



NAVJEET K. BAL
COMMISSIONER

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

May 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 2011, the Department of Revenue hereby submits its mid-month tax revenue report for the month of May 2011. The attached table shows May 2011 month-to-date and FY2011 year-to-date tax revenue collections through May 16, 2011, along with the dollar and percentage changes from the same collection period in May 2010. Also shown are the percentage growth amounts for the full month of May 2011 and for FY2011 year-to-date through the end of May 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 May 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.

Through May 16, 2011, tax collections totaled \$769 million, down \$61 million from the same period in May 2010, with the full month May benchmark (based on the \$19.784 billion estimate) projecting total tax revenues of \$1.562 billion, a decrease of \$13 million from May 2010. The month-to-date decline through May 16th was primarily the result of processing and timing related factors affecting revenues as compared to May 2010.

Month-to-date withholding taxes through May 16, 2011 totaled \$452 million, up \$27 million from the same period in May 2010, compared to the revised benchmark estimate that projects a withholding growth of \$96 million for the full month. Some of the April withholding surplus appears to have been borrowed from May this year due to timing related withholding payments shift, which will affect the performance of withholding collections in May relative to benchmark. As there are two major weekly withholding payments yet to be received in the month, it is too early to assess its actual performance.

Month-to-date income tax payments with returns and extensions through May 16, 2011 totaled \$119 million, down \$162 million from the same period in May 2010, compared with the benchmark estimate that projects a decline of \$130 million for the full month. Virtually all tax year 2010 income tax payments with returns and extensions have now been deposited, though a small number of additional payments will be received and processed over the remainder of May. Last year's May processing continued late into the month due to the flood related filing deadline extension, so month-to-date comparison to last year (and to benchmarks) are not meaningful. However, due to faster processing of returns this year, which started in April and continued into May, there might be some more timing related payment shifts from May to April this year that were not accounted for in the April and May benchmarks. Due to these timing/processing related revenue shifts, as noted in our April reports, we recommend looking at the April-May combined total of payments with returns and extensions, offset by two month total of refunds, compared to the two-month benchmark for those same revenue sources.

Month-to-date income tax cash refunds through May 16, 2011 totaled \$37 million, down \$30 million from the same period last May, with the full month benchmark calling for a decline of \$21 million.

May is a small month for corporate and business tax payments. Through May 16, 2011, month-to-date corporate and business tax collections totaled \$44 million, up \$5 million from the same period in May 2010, compared to a \$14 million growth assumed in the full month benchmark.

Month-to-date estate tax collections through May 16, 2011, totaled \$63 million, up \$55 million, and already exceeded the May benchmark by about \$44 million. Month-to-date growth was due to several one-time estate tax payments received this month.

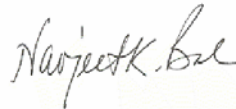
May 16th was too early in the month for sales tax trends to be meaningful, as monthly sales tax payments (other than those for motor vehicle sales tax) are not due until May 20th. The full month benchmark assumes a growth of \$2.4 million in sales tax collections from May 2010. In addition, monthly motor fuels and rooms tax payments are due on the 20th of each month. Therefore, month-to-date growth comparisons for those tax types before the third week of the month are not necessarily indicative of final collections for the full month.

Finally, there may be other 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 the factors noted above, revenues received through May 16th 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 May 2010 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 me (at 626-2201) or Kazim P. Ozyurt, Acting Director of the Office of Tax Policy Analysis (at 626-2100).

Sincerely,



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 May 2011 (in \$ Millions)

Tax Collections as of May 16, 2011, Compared to Same Collection Period in FY2010 and to the FY2011 Tax Revenue Estimate of \$19.784 Billion

	----- Month of May -----						----- FY11 Year-to-Date -----					
	05/11 MTD Collections	05/11 MTD v. 05/10 MTD \$ Change	05/11 MTD v. 05/10 MTD % Change	05/11 Full Month Benchmark (*)	% Growth from 05/10 Assumed in Monthly Benchmark	\$ Needed to Reach 05/11 Full Month Benchmark (*)	05/11 FY11 YTD Collections	05/11 FY11 YTD \$ Change	05/11 FY11 YTD % Change	FY11 YTD Benchmark (**)**	% Growth from 05/10 Assumed in FY11 YTD Benchmark	\$ Needed to Reach FY11 YTD Benchmark (**)**
Income - Total	547	(124)	(18.5%)	961	(2.5%)	414	10,150	1,375	15.7%	9,881	8.7%	(269)
Income Withholding	452	27	6.5%	806	13.5%	354	8,386	534	6.8%	8,610	5.8%	224
Income Est. Payments (Cash)	13	(19)	(60.4%)	28	(28.4%)	15	1,451	285	24.4%	1,389	18.4%	(62)
Income Returns/Bills	119	(162)	(57.6%)	209	(38.4%)	90	1,637	488	42.4%	1,224	1.4%	(413)
Income Refunds (Cash)	37	(30)	(44.4%)	81	(20.2%)	44	1,318	(83)	(5.9%)	1,345	(6.3%)	27
Sales & Use - Total	68	(1)	(1.2%)	399	0.6%	331	4,150	290	7.5%	4,482	7.0%	332
Sales - Regular	35	(0)	(1.1%)	278	(1.4%)	244	2,943	201	7.3%	3,189	6.7%	246
Sales - Meals	8	(2)	(21.0%)	67	0.8%	58	680	50	7.9%	738	7.8%	59
Sales - Motor Vehicles	25	2	7.7%	55	12.2%	29	528	39	8.1%	555	8.0%	27
Corporate & Business - Total	44	5	14.0%	56	34.3%	12	1,781	83	4.9%	1,765	3.8%	(16)
Corporate Excise	36	1	2.5%	60	27.5%	24	1,622	343	26.8%	1,483	14.9%	(139)
Insurance Excise	(0)	0	N/A	(12)	N/A	(12)	207	(0)	(0.2%)	204	4.3%	(3)
Financial Institutions Excise	8	4	129.4%	7	11.7%	(1)	(35)	(250)	N/A	91	(58.1%)	126
Public Utilities Excise	(0)	(0)	N/A	0	N/A	0	(13)	(10)	N/A	(13)	417.6%	(0)
All Other	110	59	115.1%	145	(3.1%)	36	1,547	118	8.3%	1,561	2.1%	14
Total Tax Collections	769	(61)	(7.4%)	1,562	(0.8%)	793	17,628	1,866	11.8%	17,690	7.2%	61

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

	5	0	4.3%	10	8.2%	5	108	7	7.0%	113	7.7%	5
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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 May full month totals)

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