



AMY PITTER
COMMISSIONER

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

September 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

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 September 2013. The attached table shows September 2013 month-to-date and FY2014 year-to-date tax revenue collections through September 13, 2013, along with the dollar and percentage changes from the same collection period in September 2012. Also shown are the percentage growth amounts for the full month of September 2013 and for FY2014 year-to-date through the end of September 2013 that were assumed in the benchmarks corresponding to the FY2014 tax revenue estimate of \$22.797 billion. (The \$22.797 billion estimate reflects the FY2014 consensus tax estimate of \$22.334 billion adjusted for the impact of subsequent changes affecting revenues: Amazon tax agreement, delayed FAS109 deductions, tax enhancements/administrative and technical changes, tax law changes in the transportation finance legislation, and sales tax holiday.)

September is an important tax collection month, as quarterly income and corporate/business tax estimated payments are due on September 16th (usual due date of 15th falls on a weekend this year). The September benchmark corresponding to the FY2014 tax revenue estimate of \$22.797 billion totals \$2.356 billion, an

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

increase of \$151 million, or 6.8% actual, and increase of \$119 million, or 4.8% baseline from September 2012. September benchmarks also assume that: 1) the August sales tax holiday reduces September revenues by \$24.3 million (\$0.96 million more than the impact of the last year's sales tax holiday, which was about \$23.34 million); 2) the new computer/software services tax is expected to increase September regular sales and use tax collections, which are generated from August taxable services sales, by about \$12.6 million; 3) the recent change in tobacco tax rates is expected to increase September tobacco tax collections by about \$9.4 million; 4) the 3 cents increase in gasoline/special fuels tax rate is expected to increase motor fuel tax collections by \$8.6 million in September; and 5) revenues would increase by \$8 to \$11 million relative to last year because we have one extra deposit day this September than we did a year ago.

Through September 13, 2013 month-to-date tax collections total \$841 million, down \$10 million, with the full month benchmark projecting a growth of \$151 million. Some of the month-to-date decline appears to be due to a timing related withholding shift of about \$20 million from September to August. The fact that quarterly corporate and business estimated payments are coming at a slower pace than they did during this time last September seems to be another factor behind the month-to-date decline, which could also be timing related (i.e., a shift within September). The impact of the sales tax holiday on September revenues as well as the incremental impact of the recently enacted tax law changes is yet unknown (In December 2013, the Department of Revenue will issue a certification for the foregone revenues resulting from this year's sales tax holiday). It is too early in the month for the month-to-date collections to be meaningful as more than 63 to 67% of overall September collections, including 75 to 80% of income cash estimated payments, are expected to be remitted during the second half of this September.

September benchmark assumes that income tax collections would total \$1.329 billion, up \$75 million, or 6.0% actual and 5.6% baseline from September 2012. Month-to-date income tax collections through September 13, 2013 totaled \$518 million, down \$18 million, or 3.4% from the same period in September 2012. Month-to-date withholding taxes through September 13, 2013 totaled \$423 million, down \$15 million from the same period in September 2012, compared to the benchmark estimate that projects an increase of \$45 million for the full month. Month-to-date income tax cash estimated payments total \$91 million, down \$6 million from the same period last year, with the full month benchmark projecting an increase of \$29 million.

September sales tax is projected to total \$445 million, an increase of \$28 million, or 6.8% actual, and 3.1% baseline from September 2012. September 13th 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 September 20th. Through September 13th, month-to-date sales tax collections totaled \$59 million, down \$0.1 million from the same period in September 2012.

Corporate/business taxes are projected to total \$414 million, up \$27 million, or 7.0% actual, and 8.5% baseline from September 2012. As of September 13, 2013, corporate and business tax collections totaled \$210 million, down \$10 million, or 4.4% from the same period in September 2012. Month-to-date corporate and business cash estimated payments, an indicator of current business profits, totaled \$201 million, a decrease of \$17 million, or 7.8% from last year. Estimated payments are not due until September 16th (the usual due date of 15th falls on a weekend). Some of the payments might spillover 1 or 2 days after the due date, and at that point September corporate estimated payments should be virtually complete. So, the month-to-date corporate and business collections comparison to last year and the benchmark will not be very meaningful until then.

Monthly motor fuels and rooms tax payments are also due on September 20th. 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 September 13th 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 September 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 Michael J. Rodrigues, 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 September 2013 (in \$ Millions)

Tax Collections as of September 13, 2013, Compared to Same Collection Period in FY2013 and to the FY2014 Tax Revenue Estimate of \$22.797 Billion

	----- Month of September -----						----- FY14 Year-to-Date -----					
	09/13 MTD Collections	09/13 MTD v. 09/12 MTD \$ Change	09/13 MTD v. 09/12 MTD % Change	09/13 Full Month Benchmark (*)	% Growth from 09/12 Assumed in Monthly Benchmark	\$ Needed to Reach 09/13 Full Month Benchmark (*)	09/13 FY14 YTD Collections	09/13 FY14 YTD \$ Change	09/13 FY14 YTD % Change	FY14 YTD Benchmark (*)(**)	% Growth from 09/12 Assumed in FY14 YTD Benchmark	\$ Needed to Reach FY14 YTD Benchmark (*)(**)
Income - Total	518	(18)	(3.4%)	1,329	6.0%	811	2,238	135	6.4%	2,958	4.8%	719
Income Withholding	423	(15)	(3.4%)	862	5.5%	439	2,010	85	4.4%	2,419	5.0%	409
Income Est. Payments (Cash)	91	(6)	(6.2%)	457	6.7%	366	137	(17)	(11.0%)	502	3.4%	365
Income Returns/Bills	13	2	14.6%	31	5.0%	18	140	76	120.1%	86	5.6%	(53)
Income Refunds (Cash)	9	(0.8)	(7.9%)	23	(0.0%)	14	49	7	17.5%	55	0.0%	6
Sales & Use - Total	59	(0)	(0.1%)	445	6.8%	386	1,007	52	5.4%	1,373	4.5%	365
Sales - Regular	19	(4)	(16.2%)	300	6.9%	281	662	31	4.9%	925	4.0%	263
Sales - Meals	11	0	2.3%	88	4.9%	78	184	6	3.4%	264	5.2%	81
Sales - Motor Vehicles	29	3	12.9%	57	8.8%	28	161	15	10.0%	183	5.7%	22
Corporate & Business - Total	210	(10)	(4.4%)	414	7.0%	204	312	(17)	(5.3%)	530	6.6%	218
All Other	55	18	47.3%	168	14.0%	113	409	71	21.0%	485	8.2%	76
Total Tax Collections	841	(10)	(1.2%)	2,356	6.8%	1,515	3,967	240	6.4%	5,345	5.2%	1,378

(*) Benchmarks are based on the FY14 tax revenue estimate of \$22.797 billion

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

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