Unemployment Rate	5.0%	7.6%	9.6%	10.5%	10.3%	10.4%	8.5%
Bank Prime Rate	6.7%	3.9%	3.3%	3.3%	3.3%	4.2%	6.2%
Federal Funds Rate	3.7%	0.7%	0.2%	0.2%	0.2%	1.0%	3.1%
<u>Massachusetts - Global Insight 11/09</u>							
Real Gross State Product	3.4%	-0.8%	-1.7%	1.6%	0.7%	2.2%	2.8%
Wages & Salaries	5.6%	-1.3%	-4.8%	-0.7%	-1.7%	3.4%	3.8%
Personal Income	4.8%	0.3%	-2.2%	0.7%	-0.1%	3.5%	4.1%
Employment	0.9%	-1.7%	-3.3%	-1.2%	-1.8%	0.5%	1.5%
Retail Sales	3.3%	-5.8%	-6.4%	1.0%	-0.9%	4.4%	6.7%
Unemployment Rate	4.6%	6.9%	9.1%	9.4%	9.3%	9.1%	8.3%
Housing Starts	-30.0%	-34.0%	-24.9%	25.0%	7.4%	25.6%	34.7%
<u>Massachusetts - Economy.com 11/09</u>							
Real Gross State Product	3.2%	-1.2%	-1.4%	1.3%	0.6%	2.6%	5.1%
Wages & Salaries	5.6%	-1.3%	-4.5%	-2.3%	-2.8%	1.1%	3.8%
Personal Income	4.8%	0.3%	-1.9%	0.0%	-0.5%	2.6%	4.0%
Employment	0.9%	-1.7%	-3.3%	-1.9%	-2.3%	-0.1%	2.2%
Retail Sales	1.0%	-7.0%	-5.5%	-0.6%	-1.9%	4.1%	6.9%
Unemployment Rate	4.6%	6.9%	9.1%	10.0%	9.7%	10.0%	8.2%
Housing Permits	-25.0%	-42.0%	-15.7%	3.3%	-2.1%	33.1%	69.0%
Home Sales	-14.0%	-7.1%	-10.7%	5.9%	1.4%	11.1%	-2.7%
<u>Massachusetts - NEEP 11/09 (Adjusted for Most Recent U.S. Government Data Release)</u>							
Real Gross State Product	2.7%	-1.3%	-2.1%	-0.7%	-1.0%	1.9%	5.0%
Wages & Salaries	5.6%	-1.3%	-5.3%	-5.1%	-5.1%	1.2%	4.6%
Personal Income	4.8%	0.3%	-2.6%	-1.6%	-1.9%	2.8%	4.7%
Employment	0.9%	-1.7%	-3.9%	-3.0%	-3.2%	-0.6%	2.1%
Retail Sales	0.9%	-6.6%	-2.8%	0.5%	-0.4%	3.5%	6.6%
Unemployment Rate	4.6%	6.9%	8.7%	9.3%	9.2%	9.3%	7.9%
Housing Permits	-25.0%	-42.0%	-30.8%	-6.8%	-13.7%	22.2%	72.8%

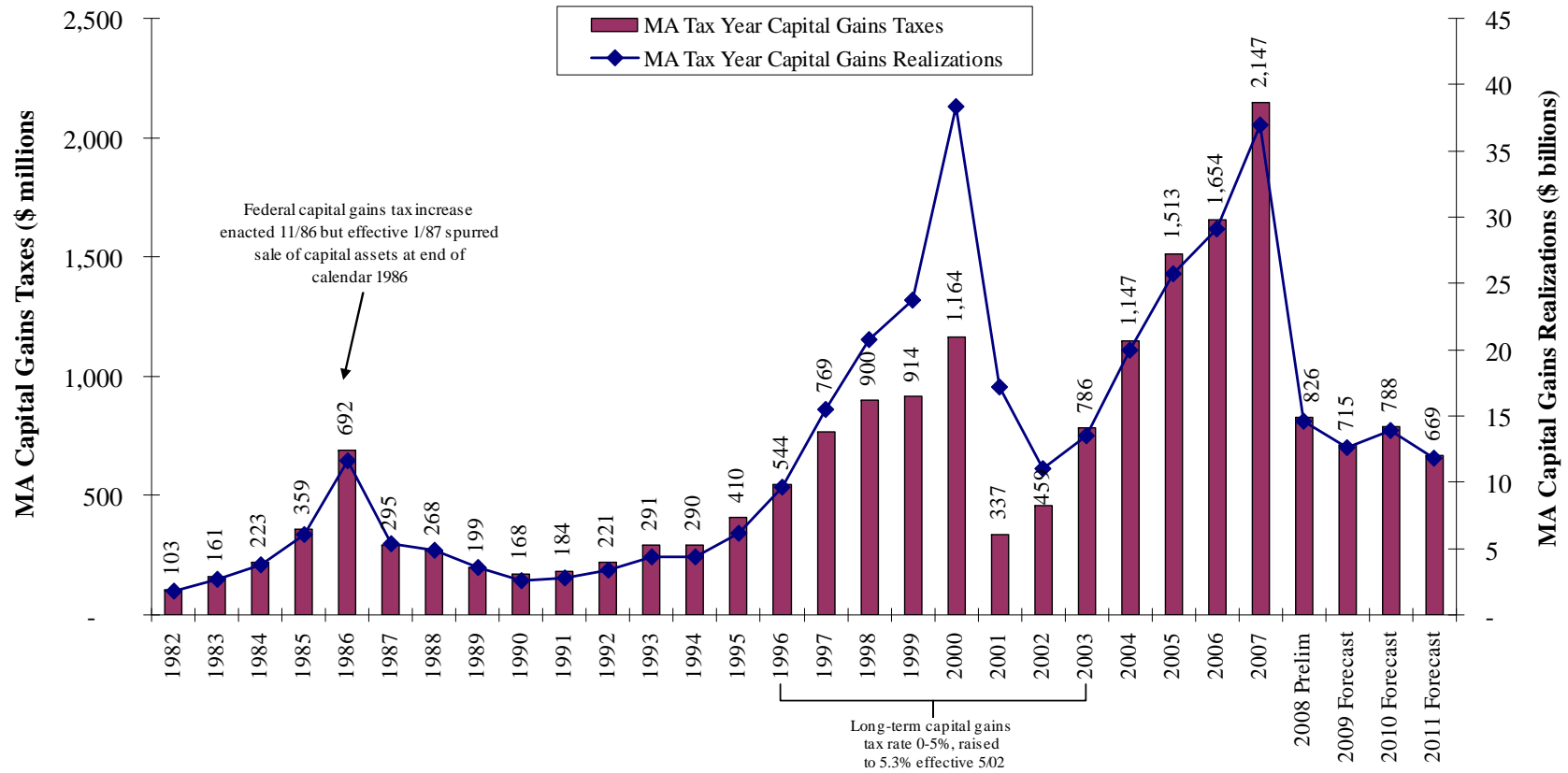
Note: For S&P500, the numbers shown are calendar year numbers with a one year lag.
Number for FY10Q1 is CY09 Q1:Q3 growth; number for FY10 Q2:Q4 is CY09Q4 growth

Capital Gains Taxes

- Estimates based on tax year 2008 income tax returns processed to date indicate that tax year 2008 capital gains realizations (taxes on which were remitted mostly in FY09) were \$14.6 billion, compared to \$36.9 billion in tax year 2007, a decrease of 60.4%. Long-term realizations decreased by about 59% while short-term realizations dropped by about 74%.
- Capital gains taxes declined from \$2.147 billion in tax year 2007 to approximately \$826 million in tax year 2008, a decrease of \$1.320 billion, or 61.5%. On a fiscal year basis, FY09 capital gains taxes are estimated to have totaled about \$541 million (though no exact numbers are available on a fiscal year basis), a decrease of \$1.632 billion, or 75.1%, from FY08.
- The \$300+ million difference between the tax year capital gains drop and the fiscal year capital gains decline was due to overpayments of capital gains taxes in the first half of calendar year 2008 (in FY08), which resulted in reduced payments with tax returns and increased refunds in the first half of calendar year 2009 (the second half of FY09).
- DOR's capital gains model projects that Massachusetts capital gains realizations will decline by 13.5% in tax year 2009 compared to tax year 2008, increase by 10.8% in tax year 2010, then decline by 14.8% in tax year 2011. Because taxpayers were slow to adjust their 2008 estimated payments in the first half of calendar year 2008 (the second half of FY08), capital gains tax payments were reduced in FY09 substantially as taxpayers "trued up" their payments when they filed their final tax returns. Since similar end of year reductions are not expected to recur in FY10 (since taxpayers have already reduced their estimate payments substantially), the FY10 forecast assumes that capital gains will actually increase by \$160 million in FY10 compared to FY09, despite the decrease in tax year 2009 capital gains realizations.

Capital Gains Taxes

Massachusetts Capital Gains Realizations and Taxes



FY10 and FY11 Tax Revenue Projections

**FY10 and FY11 Tax Revenue Projections Based on Economic Forecasts of Moody's Economy.com,
Global Insight, and New England Economic Partnership
(in \$ Billions)**

	<u>FY10 Projections</u>	<u>\$ Growth from FY09</u>	<u>% Growth Actual from FY09</u>	<u>% Growth Baseline from FY09</u>	<u>FY11 Projections</u>	<u>\$ Growth from FY10</u>	<u>% Growth Actual from FY10</u>	<u>% Growth Baseline from FY10</u>
A&F 10/15/09	\$18.279	\$0.020	0.1%	-4.3%	N/A	N/A	N/A	N/A
Economy.com	\$18.369	\$0.110	0.6%	-3.8%	\$18.709	\$0.339	1.8%	2.0%
Global Insight	\$18.653	\$0.393	2.2%	-2.2%	\$19.342	\$0.689	3.7%	3.9%
NEEP	\$18.246	(\$0.013)	-0.1%	-4.5%	\$18.531	\$0.285	1.6%	1.7%

FY10 and FY11 Tax Revenue Projections

FY10 Year-To Date Baseline Growth; Forecasts for Remainder of FY10 and FY11

	FY09 Actual	FY10 YTD Baseline Growth	Baseline Growth Remainder of FY10			FY11 Baseline Growth		
			Economy.com	Global Insight	NEEP	Economy.com	Global Insight	NEEP
Income Total	-19.3%	-11.5%	-0.1%	2.5%	-2.3%	1.7%	4.2%	1.2%
<i>Income Withholding</i>	-1.7%	-4.3%	-1.6%	0.2%	-4.2%	1.8%	4.2%	1.5%
Sales - Regular	-5.9%	-9.9%	-3.5%	-2.4%	-2.5%	1.6%	2.6%	1.6%
Sales - Meals	-1.2%	-3.2%	0.6%	2.0%	0.9%	2.8%	2.5%	2.7%
Sales - Motor Vehicle	-12.4%	1.6%	-6.3%	0.6%	-6.1%	9.5%	7.5%	9.3%
Sales - Total	-6.0%	-7.5%	-3.2%	-1.4%	-2.4%	2.7%	3.2%	2.7%
Corporate & Business	-20.4%	-1.7%	-0.2%	4.4%	-0.6%	7.0%	3.4%	-1.4%
Other Tax Revenue	-3.5%	-9.8%	-0.4%	0.8%	-0.1%	0.6%	0.4%	0.6%
Total Tax Revenue	-13.2%	-9.8%	0.1%	2.7%	-1.0%	2.0%	3.9%	1.7%

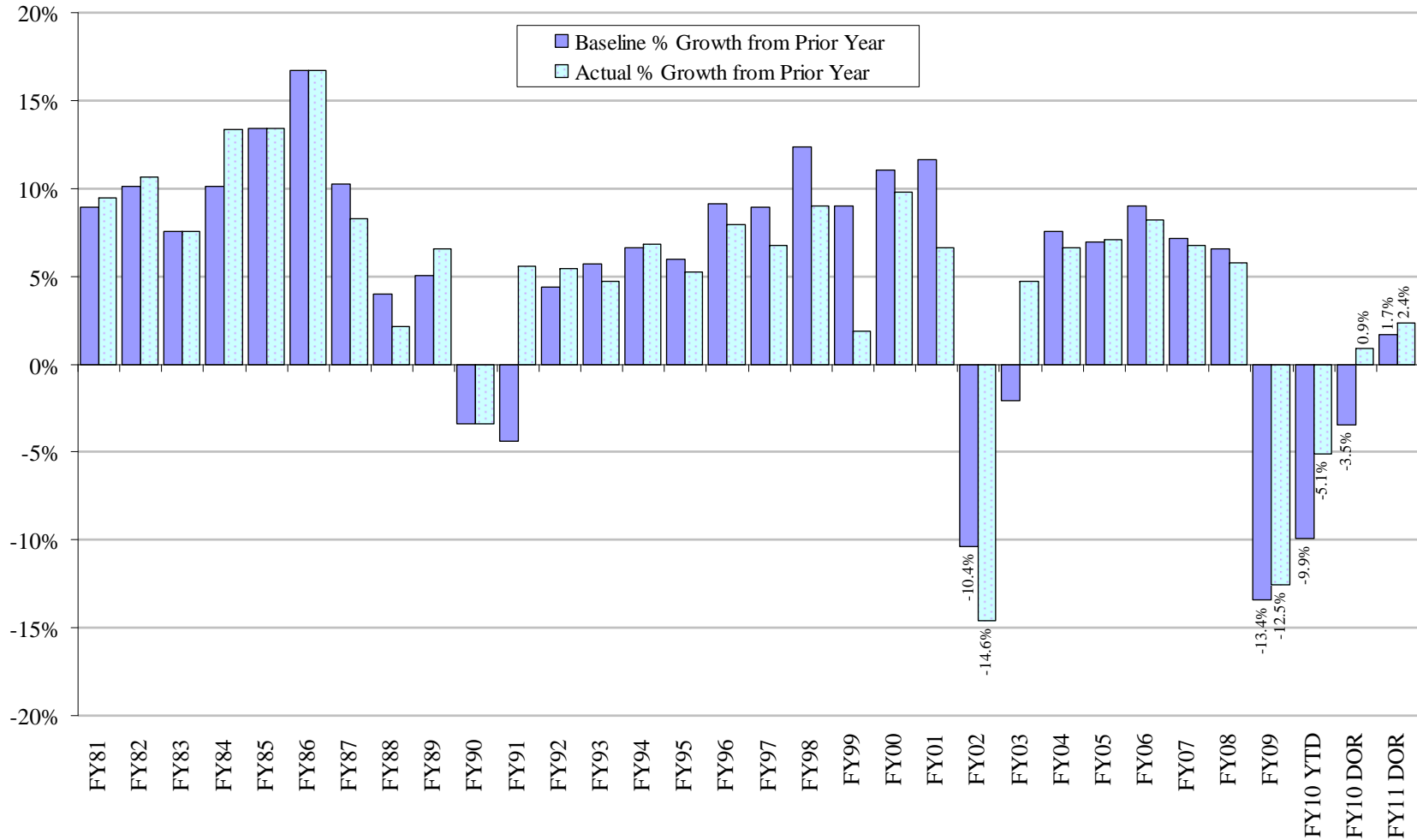
FY10 and FY11 Tax Revenue Projections

FY09 Actual Tax Revenue Collections, FY10 and FY11 Tax Revenue Forecasts (in \$ millions) FY10 Year-To Date Baseline Growth; Forecasts for Remainder of FY10 and FY11.*

	----- FY 2010 -----					----- FY 2011 -----		
	FY09 Actual	A&F 10/15/09	Economy.com	Global Insight	NEEP	Economy.com	Global Insight	NEEP
Withholding	8,908	8,635	8,673	8,766	8,536	8,829	9,130	8,665
Capital Gains	541	629	701	701	701	792	792	792
Other Income	1,135	915	820	890	818	722	847	698
Total Income Tax	10,584	10,178	10,193	10,356	10,055	10,343	10,769	10,155
Sales: Regular	2,800	3,217	3,234	3,252	3,250	3,419	3,470	3,437
Sales: Meals	630	737	742	747	743	791	794	791
Sales: Motor Vehicles	439	522	518	535	519	588	596	588
Sales Total	3,869	4,476	4,495	4,534	4,512	4,799	4,860	4,816
Corporate & Business	2,099	1,973	1,960	2,030	1,954	1,821	1,959	1,811
Other Tax Revenue	1,708	1,652	1,635	1,646	1,638	1,746	1,754	1,749
Total Tax Revenue	18,259	18,279	18,369	18,653	18,246	18,709	19,342	18,531

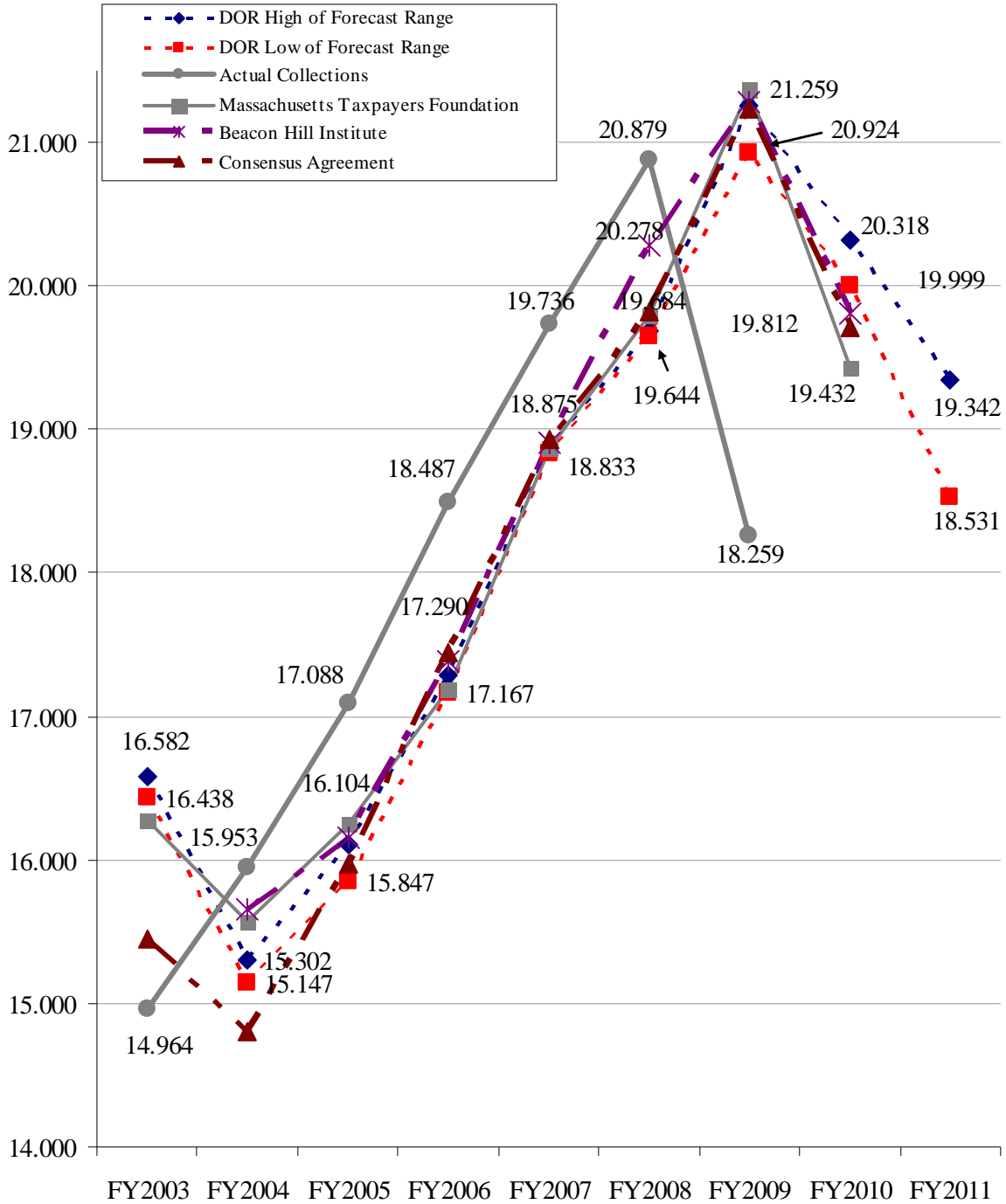
FY10 and FY11 Tax Revenue Projections

Actual and Baseline Tax Revenue Growth, FY1981-FY2011
 (FY10 and FY11 Are Forecasts Based on Average of 3 Vendors)



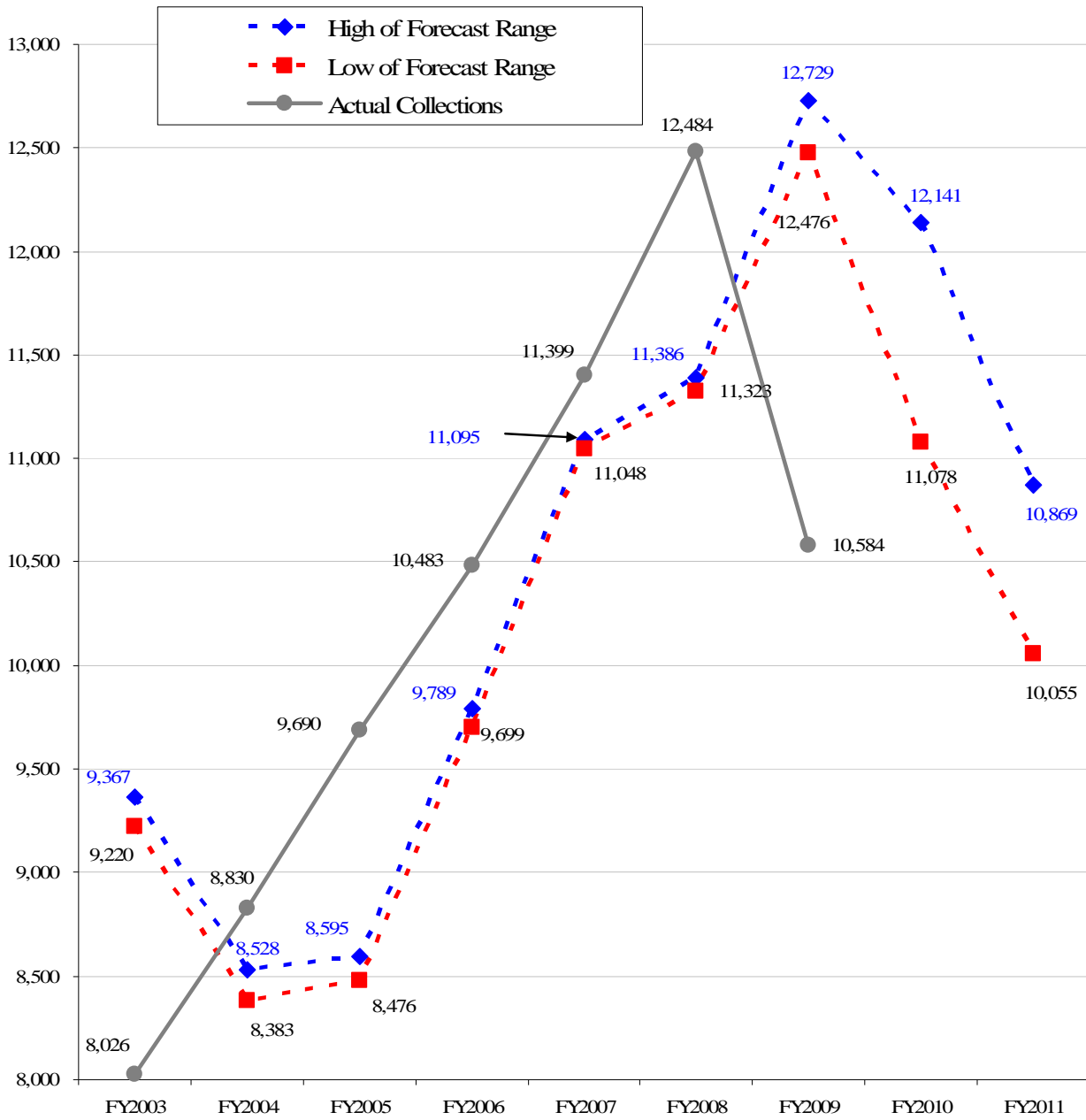
Historical Comparison of Projections to Actual Collections

Total Tax Collections: DOR Consensus Hearing Estimates vs. Actual Collections (\$ Billions)



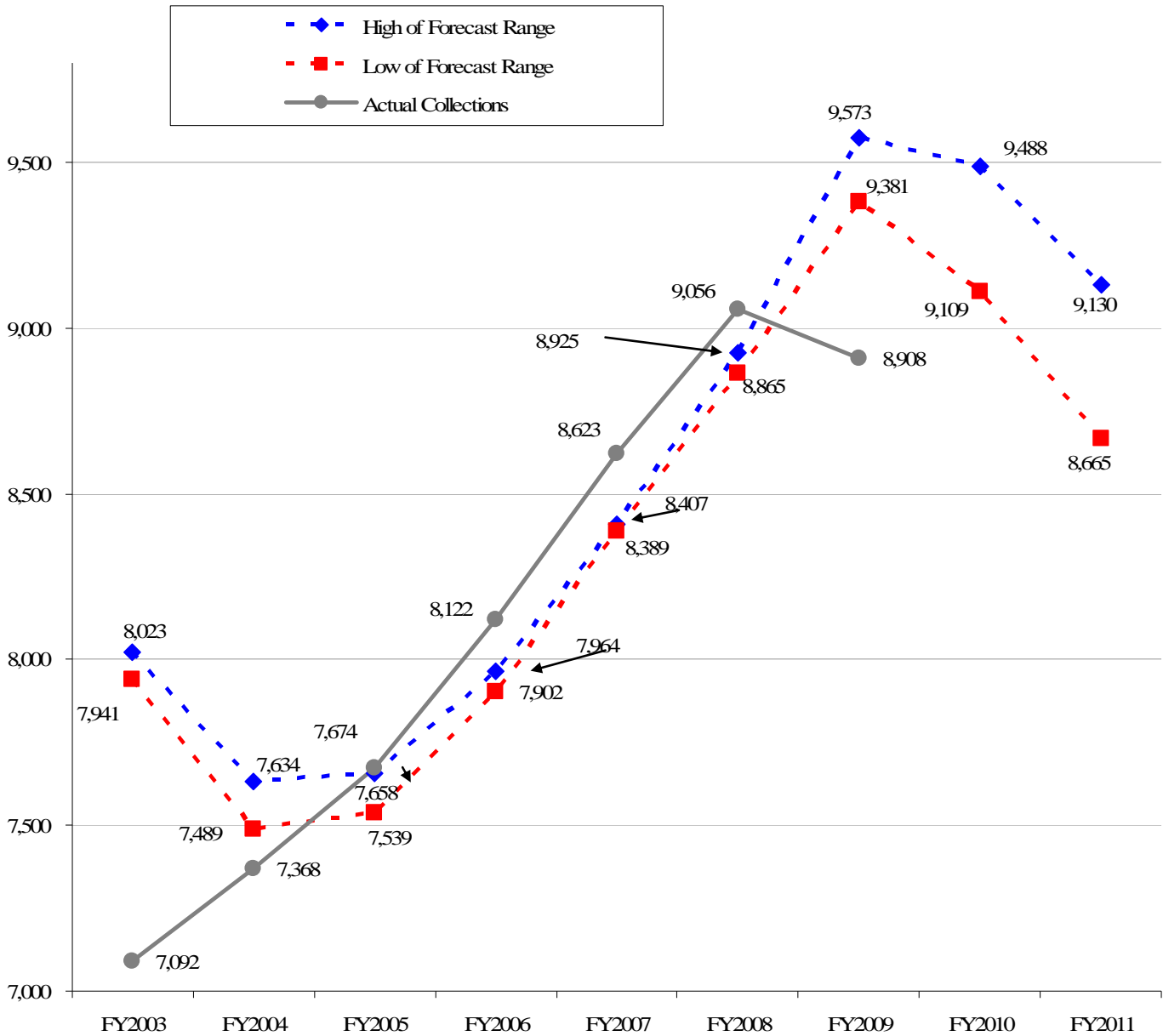
Historical Comparison of Projections to Actual Collections

Total Personal Income Tax: DOR Consensus Hearing Forecast Range (Adjusted for Subsequent Tax Law Changes) vs. Actual Collections
(in \$Millions)



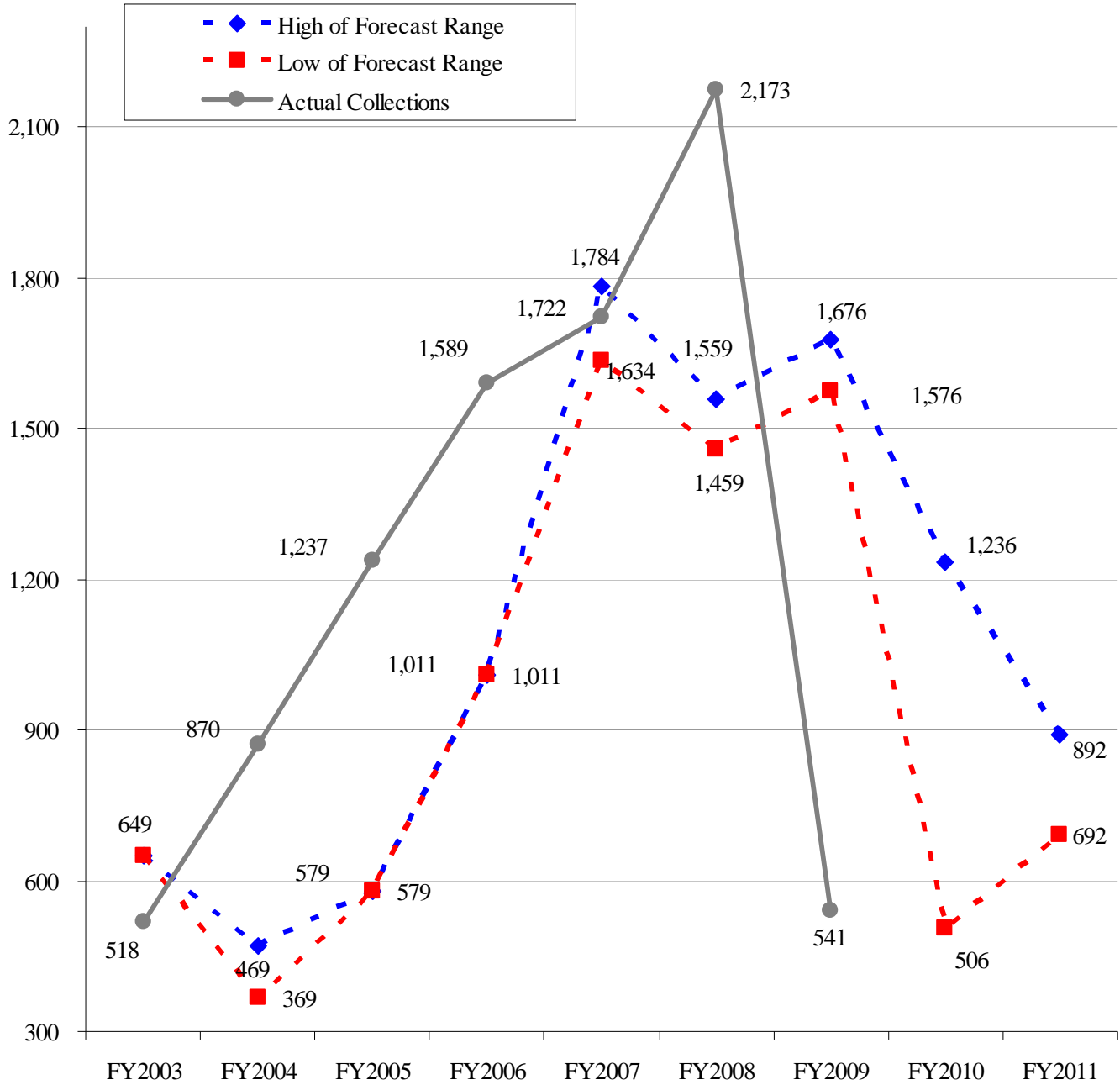
Historical Comparison of Projections to Actual Collections

Income Tax Withholding: DOR Consensus Hearing Forecast Range (Adjusted for Subsequent Tax Law Changes) vs. Actual Collections
(in \$Millions)



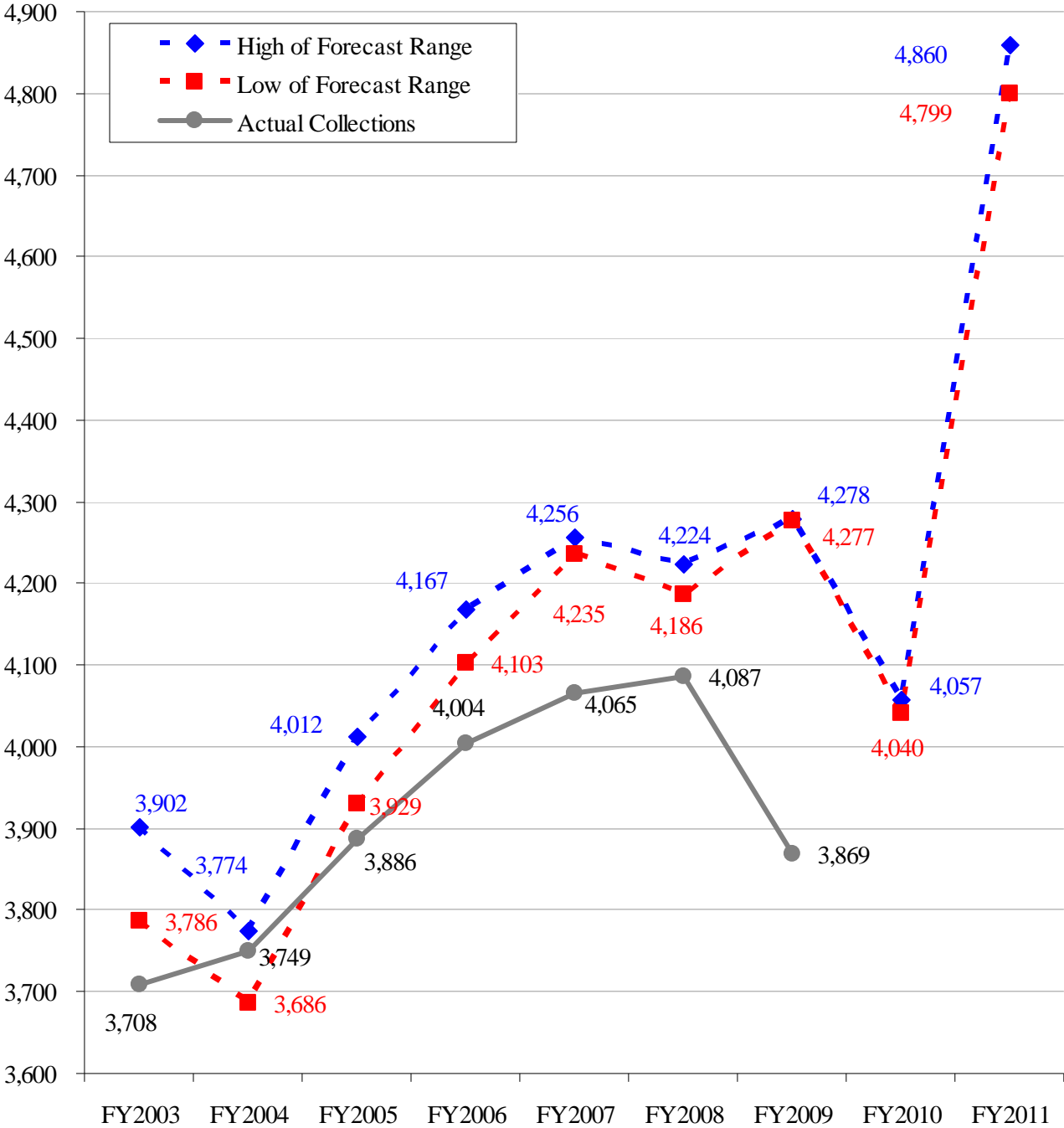
Historical Comparison of Projections to Actual Collections

Capital Gains Tax: DOR Consensus Hearing Forecast Range (Adjusted for Subsequent Tax Law Changes) vs. Actual Collections
(in \$Millions)



Historical Comparison of Projections to Actual Collections

**Sales and Use Tax: DOR Consensus Hearing Forecast Range vs. Actual Collections
(in \$Millions)**



Historical Comparison of Projections to Actual Collections

Corporate/Business Tax: DOR Consensus Hearing Forecast Range (Adjusted for Subsequent Tax Law Changes) vs. Actual Collections
(in \$Millions)

