



AMY PITTER
COMMISSIONER

The Commonwealth of Massachusetts
Department of Revenue
Office of the Commissioner
P.O. Box 9550
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January 18, 2013

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 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 January 2013. The attached table shows January 2013 month-to-date and FY2013 year-to-date tax revenue collections through January 15, 2013, along with the dollar and percentage changes from the same collection period in January 2012. Also shown are the percentage growth amounts for the full month of January 2013 and for FY2013 year-to-date through the end of January 2013 that were assumed in the benchmarks corresponding to the FY2013 tax revenue estimate of \$21.496 billion, which was revised by the Executive Office for Administration and Finance on December 4, 2012.

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

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 2013 monthly benchmark corresponding to the FY2013 revised revenue estimate of \$21.496 billion assumes revenue collections of \$2.115 billion, an increase of \$76 million, or 3.7% actual, and 4.1% baseline, from January 2012 collections. There are several tax law changes (e.g., the incremental impact of the cut in the corporate and financial institutions tax rates, the impact of income tax rate reduction from 5.3% to 5.25%, etc.), and other factors (one time revenue in excess of \$10 million, which was received last January, but is assumed not to repeat this January, and the fact that this January has one extra deposit day than last January) that are assumed to affect revenues.

Through January 15, 2013, month-to-date tax collections total \$1.027 billion, up \$55 million, or 5.6% from the same period last January, compared to the benchmark estimate that projects an increase of \$76 million for the full month. The month-to-date growth is primarily due to strong income cash estimated payments offset by decline in withholding collections compared to January 2012 (see below for further information).

Month-to-date income tax collections through January 15, 2013 totaled \$878 million, up \$34 million, or 4.0% from the same period in January 2012. Month-to-date withholding taxes through January 15, 2013 totaled \$483 million, down \$46 million, or 8.7% from the same period in January 2012, compared to the benchmark estimate that projects an increase of \$43 million for the full month. It is hard to determine how much of the month-to-date decline in withholding collections is due to shift in bonus related tax payments from this month to December though that may be a factor. Month-to-date income tax cash estimated payments total \$394 million, up \$82 million from the same period last year, compared to the full month benchmark that projects a growth of \$24 million. Income tax cash estimated payments in December 2012 were well below December 2011 levels (and below the December 2012 benchmark). Many high income taxpayers probably wanted to deduct state tax payments against their calendar year 2013 income at the higher federal rate instead by sending those payments in January instead of December. The fact that income cash estimated payments were down during the first several deposit days of this month (and have recovered very quickly since then) partly confirms this shifting behavior. As of January 15, 2013, income cash estimated payments have been up 9.6% since the beginning of December (the number of payments were down 8.0% but the average payment was up 19.2%). Since the 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, 2013, corporate and business tax collections totaled \$28 million, up \$4 million from the same period in January 2012, compared to the benchmark estimate that projects a decline of \$10 million. Month-to-date corporate and business cash estimated payments total \$30 million, up \$41 million from the same period last January. Corporate and business cash refunds total \$12 million, down \$16 million from the same period last January.

January sales tax is projected to total \$509 million, an increase of \$16 million, or 3.3% actual and 2.8% baseline from January 2012. January 15th was too early in the month for sales tax trends to be meaningful, as monthly sales tax payments (other than those for motor vehicle sales tax) are not due until January 22th (this year the usual due date of the 20th falls on a weekend and the 21st is a holiday). Through January 15th, month-to-date sales tax collections totaled \$69 million, down \$4 million from the same period last January.

Monthly motor fuels and rooms tax payments are also due on January 22th this January. 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 15th 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 2012 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 benchmarks.

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,

A handwritten signature in black ink that reads "Amy A. Pitter". The signature is written in a cursive, flowing style.

Amy Pitter
Commissioner

Attachment

Cc: Glen Shor, 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 Katherine Clark, Senate Chair, Joint Committee on Revenue
Representative Bradley H. Jones, Jr., House Minority Leader
Senator Bruce Tarr, Senate Minority Leader
Steven Grossman, Treasurer and Receiver General

Mid-Month Tax Collection Report for January 2013 (in \$ Millions)

Tax Collections as of January 15, 2013, Compared to Same Collection Period in FY2012 and to the FY2013 Tax Revenue Estimate of \$21.496 Billion

| | ----- Month of January ----- | | | | | | ----- FY13 Year-to-Date ----- | | | | | |
|---|------------------------------|----------------------------------|---------------------------------|--------------------------------|--|---|-------------------------------|--------------------------|-------------------------|----------------------------|---|---|
| | 01/13 MTD Collections | 01/13 MTD v. 01/12 MTD \$ Change | 01/13 MTD v. 01/12 MTD % Change | 01/13 Full Month Benchmark (*) | % Growth from 01/12 Assumed in Monthly Benchmark | \$ Needed to Reach 01/13 Full Month Benchmark (*) | 01/13 FY13 YTD Collections | 01/13 FY13 YTD \$ Change | 01/13 FY13 YTD % Change | FY13 YTD Benchmark (*)(**) | % Growth from 01/12 Assumed in FY13 YTD Benchmark | \$ Needed to Reach FY13 YTD Benchmark (*)(**) |
| Income - Total | 878 | 34 | 4.0% | 1,420 | 5.1% | 542 | 6,568 | 224 | 3.5% | 7,066 | 3.1% | 497 |
| Income Withholding | 483 | (46) | (8.7%) | 976 | 4.6% | 493 | 5,422 | 122 | 2.3% | 5,826 | 2.1% | 404 |
| Income Est. Payments (Cash) | 394 | 82 | 26.3% | 518 | 4.9% | 123 | 1,078 | 79 | 7.9% | 1,241 | 5.2% | 163 |
| Income Returns/Bills | 7 | (7) | (48.2%) | 30 | 9.9% | 23 | 257 | 20 | 8.5% | 282 | 12.3% | 25 |
| Income Refunds (Cash) | 6 | (5) | (42.1%) | 104 | 0.1% | 97 | 194 | 4 | 2.0% | 288 | 1.7% | 94 |
| Sales & Use - Total | 69 | (4) | (5.4%) | 509 | 3.3% | 440 | 2,648 | 43 | 1.7% | 3,094 | 2.3% | 446 |
| Sales - Regular | 36 | (2) | (5.1%) | 382 | 2.2% | 346 | 1,814 | 16 | 0.9% | 2,161 | 1.2% | 346 |
| Sales - Meals | 8 | (1) | (8.9%) | 75 | 4.9% | 66 | 483 | 22 | 4.8% | 552 | 5.6% | 69 |
| Sales - Motor Vehicles | 25 | (1) | (4.6%) | 53 | 9.7% | 27 | 351 | 5 | 1.6% | 381 | 3.8% | 30 |
| Corporate & Business - Total | 28 | 4 | 15.6% | 42 | (18.7%) | 14 | 902 | (20) | (2.2%) | 822 | (13.4%) | (80) |
| Corporate Excise | 29 | (1) | (3.8%) | 46 | (17.9%) | 17 | 708 | (92) | (11.5%) | 697 | (15.6%) | (11) |
| Insurance Excise | 0 | 0 | N/A | (0) | N/A | (0) | 125 | 4 | 3.7% | 131 | 9.2% | 6 |
| Financial Institutions Excise | (0) | 4 | N/A | (2) | N/A | (2) | 80 | 45 | 128.5% | 2 | (94.6%) | (78) |
| Public Utilities Excise | (1) | 0 | N/A | (2) | N/A | (0) | (11) | 23 | N/A | (8) | (75.2%) | 3 |
| All Other | 52 | 21 | 66.1% | 143 | 0.2% | 91 | 960 | 13 | 1.4% | 1,049 | (0.8%) | 90 |
| Total Tax Collections | 1,027 | 55 | 5.6% | 2,115 | 3.7% | 1,087 | 11,078 | 260 | 2.4% | 12,031 | 1.2% | 953 |

(*) Benchmarks are based on the FY13 tax revenue estimate of \$21.496 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.