



NAVJEET K. BAL
COMMISSIONER

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

February 18, 2011

The Honorable Brian S. Dempsey, 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 Stephen M. Brewer, 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 February 2011. The attached table shows February 2011 month-to-date and FY2011 year-to-date tax revenue collections through February 15, 2011, along with the dollar and percentage changes from the same collection period in February 2010. Also shown are the percentage growth amounts for the full month of February 2011 and for FY2011 year-to-date through the end of February 2011 that were assumed in the benchmarks corresponding to the January 18, 2011 FY2011 tax revenue estimate of \$19.784 billion, which was an upward revision from the GAA (adjusted for the impacts of the economic development bill and the sales tax holidays in August 2010) FY2011 tax revenue estimate of \$19.078 billion. Please note that the \$19.784 billion estimate and the February 2011 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 \$19.784 billion projects February tax revenues of \$979 million, a decrease of \$24 million from February 2010 tax collections. The projected decline is partly attributable to a shift in withholding payments from February to January this year, which increased January's withholding receipts on the last deposit day of the month and decreased such receipts on the first deposit day of February this year, and is also attributable to a projected decline in regular sales tax collections (\$7-\$8 million) due to the elimination of the sales tax on alcoholic beverages which went into effect on January 1, 2011.

February has historically been the smallest net tax collection month of the year, as there are no quarterly estimated or final payments due and income tax refunds for the prior tax year start to be issued. Through February 15, 2011, February 2011 month-to-date tax collections totaled \$346 million, down \$50 million from the same period in February 2010. Month-to-date income tax withholding totaled \$404 million, down \$51 million from the same period last year, with the full month benchmark calling for a decline of \$37 million. The withholding shift (February to January) mentioned above occurred on the first deposit day of this month (February 1st).

February 2011 month-to-date income tax cash refunds total \$189 million, down \$17 million from the same period in February 2010; sales and use tax totaled \$49 million, up \$0.4 million from the same period last year, and month-to-date corporate/business taxes totaled \$28 million, down \$9 million from the same period last year.

Several caveats are in order when considering the attached report:

- In February, the Commonwealth usually 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 (these payments are actually due on February 22 this year, as the 20th falls on a Sunday and Monday is the President's Day holiday). Therefore, month-to-date growth comparisons with last February for sales, meals, motor fuels, and rooms tax 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;
- 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 February 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 black ink that reads "Navjeet K. Bal". The signature is written in a cursive style with a large initial "N".

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 Gale D. Candaras, Senate Chair, Joint Committee on Revenue
Representative Bradley H. Jones, Jr., House Minority Leader
Senator Bruce Tarr, Senate Minority Leader

Mid-Month Tax Collection Report for February 2011 (in \$ Millions)

Tax Collections as of February 15, 2011, Compared to Same Collection Period in FY2010 and to the FY2011 Tax Revenue Estimate of \$19.784 Billion

	----- Month of February -----						----- FY11 Year-to-Date -----					
	02/11 MTD Collections	02/11 MTD v. 02/10 MTD \$ Change	02/11 MTD v. 02/10 MTD % Change	02/11 Full Month Benchmark (*)	% Growth from 02/10 Assumed in Monthly Benchmark	\$ Needed to Reach 02/11 Full Month Benchmark (*)	02/11 FY11 YTD Collections	02/11 FY11 YTD \$ Change	02/11 FY11 YTD % Change	FY11 YTD Benchmark (**)	% Growth from 02/10 Assumed in FY11 YTD Benchmark	\$ Needed to Reach FY11 YTD Benchmark (**)
Income - Total	237	(34)	(12.6%)	421	(7.5%)	184	6,908	675	10.8%	7,068	10.1%	160
Income Withholding	404	(51)	(11.3%)	724	(4.9%)	320	5,939	344	6.2%	6,258	6.1%	319
Income Est. Payments (Cash)	9	1	16.2%	8	(2.9%)	(1)	1,207	240	24.8%	1,190	22.9%	(18)
Income Returns/Bills	13	(1)	(6.4%)	31	5.0%	18	226	(18)	(7.5%)	250	(3.8%)	24
Income Refunds (Cash)	189	(17)	(8.4%)	341	(0.6%)	153	460	(123)	(21.1%)	635	(12.0%)	174
Sales & Use - Total	49	(0.4)	(0.9%)	351	1.8%	301	3,019	289	10.6%	3,312	9.5%	293
Sales - Regular	23	(1)	(5.7%)	248	0.5%	225	2,157	212	10.9%	2,374	9.5%	217
Sales - Meals	6	(1)	(12.5%)	59	3.5%	53	498	48	10.6%	552	10.2%	54
Sales - Motor Vehicles	21	2	9.5%	44	7.0%	23	364	29	8.7%	387	8.5%	23
Corporate & Business - Total	28	(9)	(23.9%)	63	8.4%	35	1,013	46	4.8%	1,052	6.5%	39
Corporate Excise	27	(8)	(23.8%)	58	8.4%	31	937	207	28.4%	951	27.1%	14
Insurance Excise	(0)	(0)	N/A	2	11.0%	3	100	(6)	(5.7%)	104	(3.9%)	4
Financial Institutions Excise	1	(0)	(9.5%)	2	6.3%	1	(11)	(145)	N/A	10	(92.2%)	22
Public Utilities Excise	0	(0)	(41.0%)	0	0.0%	0	(13)	(10)	N/A	(13)	343.7%	(1)
All Other	31	(7)	(17.6%)	144	(0.7%)	113	1,054	30	2.9%	1,168	3.2%	114
Total Tax Collections	346	(50)	(12.7%)	979	(2.4%)	633	11,993	1,040	9.5%	12,600	9.0%	606

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

	5	3	134.1%	11	19.2%	6	79	8	11.9%	82	13.5%	3
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(*) Benchmarks are based on the FY11 tax revenue estimate of \$19.784 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.