



# Massachusetts Department of Revenue

## Briefing Book FY2016 Consensus Revenue Estimate Hearing

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# 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 FY15 and FY16 and relevant background information.

As Massachusetts' economy continued to grow at a moderate pace and improved significantly during the last several years. State tax revenues have also grown at a moderate pace in FY14 and the first 6 months of FY15. Increased investment/capital gains activity and the improvements of the economic fundamentals in 2014 have been affecting revenues positively. Federal fiscal policy challenges, the slow recovery of the Eurozone economy, and slowdown of growth in Chinese and emerging market economies, as well as the unrest in the Middle East and in Ukraine still remain the major sources of uncertainty for economic growth and tax revenues in the near future. In this environment, there is still a great deal of uncertainty surrounding revenue forecasts.

Our FY15 and FY16 revenue forecasts are based on tax collections through December 2014 and the economic projections provided by *Moody's Economy.com*, *Global Insight*, and the *New England Economic Partnership (NEEP)*. The forecasts have been adjusted for legislatively mandated tax changes. The table below summarizes the Department's current tax revenue forecasts for FY15 and FY16.

**FY15 and FY16 Department of Revenue Tax Revenue Projections**  
( in \$ Billions)

	<u>FY15</u> <u>Projections</u>	<u>% Growth</u> <u>Actual</u> <u>from FY14</u>	<u>% Growth</u> <u>Baseline</u> <u>from FY14</u>	<u>% Growth</u> <u>Baseline</u> <u>(Excluding</u> <u>One-time</u> <u>Revenues)</u> <u>from FY14</u>	<u>FY16</u> <u>Projections</u>	<u>% Growth</u> <u>Actual</u> <u>from FY15</u>	<u>% Growth</u> <u>Baseline</u> <u>from FY15</u>	<u>% Growth</u> <u>Baseline</u> <u>(Excluding</u> <u>One-time</u> <u>Revenues)</u> <u>from FY15</u>
GAA	\$24.312	4.0%	4.1%	6.2%	N/A	N/A	N/A	N/A
Economy.com	\$24.331	4.1%	4.2%	6.2%	\$25.723	5.7%	6.4%	6.6%
Global Insight	\$24.218	3.6%	3.7%	5.8%	\$25.239	4.2%	4.9%	5.0%
NEEP	\$24.264	3.8%	3.9%	6.0%	\$25.541	5.3%	6.0%	6.1%

# FY14 Results

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- FY14 tax collections totaled \$23.369 billion, up \$1.246 billion, or 5.6% from FY13.
- FY14 “baseline” tax collections (i.e., growth adjusted for the impact of tax law and administrative changes) were up 4.9% from FY13.
- FY14 tax collections were \$169 million above the final FY14 revenue estimate of \$23.2 billion. The surplus reflected a spike in tax settlements and bonus payments, which were somewhat offset by below benchmark performance in payments with returns due to a larger than expected acceleration of investment activity into the prior year. Corporate and business taxes exceeded benchmark for the year, as did withholding, with sales and use taxes ending the year very slightly below benchmark. Capital gains taxes were down 12.1% in FY14 compared to FY13, and totaled about \$1.237 billion based on preliminary income tax return data.
  - FY14 income tax collections totaled \$13.202 billion, up 3.5% baseline. Withholding increased 5.4% baseline, while income tax from cash estimated payments, which included tax on capital gains, interest and dividends, and unincorporated business income, increased 6.1% baseline. Cash refunds were up 4.0% baseline. Income tax payments with returns and bills decreased 7.7% baseline.
  - FY14 sales tax was \$5.496 billion, up 6.4% actual and 5.9% baseline. Regular sales tax totaled \$3.811 billion, up 5.2% baseline; meals tax totaled \$949 million, up 5.3% baseline; and motor vehicle sales tax totaled \$736 million, up 10.4% baseline.
  - FY14 corporate and business tax collections of \$2.510 billion for the year were up 11.0% actual and 9.3% baseline. However, the increase was mostly due to the large increase in one-time settlement and judgment payments from FY13 to FY14. Excluding these one-time payments, corporate and business tax collections decreased by 1.9% from FY13 to FY14.
  - Combined reporting has shifted the tax reporting of some utilities and financial institutions into the corporate tax type, with the result that many utilities and financial institutions now do not pay the financial institutions excise tax or the public utilities excise tax, but instead pay as corporate taxpayers. Corporate excise tax collections totaled \$2.049 billion, up 10.3% baseline. Insurance premiums taxes totaled \$316 million, down 15.4% baseline.

# FY15 Summary

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- The FY15 consensus revenue estimate assumed FY15 revenue collections of \$24.337 billion. After adjusting for the impact of subsequent changes affecting revenues (tax amnesty, delayed FAS109 deductions, enhanced DOR tax enforcements, tax law changes in the economic development bill and the county government financial management bill, and the impacts of Part B income tax rate reduction through a trigger process (5.20% to 5.15%) and elimination of inflation indexing of gas/special fuels tax at the ballot), the FY15 tax forecast was \$24.312 billion, reflecting actual growth of 4.0% and baseline growth of 4.2% from FY14 collections.
- Through December 2014, FY15 tax collections totaled \$11.204 billion, up \$440 million, or 4.1% actual and 3.5% baseline compared to the same six-month period in FY14. Excluding the \$24 million tax related Settlements & Judgments exceeding \$10 million each, FY15 year-to-date tax collections totaled \$11.180 billion, \$18 million below the December year-to-date benchmark. Specifically:
  - Year-to-date withholding is up 4.9% actual and 5.7% baseline.
  - Year-to-date income tax estimated payments (cash) are up 13.4% actual and 14.0% baseline.
  - Year-to-date sales tax collections are up 4.7% actual and 3.4% baseline.
  - Including the \$24 million tax related Settlements & Judgments exceeding \$10 million each, year-to-date corporate and business tax collections are down 3.7% actual and 7.1% baseline. Corporate and business cash estimated payments (an indicator of current business conditions) are up 12.6% actual and baseline. Corporate & business refunds are also up, 33%, which could be a reflection of incremental use of refundable and transferable credits this year.
- The Massachusetts economy is projected to grow moderately in terms of output during the last two quarters of FY15.
  - Real Gross State Product is projected to grow by 2.5% to 3.1% over the remainder of FY15.
  - Massachusetts payroll employment is projected to grow by 1.6% to 2.0% in the last two quarters of FY15, and wages and salaries are projected to grow by 4.0% to 4.3% over the same period.
  - Retail sales are projected to grow by 2.5% to 6.3% over the remainder of FY15.

# FY15 Summary

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- With respect to the capital gains, DOR forecasts that tax year 2014 capital gains realizations (which mainly determine FY15 capital gains tax collections) will increase by 9.7% to 10% compared with tax year 2013, mostly due to the improved stock and housing market conditions, and will then increase by 9.0% to 9.1 in tax year 2015 and decline by 4.6% to 6.9% in tax year 2016.
- Using economic projections from Global Insight, Moody's Economy.com, the New England Economic Partnership (NEEP), and DOR's capital gains projections, FY15 tax revenue is projected at \$24.218 billion to \$24.331 billion, \$94 million lower to \$19 million higher than the adjusted FY15 estimate of \$24.312 billion. Included in this forecast is an adjustment for the impact of tax law changes and revenue initiatives, which are expected to result in a net revenue loss of \$12 million in FY15. These forecasts take into account the impact of recent part B income tax rate reduction (from 5.20% to 5.15%), effective January 1, 2015. Possible (further) future rate reductions do not have impact on FY15 revenues.

# FY16 Summary

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- The national economy is expected to grow faster in calendar year 2016 than in calendar year 2015. FY16 U.S. real Gross Domestic Product (GDP) forecasts range from an increase of 2.6% to 3.7%.
  
- The three forecast vendors project the following for 2016:
  - Projections for Massachusetts employment range from a growth of 1.6% to 2.1% in FY16, compared to growth of 1.6 to 1.9% % in FY15, and Massachusetts wages and salary projections range from growth of 5.2% to 7.1% in FY16, compared to growth of 4.0% to 4.2% in FY15;
  - Massachusetts personal income is expected to rise 4.5% to 6.2% in FY16, compared to growth of 4.1% to 4.5% in FY15;
  - Nationally, corporate profits are expected to grow by 3.2% to 9.9% in FY16, compared to growth of 8.1% to 11.3% in FY15;
  - The stock market as measured by the S&P 500 index is expected to increase 8.5% to 11.6% in CY2015, compared to increase of 17.5% in CY2014.
  
- Using the economic growth assumptions from Economy.com, Global Insight, and the New England Economic Partnership (NEEP), FY16 tax revenue is projected to be \$25.239 billion to \$25.723 billion, reflecting baseline growth of 4.9% to 6.4% over FY15. Included in this forecast is an adjustment for the impact of tax law changes and revenue initiatives, which are expected to result in the offset of \$176 million in FY16. These forecasts take into account the impact of recent part B income tax rate reduction (from 5.20% to 5.15%, effective January 1, 2015), but do not take into account of any possible future rate reduction (i.e., 5.15% to 5.10%).

# 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.

<b>FY2015 Year-to-Date Collections Through December 2014 (in \$ millions)</b>					
	12/14 FY15 YTD Collections	12/14 FY15 YTD \$ Change	12/14 FY15 YTD Actual % Change	12/14 FY15 YTD Baseline % Change	FY15 YTD \$ Above/(Below) Benchmark Based on FY15 Estimate of \$24.312 Billion
<b>Income - Total</b>	<b>6,333</b>	<b>297</b>	<b>4.9%</b>	<b>5.2%</b>	<b>34</b>
Income Withholding	5,373	249	4.9%	5.7%	(2)
Income Est. Payments (Cash)	886	105	13.4%	14.0%	77
Income Returns/Bills	279	(64)	-18.6%	-28.2%	(48)
Income Refunds (Cash)	204	(9)	-4.0%	-4.0%	(9)
<b>Sales &amp; Use - Total</b>	<b>2,876</b>	<b>130</b>	<b>4.7%</b>	<b>3.4%</b>	<b>(50)</b>
Sales - Regular	1,959	80	4.2%	2.8%	(48)
Sales - Meals	528	28	5.5%	3.6%	(2)
Sales - Motor Vehicles	388	23	6.3%	6.3%	0.1
<b>Corporate &amp; Business - Total</b>	<b>887</b>	<b>(59)</b>	<b>-6.2%</b>	<b>-9.6%</b>	<b>(28)</b>
<b>All Other</b>	<b>1,084</b>	<b>48</b>	<b>4.6%</b>	<b>3.2%</b>	<b>26</b>
<b>Total Tax Collections</b>	<b>11,180</b>	<b>416</b>	<b>3.9%</b>	<b>3.3%</b>	<b>(18)</b>
<i>Tax Related Settlements &amp; Judgments Exceeding \$10 Million Each (NOT included in the YTD collections figures above. YTD benchmarks DO NOT assume such large settlements and judgments exceeding \$10 million each).</i>					
		<b>24.0</b>			
<b>Total Tax Collections</b> <i>(Including tax-related settlements &amp; judgments)</i>	<b>11,204</b>	<b>440</b>	<b>4.1%</b>	<b>3.5%</b>	
<b>Corporate &amp; Business - Total</b> <i>(Including tax-related settlements &amp; judgments)</i>	<b>911</b>	<b>(35)</b>	<b>-3.7%</b>	<b>-7.1%</b>	

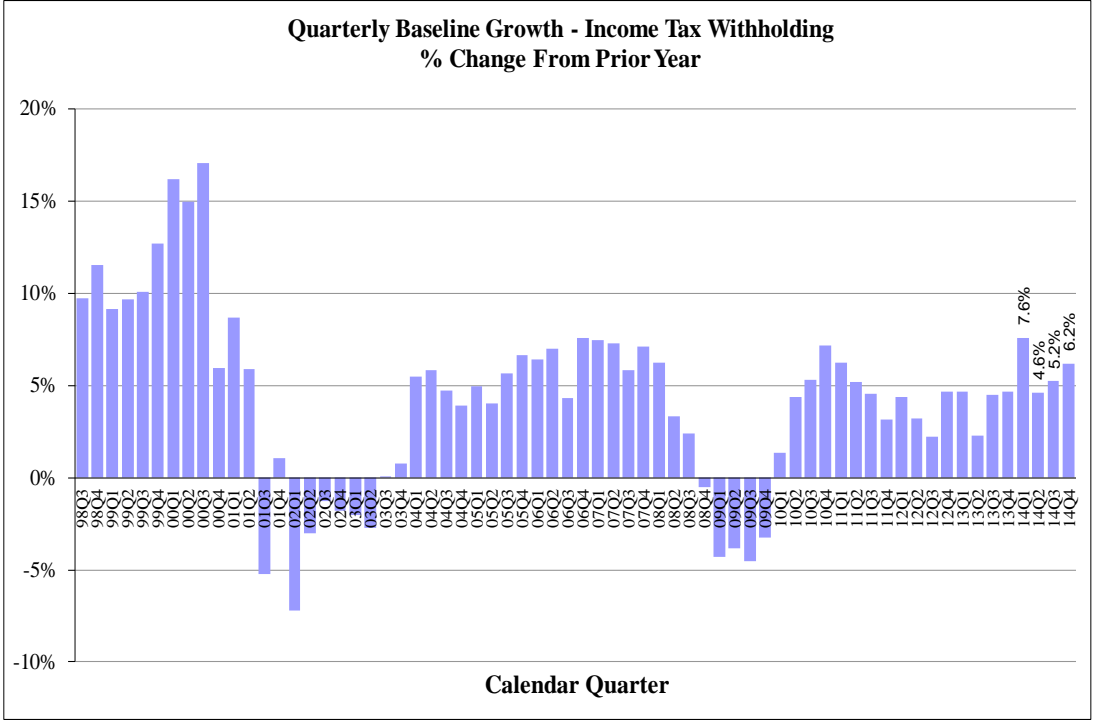
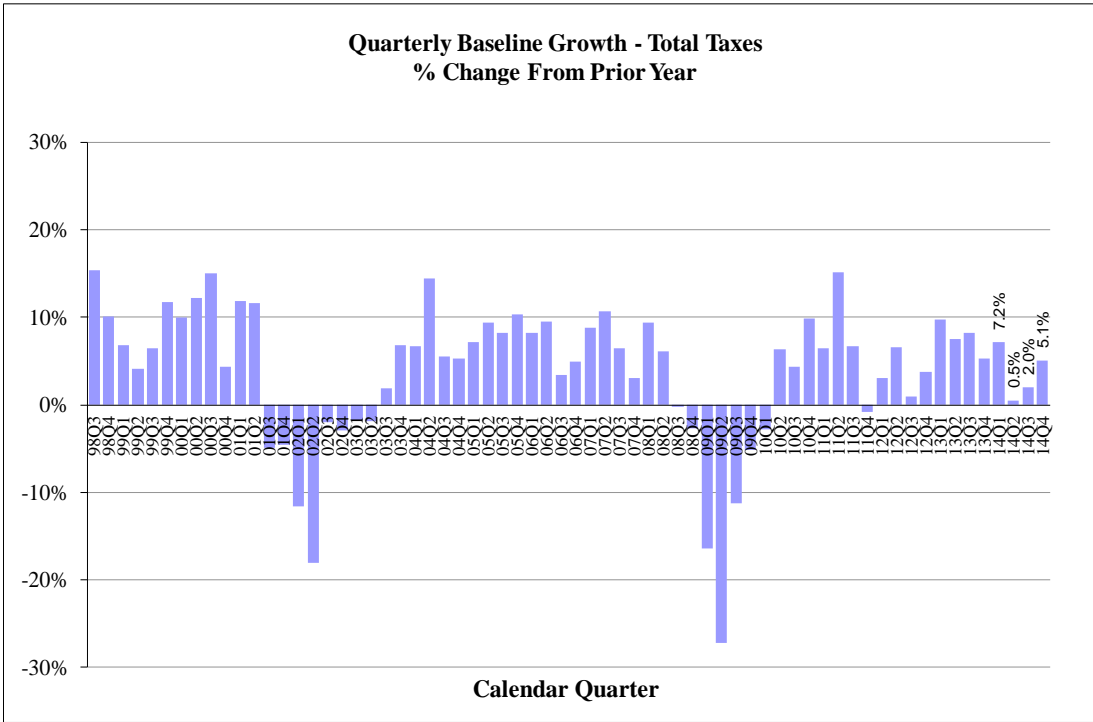


# Recent Revenue Trends

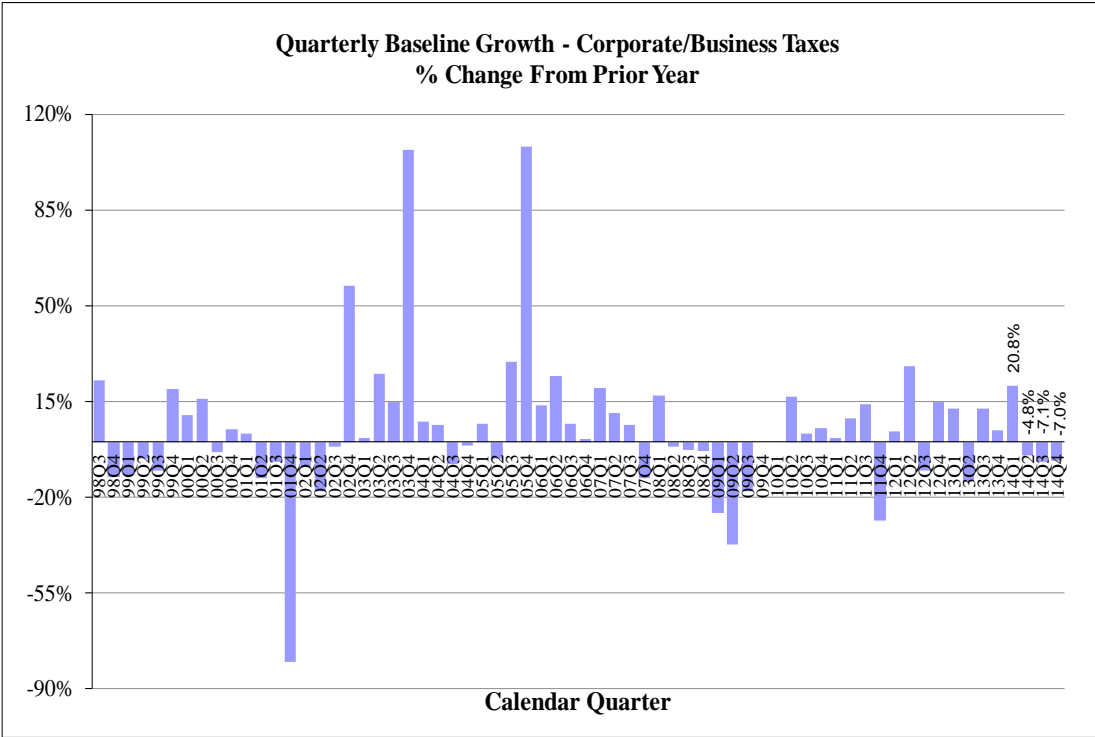
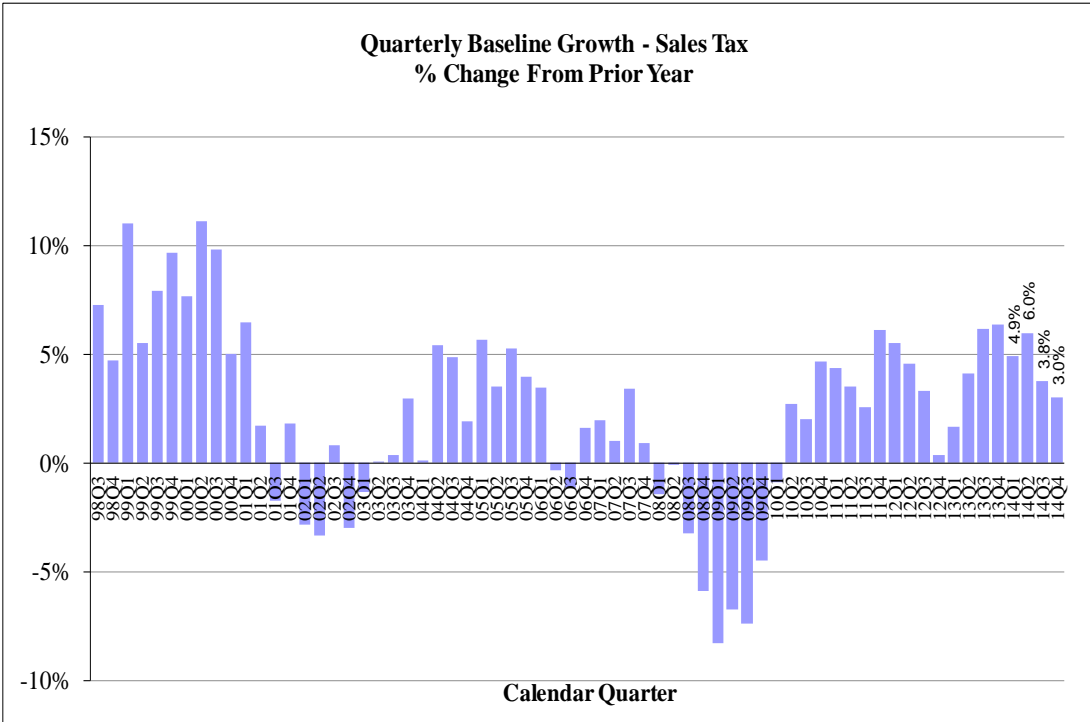
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- **Withholding**
  - Withholding growth has been strong so far in FY15, with baseline collections up 5.7% through December 2014, after having increased by 5.4% baseline in FY14.
- **Income Tax Estimated Payments (Cash)**
  - Income tax estimated payments (cash) have increased by 14.0% baseline so far in FY15, after having increased by 6.1% baseline in FY14, reflecting probably the strong stock market and housing market in calendar year 2014.
- **Sales Tax**
  - Sales tax collections have slowed down so far in FY15. After having increased by 5.9% baseline in FY14, sales tax collections are up 3.4% baseline FY15 year-to-date. Regular sales tax is up by 2.8% baseline. Meals tax is up 3.6% baseline. Motor vehicle sales tax increases by 6.3% baseline.
- **Corporate and Business Excise**
  - Although growth in national corporate profits has accelerated in 2014, the corporate and business tax collections (including the \$24 million tax related Settlements & Judgments exceeding \$10 million each) have decreased in the first six months of FY15, with a baseline decrease of 7.1% through December compared with an increase of 9.3% baseline in FY14. This decrease is mostly because we received less one-time tax settlement and judgment payments year-to-date than the same period last year. Although year-to-date corporate and business cash estimated payments, which reflect current economic activity, are up only 12.6% actual and baseline, corporate and business cash refunds have also been up (33%), which may be a reflection of incremental use of refundable and transferrable credits in FY15.

# Recent Revenue Trends



# Recent Revenue Trends



# The U.S. Economy

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- DOR utilizes national and Massachusetts state economic forecasts from Global Insight, Moody's Economy.com, and the New England Economic Partnership.
- The growth of the national real GDP is predicted to be 3.1%~3.2% in FY2015 (3.1%~3.7 % in CY2015) and 2.6%~3.7% in FY2016 (2.7%~3.6% in CY2016). Another Eurozone's recession may come and remains a source of uncertainty for economic growth. The U.S. fiscal policy challenges such as sequestration may still be a factor for uncertainty.
- The labor market condition has steadily improved in 2014. According to the U.S. Bureau of Labor Statistics, the U.S. nonfarm payroll employment rose by 252,000 from November to December 2014, and by about 2.952 million from December 2013 to December 2014. The unemployment rate, which was 5.6% in December 2014, is predicted to be in the range of 5.6%~5.8% in FY2015, and 5.1%~5.4% in FY16.
- The performance of U.S. housing market was mixed: Year-to-date (January to November 2014), existing-home sales declined by 3.8%, but new home sales increased by 1.0% from the same period in 2013. From November 2013 to November 2014, housing inventory changed slightly: from 5.8 months to 7.0 months of supply at the current sales rate, and there was no change (5.1 months) for existing homes.
- Short-term interest rates are predicted to remain low in 2015. The Federal funds rate is predicted to be around 0.1%~0.2% in FY2015 (0.3%~0.4% in CY2015), and 0.9%~1.1% in FY2016 (1.6%~2.1% in CY2016). The bank prime rate is predicted to be around 3% in FY2015 and 4% in FY16.

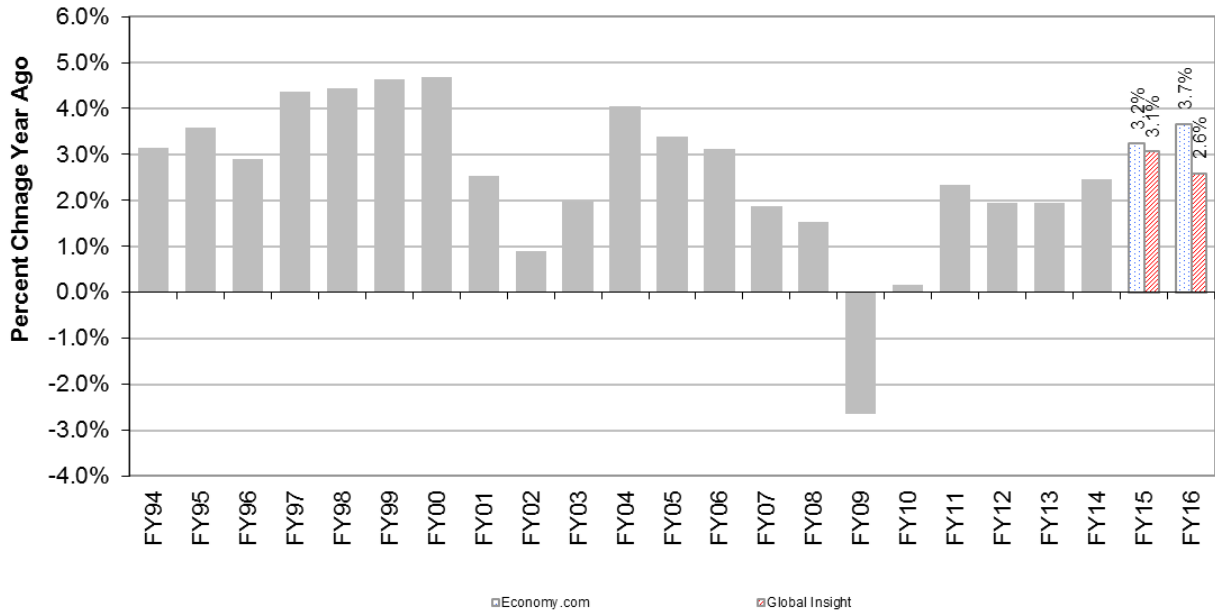
# The U.S. Economy

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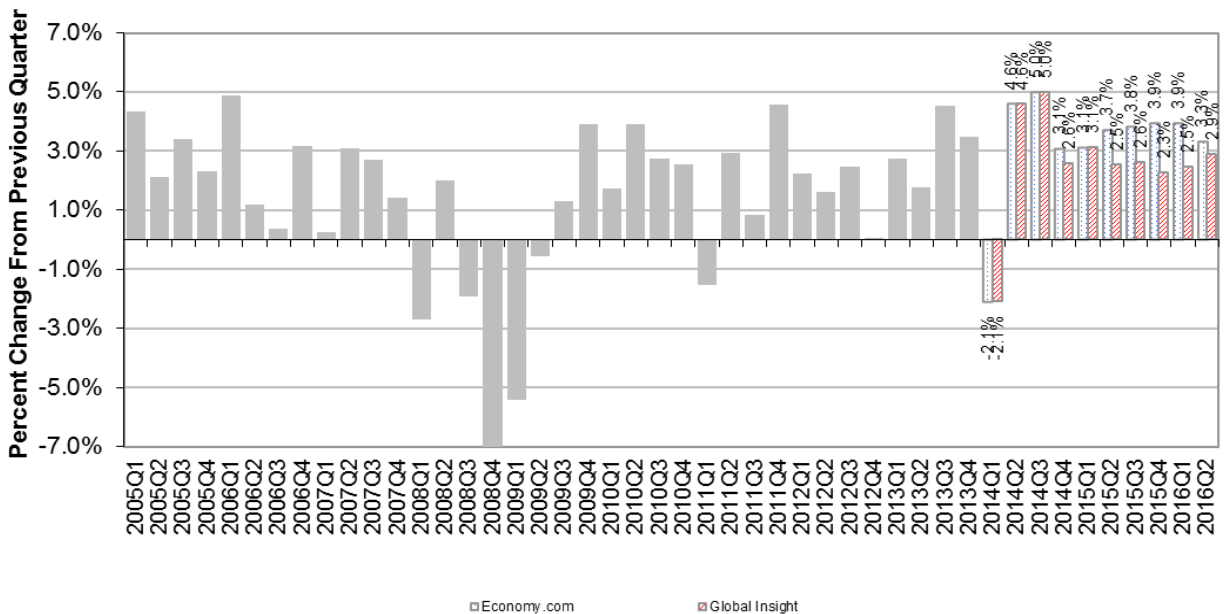
- After a growth of 7.0% in FY2014, the growth of corporate profits before tax is predicted to be 6.3%~12.0% over the remainder of FY2015, compared to the same period of FY2014. The growth of the corporate profits before tax is predicted to be 8.1%~11.3% in FY2015 (5.5%~12.0% in CY2015) and 3.2%~9.9% in FY2016 (-0.1%~4.5% in CY2016).
- The stock market, as measured by the S&P 500 index, is predicted to grow by 8.5%~11.6% in 2015 and 0.4%~4.3% in 2016.

# The U.S. Economy

## Real U.S. GDP Growth, FY1994-2016

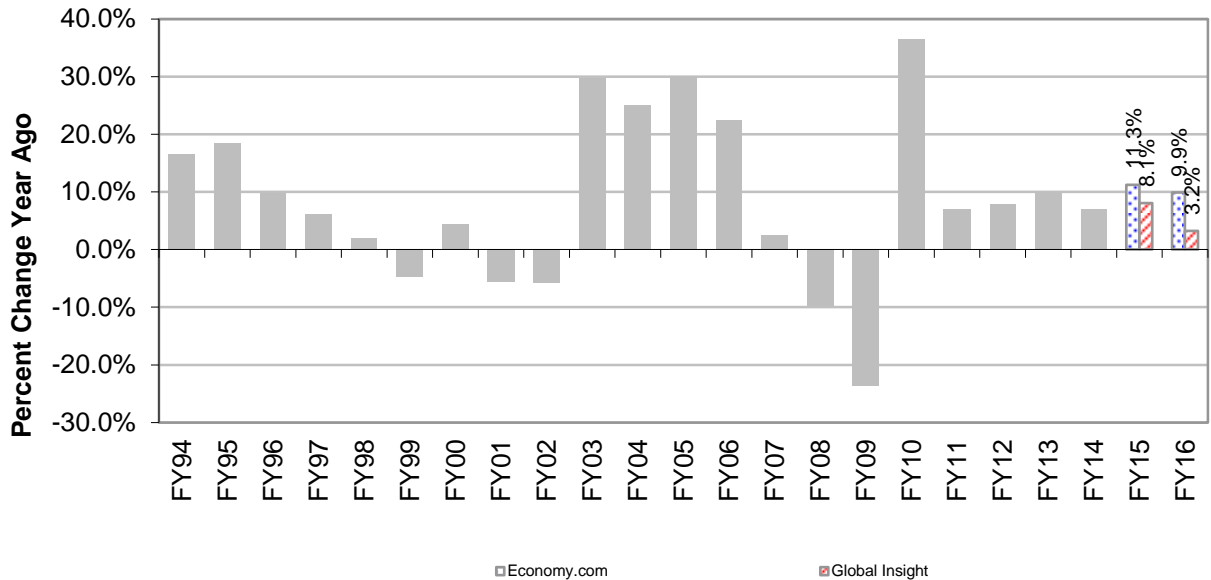


## Annualized Quarterly Growth in U.S. Real GDP (Change from Previous Quarter, Annualized)

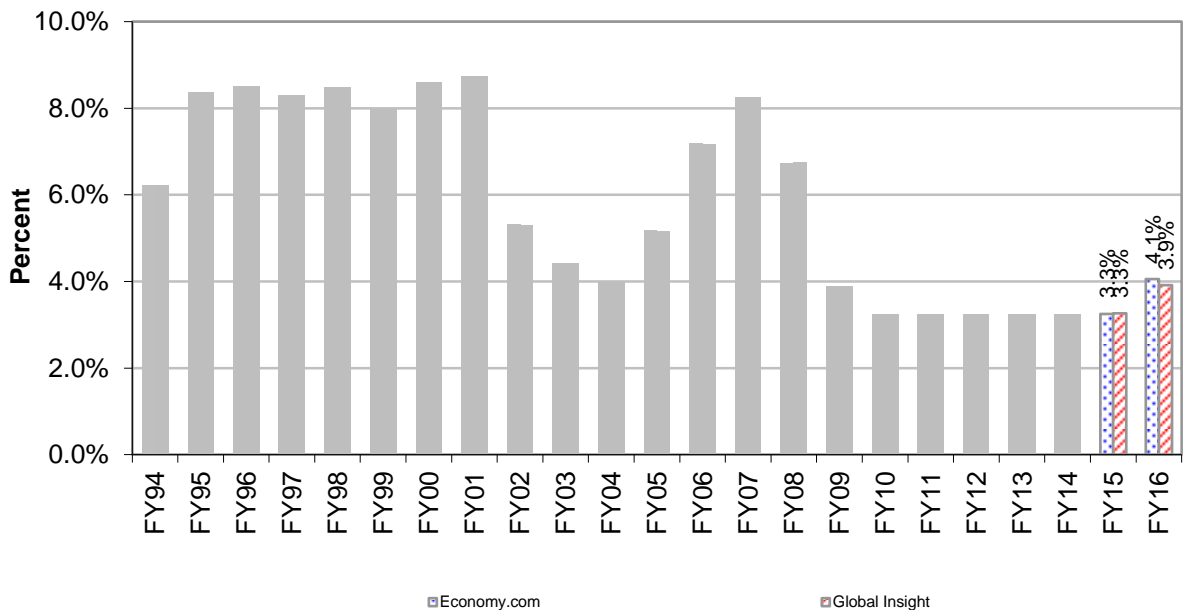


# The U.S. Economy

Business Profits are Predicted to Grow Moderately  
(Corporate Profits Before Tax FY94-16)



Interest Rates Will Remain Low Through FY16  
(Prime Rate FY94-16)



# The Massachusetts Economy

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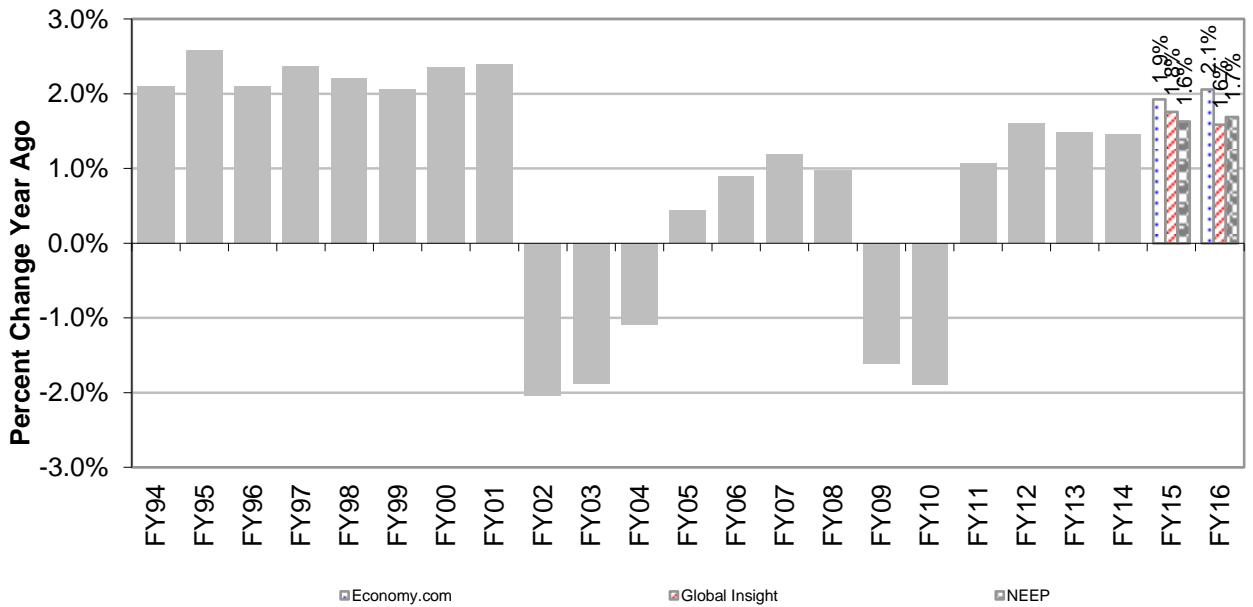
The forecast assumptions and summary for the Massachusetts economy are as follows:

- The state economy will grow consistently with the national economy. The annual growth of the state real GDP is predicted to be 2.0%~2.2% in FY2015 (2.5%~3.3% in 2015) and 2.2%~3.4% in FY2016 (2.4%~3.2% in 2015).
- Massachusetts employment bottomed out in October 2009, at which point the state's employment had declined by 143,000 (4.3%) from the peak reached in April 2008. By January 2013, the overall employment level was more than fully recovered back to the higher level than that right before the recession. State employment is predicted to grow by 1.6%~1.9% in FY2015 (1.6%~2.0% in 2015) and 1.6%~2.1% in FY2016 (1.5%~2.0% in 2016). The state unemployment rate is predicted to be 5.6%~5.8% in FY2015 (5.3%~5.8% in 2015) and 4.9%~5.7% in FY2016 (4.5%~5.7% in 2016).
- According to the U.S. Bureau of Economic Analysis, the state wage and salary disbursements grew by 4.0% during FY2014. The growth of state wage and salary disbursements is predicted to be 4.0%~4.2% in FY2015 (4.7%~5.6% in 2015) and 5.2%~7.1% in FY2016 (5.0%~7.1% in 2016). The growth of the state personal income is predicted to be 4.1%~4.5% in FY2015 (4.3%~5.4% in 2015) and 4.5%~6.2% in FY2016 (4.9%~6.3% in 2016).
- The state retail sales are predicted to grow by 3.4%~5.9% in FY2015 (2.6%~6.2% in 2015) and by 3.7%~5.7% in FY2016 (4.8%~5.6% in 2016).
- The growth in state's housing market has been softer than last year. According to the Massachusetts Association of Realtors, during the period of January through November 2014, single family home sales declined by 3.4% and condominium sales declined by 0.7% from the same period in 2013, but the median price for single family homes rose by 3.4% and the median price for condominiums by 4.7% during the same period.

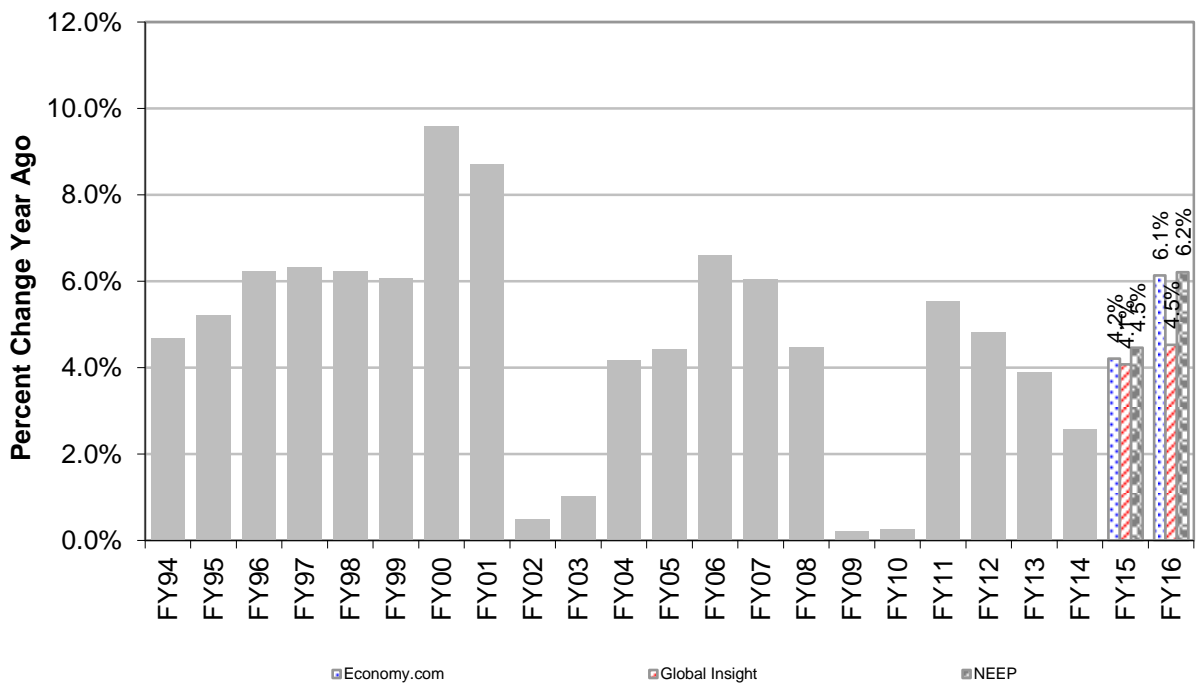


# The Massachusetts Economy

## Massachusetts Employment Forecasts

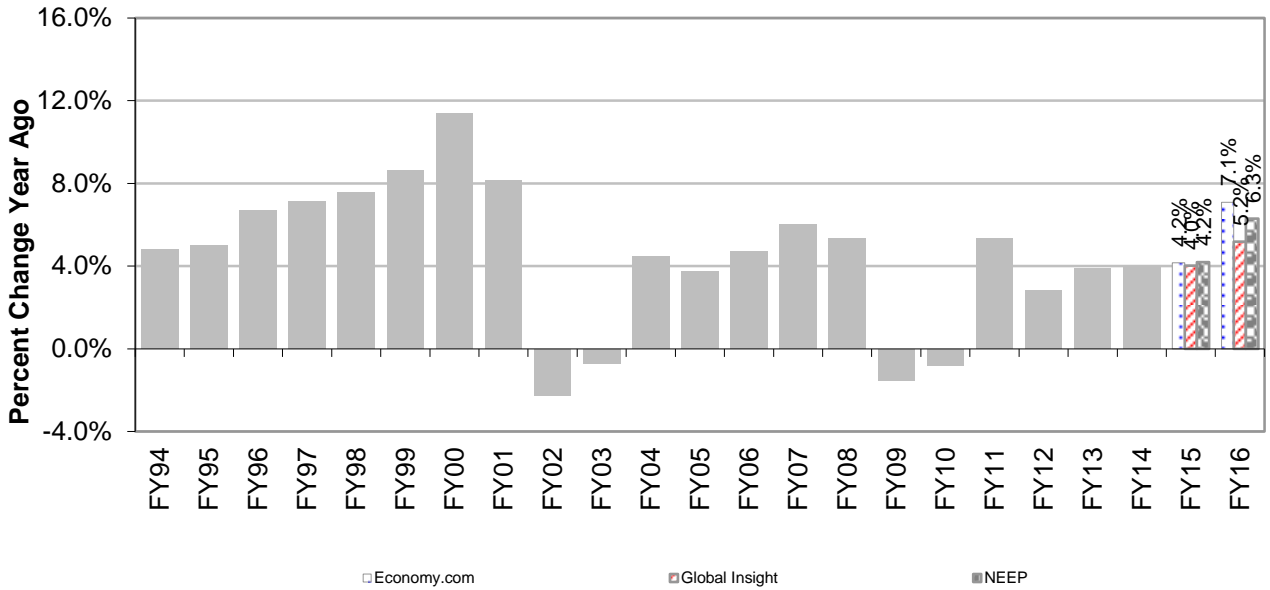


## Massachusetts Personal Income Forecasts

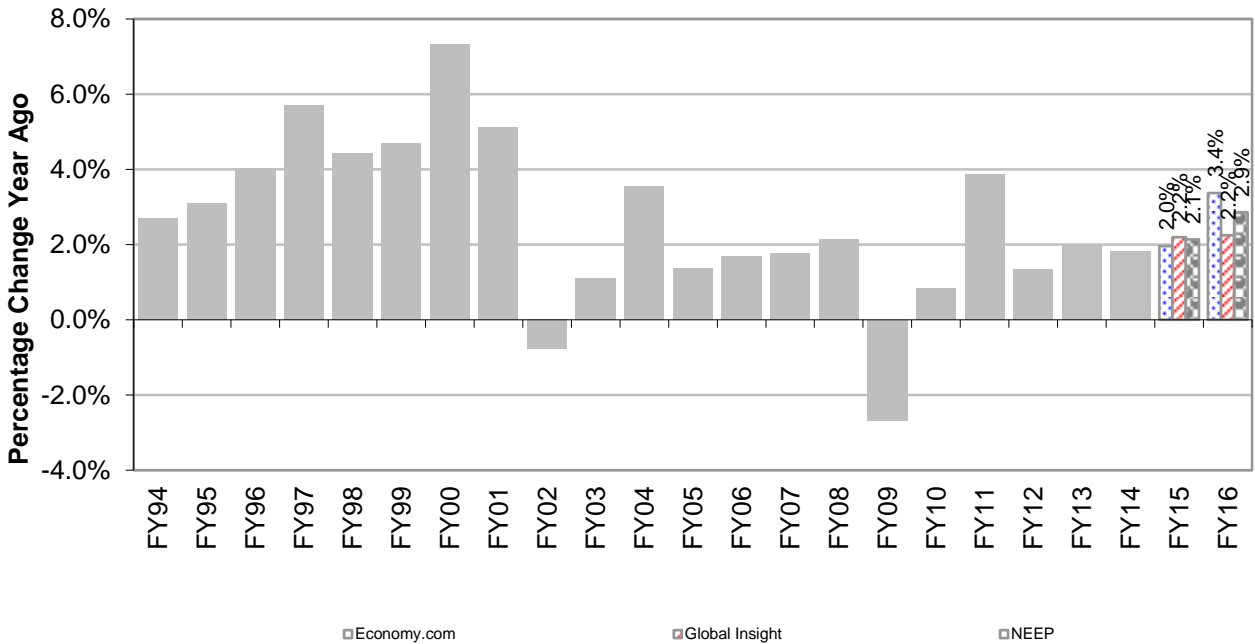


# The Massachusetts Economy

## Massachusetts Wages and Salaries Forecasts



## Massachusetts Real Gross State Product (GSP) Growth FY94-16



# U.S and Massachusetts Economic Forecast Table

## (Percent Change from Prior Fiscal Year)

	Forecast						
	FY 2012	FY 2013	FY 2014	FY 2015 First two Quarters	FY 2015 Last Two Quarters	FY 2015	FY 2016
<b><u>US - Global Insight 01/15</u></b>							
Real GDP	2.0%	2.0%	2.5%	2.6%	3.5%	3.1%	2.6%
Corporate Profits	7.9%	9.9%	7.0%	9.9%	6.3%	8.1%	3.2%
S&P500 (Calendar year lagged one year)	11.4%	8.7%	19.1%	NA	NA	17.6%	11.6%
Unemployment Rate	8.5%	7.8%	6.8%	5.9%	5.6%	5.8%	5.4%
Bank Prime Rate	3.3%	3.3%	3.3%	3.3%	3.3%	3.3%	3.9%
Federal Funds Rate	0.1%	0.1%	0.1%	0.1%	0.2%	0.2%	0.9%
<b><u>US - Economy.com 01/15</u></b>							
Real GDP	2.0%	2.0%	2.5%	2.6%	3.8%	3.2%	3.7%
Corporate Profits	7.9%	9.9%	7.0%	10.5%	12.0%	11.3%	9.9%
S&P500 (Calendar year lagged one year)	11.4%	8.7%	19.1%	NA	NA	17.5%	8.5%
Unemployment Rate	8.5%	7.8%	6.8%	5.9%	5.4%	5.6%	5.1%
Bank Prime Rate	3.3%	3.3%	3.3%	3.3%	3.3%	3.3%	4.1%
Federal Funds Rate	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	1.1%
<b><u>Massachusetts - Global Insight 01/15</u></b>							
Real Gross State Product	1.6%	1.8%	2.1%	1.6%	2.8%	2.2%	2.2%
Wages & Salaries	2.8%	3.9%	4.0%	4.0%	4.0%	4.0%	5.2%
Personal Income	4.8%	3.9%	2.6%	4.0%	4.2%	4.1%	4.5%
Employment	1.6%	1.5%	1.5%	1.7%	1.8%	1.8%	1.6%
Retail Sales	6.0%	4.3%	3.5%	4.4%	2.5%	3.4%	3.7%
Unemployment Rate	6.9%	6.9%	6.6%	5.8%	5.6%	5.7%	5.1%
Housing Starts	14.7%	17.5%	25.2%	-7.4%	11.2%	1.4%	17.5%
<b><u>Massachusetts - Economy.com 01/15</u></b>							
Real Gross State Product	1.6%	1.8%	1.9%	0.8%	3.1%	2.0%	3.4%
Wages & Salaries	2.8%	3.9%	4.0%	4.0%	4.3%	4.2%	7.1%
Personal Income	4.8%	3.9%	2.6%	3.9%	4.5%	4.2%	6.1%
Employment	1.6%	1.5%	1.5%	1.8%	2.0%	1.9%	2.1%
Retail Sales	6.0%	3.4%	2.5%	3.1%	4.9%	4.0%	5.5%
Unemployment Rate	6.9%	6.9%	6.6%	5.8%	5.4%	5.6%	4.9%
Housing Permits	13.7%	28.6%	21.6%	9.0%	38.4%	22.9%	33.0%
Home Sales	-5.5%	11.8%	3.6%	-3.6%	11.9%	3.8%	18.3%
<b><u>Massachusetts - NEEP 09/14 (Adjusted for Most Recent U.S. Government Data Release)</u></b>							
Real Gross State Product	0.8%	2.5%	1.5%	1.7%	2.5%	2.1%	2.9%
Wages & Salaries	2.8%	3.9%	4.0%	4.1%	4.3%	4.2%	6.3%
Personal Income	4.8%	3.9%	2.6%	4.1%	4.8%	4.5%	6.2%
Employment	1.6%	1.5%	1.5%	1.7%	1.6%	1.6%	1.7%
Retail Sales	6.1%	3.7%	3.7%	5.4%	6.3%	5.9%	5.7%
Unemployment Rate	6.9%	6.9%	6.7%	5.8%	5.8%	5.8%	5.7%
Housing Permits	13.7%	28.6%	24.1%	5.5%	36.3%	20.4%	28.0%

Note: For S&P500, the numbers shown are calendar year numbers with one year lag.

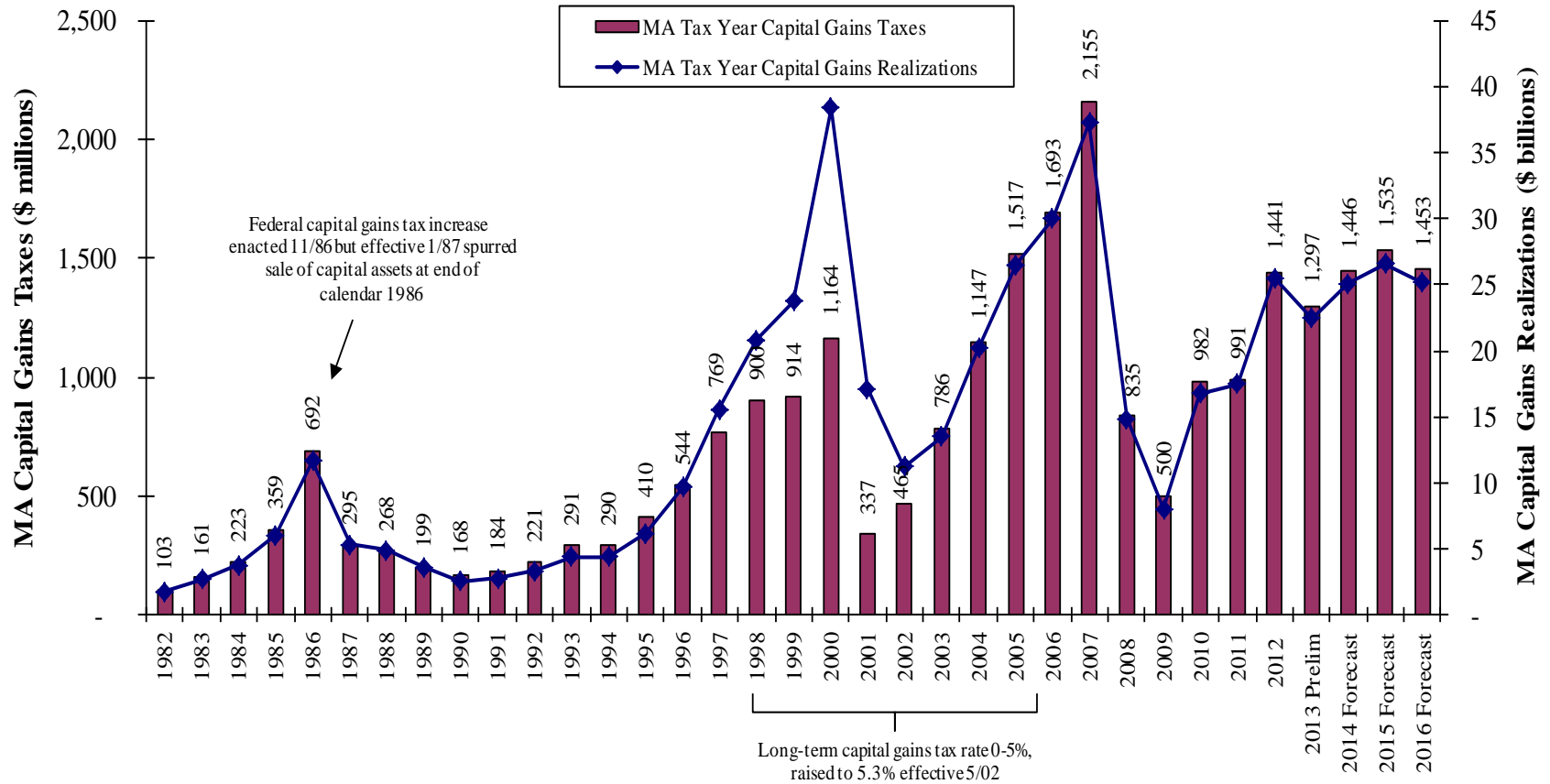
# Capital Gains Taxes

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- Estimates based on tax year 2013 income tax returns processed to date indicate that tax year 2013 capital gains realizations (taxes on which were remitted mostly in FY14) were \$22.5 billion, compared to \$25.5 billion in tax year 2012, a decrease of 11.9%. Long-term realizations decreased by about 13% while short-term realizations increased by about 5.6%.
- Capital gains taxes decreased from \$1.441 billion in tax year 2012 to approximately \$1.297 billion in tax year 2013, a decrease of \$144 million, or 10%. On a fiscal year basis, FY14 capital gains taxes are estimated to have totaled about \$1.237 billion (though no exact numbers are available on a fiscal year basis), a decrease of \$170 million, or 12.1%, from FY13.
- DOR projects that Massachusetts capital gains realizations will increase by 11.3% to 11.6% in tax year 2014 compared to tax year 2013, increase by 6.0% to 6.4% in tax year 2015 compared to tax year 2014, and then decrease by 4.6% to 6.1% in tax year 2016. DOR capital gains forecast implies tax year 2014 capital gains taxes of \$1.444 billion to \$1.447 billion, and tax year 2015 capital gains taxes of \$1.531 billion to \$1.539 billion. On a fiscal year basis, capital gains taxes would be about \$1.369 billion to \$1.388 billion in FY15, an increase of \$132 million to \$150 million compared to FY14. FY16 capital gains taxes would probably be about \$1.465 billion to \$1.504 billion, an increase of \$96 million to \$116 million from FY15.

# Capital Gains Taxes

## Massachusetts Capital Gains Realizations and Taxes



# FY15 and FY16 Tax Revenue Projections

## FY15 and FY16 Tax Revenue Projections

(WITHOUT RISK ADJUSTMENTS)

FY15 and FY16 Tax Revenue Projections Based on Economic Forecasts of Moody's Economy.com, Global Insight, and New England Economic Partnership  
( in \$ Billions)

	<u>FY15</u>	<u>\$ Growth</u>	<u>% Growth</u>	<u>% Growth</u>	<u>% Growth</u>	<u>FY16</u>	<u>\$ Growth</u>	<u>% Growth</u>	<u>% Growth</u>	<u>% Growth</u>
	<u>Projections</u>	<u>from FY14</u>	<u>Actual</u>	<u>Baseline</u>	<u>Baseline</u>	<u>Projections</u>	<u>from FY15</u>	<u>Actual</u>	<u>Baseline</u>	<u>Baseline</u>
			<u>from FY14</u>	<u>from FY14</u>	<u>from FY14</u>			<u>from FY15</u>	<u>from FY15</u>	<u>from FY15</u>
					<u>One-time</u>					<u>One-time</u>
					<u>Revenues)</u>					<u>Revenues)</u>
GAA	\$24.312	\$0.943	4.0%	4.1%	6.2%	N/A	N/A	N/A	N/A	N/A
Economy.com	\$24.331	\$0.962	4.1%	4.2%	6.2%	\$25.723	\$1.392	5.7%	6.4%	6.6%
Global Insight	\$24.218	\$0.849	3.6%	3.7%	5.8%	\$25.239	\$1.021	4.2%	4.9%	5.0%
NEEP	\$24.264	\$0.895	3.8%	3.9%	6.0%	\$25.541	\$1.277	5.3%	6.0%	6.1%

# FY15 and FY16 Tax Revenue Projections

## FY15 and FY16 Tax Revenue Projections

(WITHOUT RISK ADJUSTMENTS)

### FY15 Year To Date Baseline Growth; Forecasts for Remainder of FY15 and FY16

	FY14 Baseline Growth	FY15 YTD Baseline Growth	Baseline (Excluding One-time Revenues) Growth Remainder of FY15			FY16 Baseline (Excluding One-time Revenues) Growth		
			Economy.com	Global Insight	NEEP	Economy.com	Global Insight	NEEP
Income Total	3.5%	3.7%	8.1%	7.1%	7.3%	7.6%	6.0%	7.1%
<i>Income Withholding</i>	5.4%	5.2%	6.3%	5.1%	5.6%	7.0%	4.9%	6.2%
Sales - Regular	5.2%	3.4%	4.8%	3.9%	4.6%	4.8%	3.6%	4.7%
Sales - Meals	5.3%	3.8%	5.6%	3.8%	4.4%	6.1%	3.6%	4.8%
Sales - Motor Vehicle	10.4%	5.4%	6.6%	6.2%	6.4%	4.7%	3.8%	5.3%
Sales - Total	5.9%	3.8%	5.2%	4.2%	4.8%	5.0%	3.6%	4.8%
Corporate & Business	9.3%	-7.1%	9.5%	8.7%	9.5%	7.8%	5.5%	6.8%
Other Tax Revenue	7.0%	-3.2%	3.1%	3.1%	3.1%	2.1%	2.0%	2.2%
<b>Total Tax Revenue</b>	<b>4.9%</b>	<b>2.0%</b>	<b>7.2%</b>	<b>6.3%</b>	<b>6.6%</b>	<b>6.6%</b>	<b>5.0%</b>	<b>6.1%</b>

# FY15 and FY16 Tax Revenue Projections

## FY15 and FY16 Tax Revenue Projections

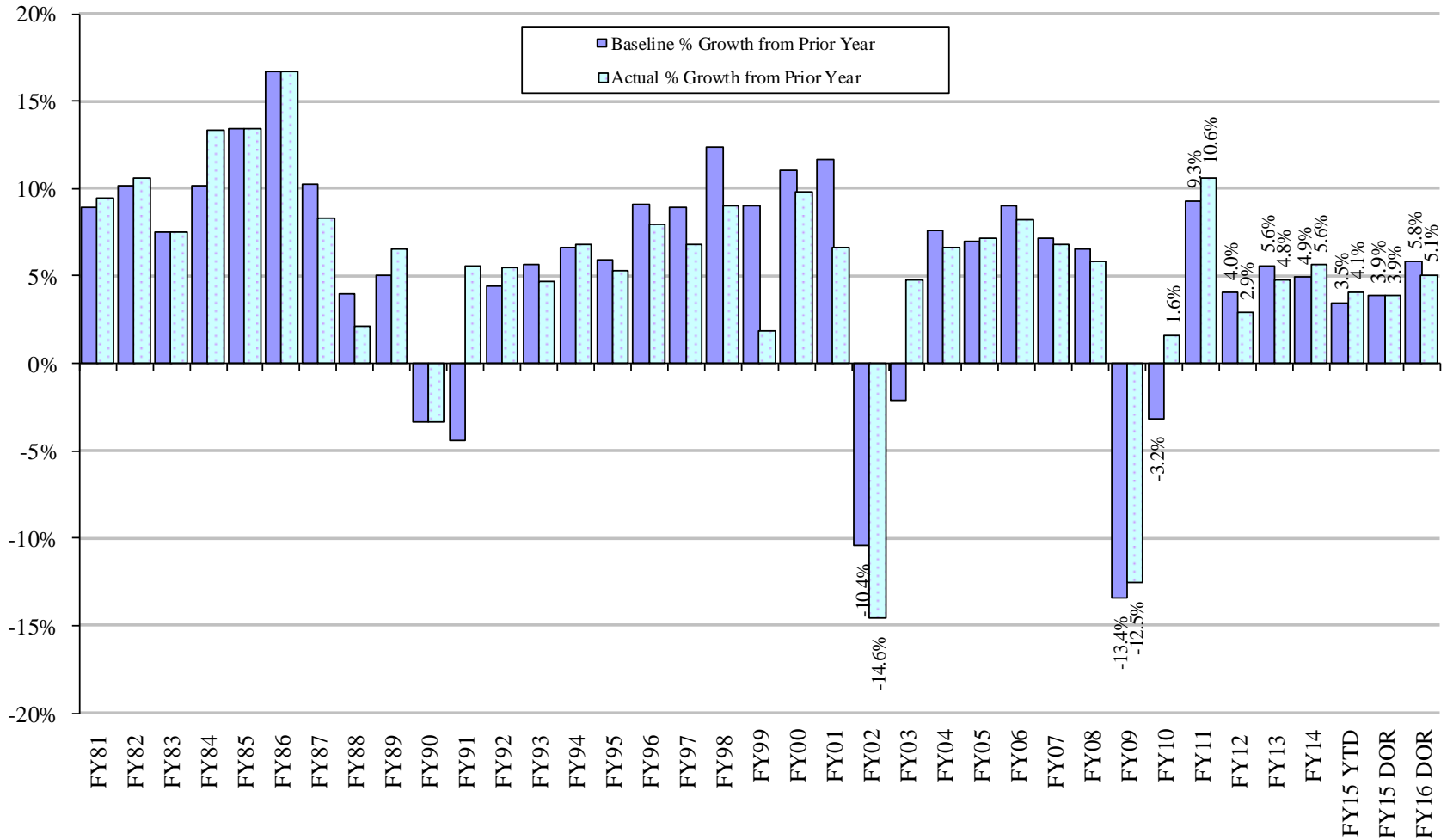
FY14 Actual Tax Revenue Collections, FY15 and FY16 Tax Revenue Forecasts (in \$ millions)  
Forecasts for Remainder of FY15 and FY16.

	----- FY 2015 -----					----- FY 2016 -----		
	FY14 Actual	GAA	Economy.com	Global Insight	NEEP	Economy.com	Global Insight	NEEP
Withholding	10,509	10,989	11,044	10,976	11,003	11,762	11,458	11,622
Capital Gains	<b>1,237</b>	1,170	1,369	1,388	1,369	1,465	1,504	1,465
Other Income	<b>1,456</b>	1,799	1,587	1,564	1,571	1,718	1,680	1,723
Total Income Tax	13,202	13,958	14,000	13,928	13,944	14,945	14,642	14,810
Sales: Regular	3,811	4,045	3,978	3,960	3,975	4,186	4,117	4,177
Sales: Meals	949	1,002	1,002	993	996	1,054	1,021	1,036
Sales: Motor Vehicles	736	783	784	782	783	821	812	825
Sales Total	5,496	5,829	5,764	5,735	5,754	6,061	5,950	6,038
Corporate & Business	2,510	2,393	2,424	2,413	2,424	2,530	2,462	2,505
Other Tax Revenue	2,162	2,131	2,142	2,142	2,142	2,187	2,185	2,188
<b>(A) Total Tax Revenue</b>	<b>23,369</b>	<b>24,312</b>	<b>24,331</b>	<b>24,218</b>	<b>24,264</b>	<b>25,723</b>	<b>25,239</b>	<b>25,541</b>

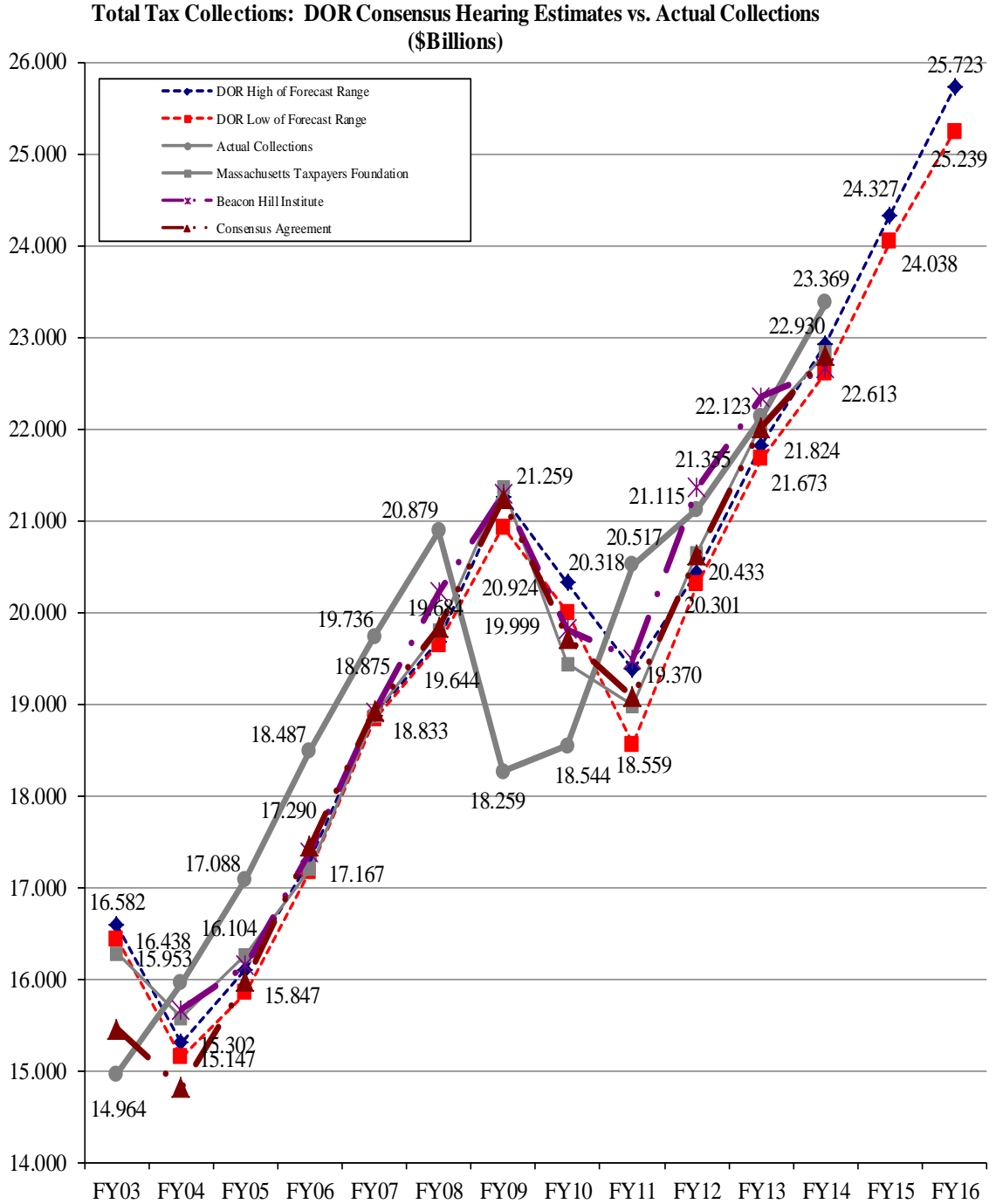


# FY15 and FY16 Tax Revenue Projections

**Actual and Baseline Tax Revenue Growth, FY1981-FY2016**  
 (FY15 and FY16 Are Forecasts Based on Average of 3 Vendors)

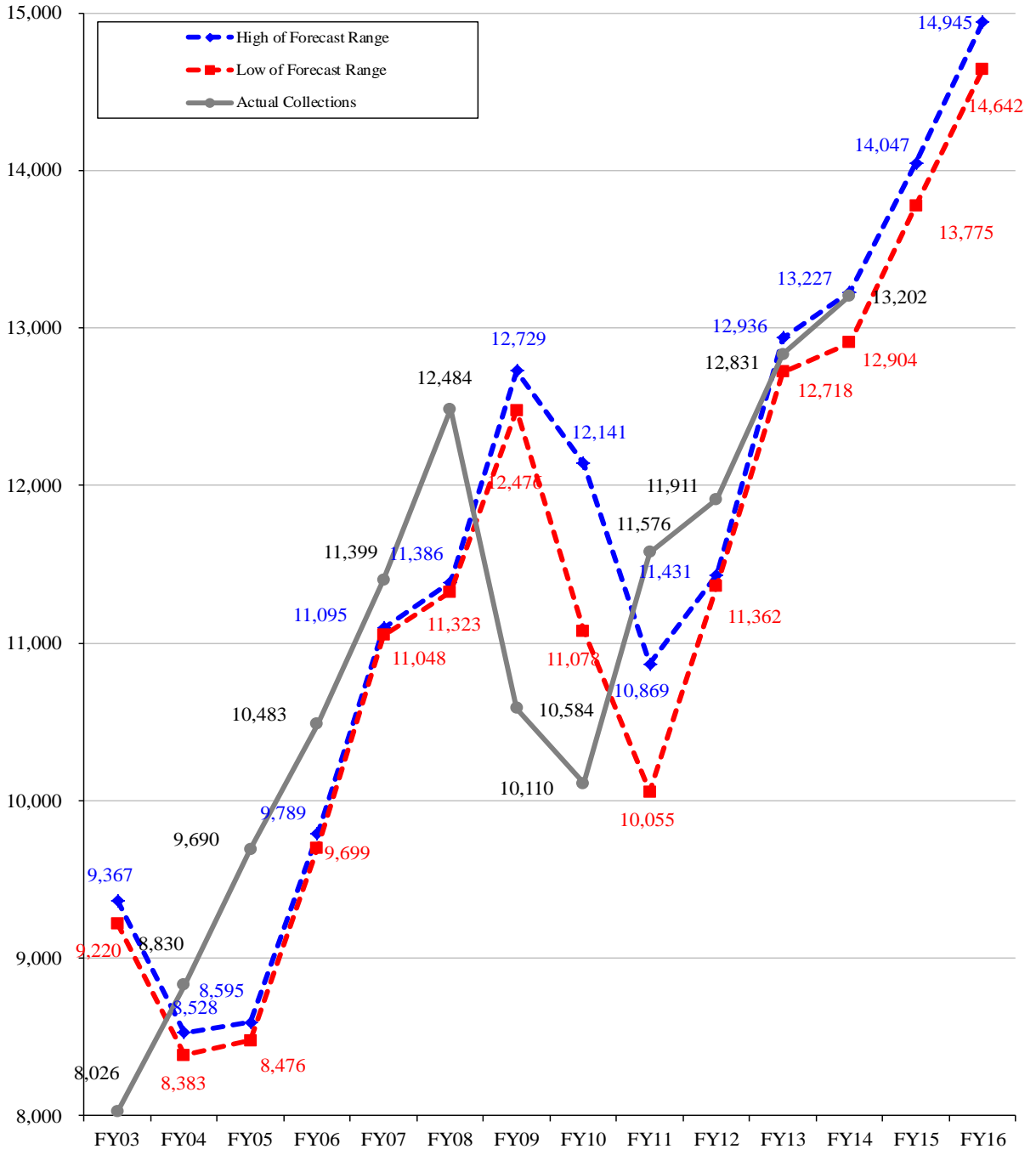


# Historical Comparison of Projections to Actual Collections



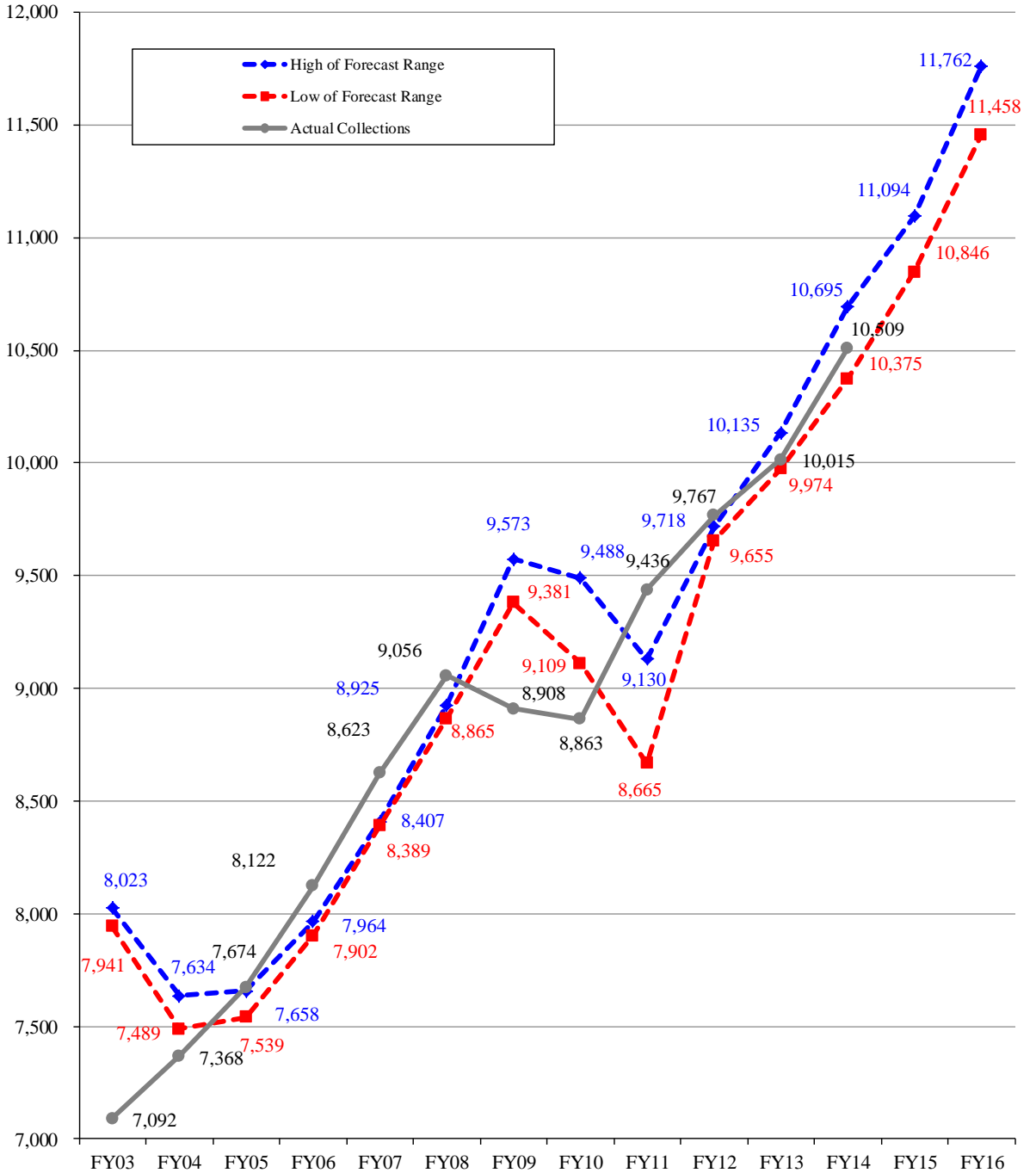
# Historical Comparison of Projections to Actual Collections

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



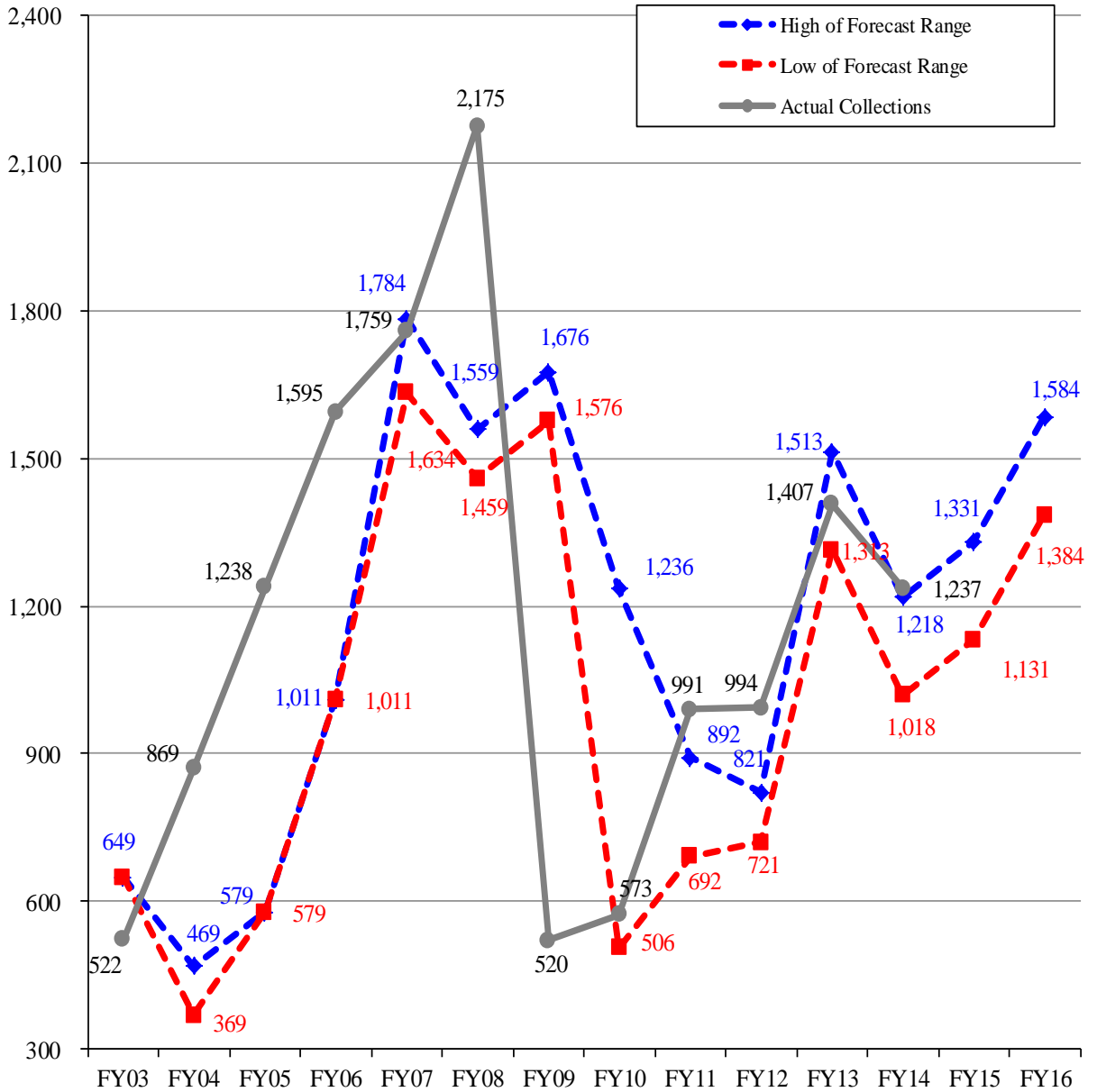
# Historical Comparison of Projections to Actual Collections

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



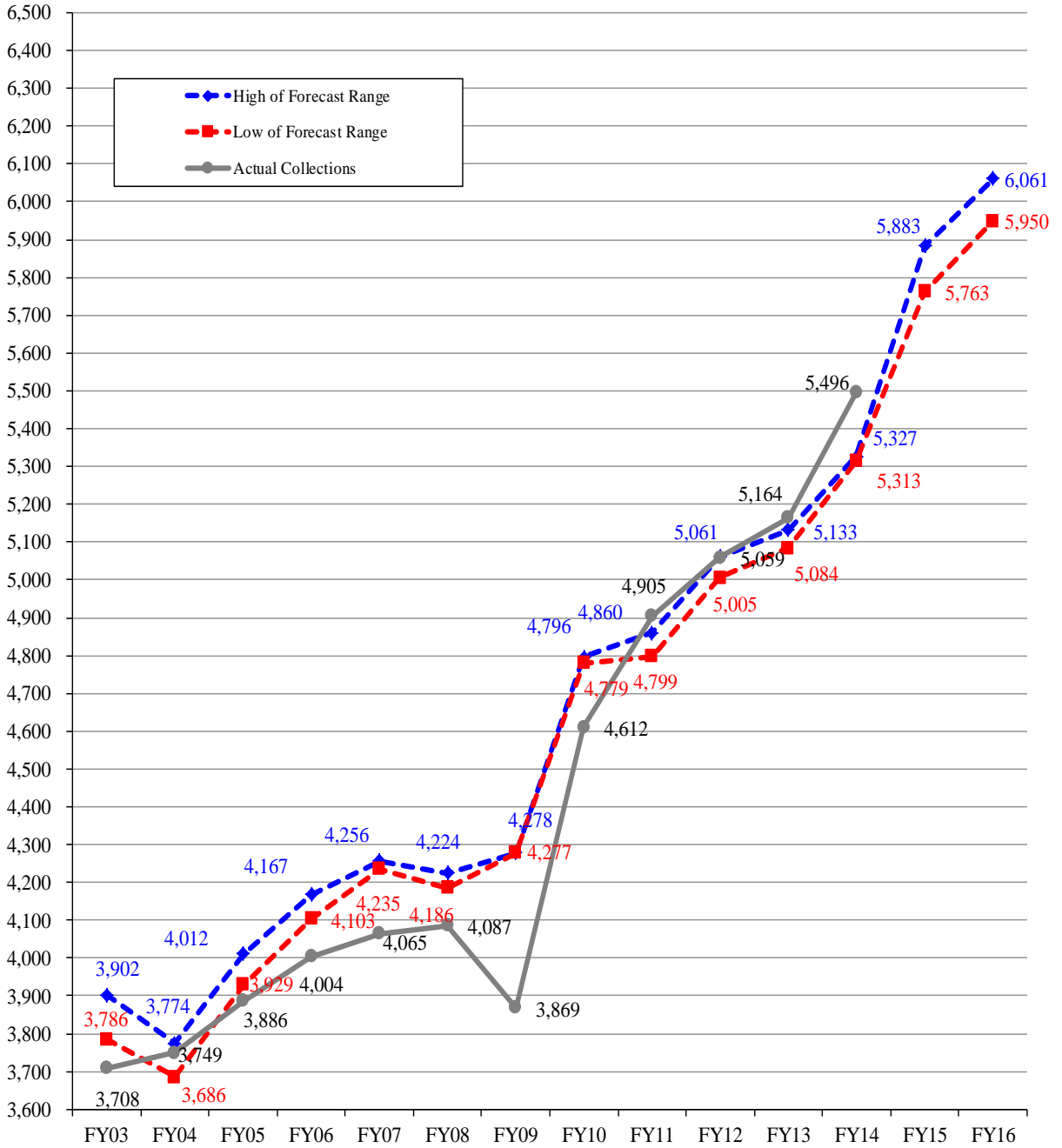
# Historical Comparison of Projections to Actual Collections

**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)

