

MEMORANDUM

TO: Board of Directors, Massachusetts School Building Authority
FROM: John K. McCarthy
DATE: May 28, 2014
RE: Sales Tax Update

Attached, please find monthly tax collection statements and collection summary tables released by the Department of Revenue (“DOR”) for the months of March and April 2014.

The preliminary data provided by the DOR through April 2014 indicates that, on a cash basis, SMART collections for Fiscal Year 2014 through February totaled approximately \$601 million, representing approximately 6.4% actual growth from Fiscal Year 2013 collections through the same period.

The Commonwealth’s Fiscal Year 2014 estimate for SMART collections is \$728.3 million. The Fiscal Year 2014 SMART estimate represents approximately \$46.3 million (6.8%) projected growth over fiscal year 2013 actual SMART collections.

Staff anticipates providing the Board with an update on the final results for fiscal year 2014 SMART collections at the July 30, 2014 meeting of the Board.

March Revenue Collections Total \$1.953 Billion

(Boston - Thursday, April 3, 2014) – Department of Revenue Commissioner Amy Pitter today announced that preliminary revenue collections for March totaled \$1.953 billion, up \$69 million or 3.6 percent above revenues collected last March. Better than expected income tax withholding, income tax payments with returns and extensions, and sales taxes were more than offset by weak corporate and business tax collections to end the month \$60 million below the monthly benchmark based on the revised fiscal year 2014 revenue estimate of \$23.2 billion.

Revenue collections for the fiscal year, that began last July, totaled \$16.483 billion, up \$1.204 billion or 7.9 percent more than a year ago and \$228 million above the year-to-date revised benchmark.

“Income tax withholding performance continues to be strong, with the March increase largely driven by bonus-related income payments, as was the case in February. However, the withholding collections were more than offset by weakness in corporate and business tax collections,” Commissioner Pitter said. “Because corporate and business revenues tend to be volatile and impacted by many factors not easily identified, we need to be cautious, at least until June when the second quarterly payments are remitted, about making general assumptions based on March results.”

March is the largest collection month of the year for corporate and business payments because tax returns and extensions for the previous year are due as well as the first quarterly estimated payments for the new tax year.

Corporate and business tax collections of \$654 million for the month were \$58 million or 8.2 percent lower than a year ago and \$114 million below benchmark. The weak performance of corporate and business tax collections may be due to taxpayers claiming more carryover losses or more credits on their returns, and adjusting down their taxable income expectations for the current year. Year-to-date collections total \$1.907 billion, up \$256 million or 15.5 percent over the same period last year and \$145 million above the year-to-date benchmark.

Income tax withholding totaled \$999 million for March, \$104 million or 11.6 percent more than a year ago and \$67 million above the monthly benchmark. This is partially due to bonus-related income payments, which also had an impact on February’s revenues. About \$14 million of the March withholding surplus may be due to the shifting of some payments from April to March. Year-to-date withholding is up 5.62 percent and is \$121 million above the year-to-date benchmark.

Income tax cash refunds totaled \$334 million, up \$27 million from March of 2013 and \$25 million above the monthly benchmark. Filing season continues with the number of refunds processed in March up 5.4 percent from a year ago; however, the cumulative number of refunds since the beginning of January is down by 2.4 percent. How

refunds perform relative to benchmark in a single month is not particularly significant; the number processed over the course of the entire filing season will be more meaningful.

Sales tax collections for March totaled \$404 million, up \$35 million or 9.6 percent from the same period a year ago and \$11 million above March benchmark. Year-to-date collections are up \$240 million or 6.3 percent from the same period last year but \$9 million less than the year-to-date benchmark.

March 2014 Tax Collection Summary (in \$ millions)
(Preliminary as of April 3, 2014)

	----- Month of March -----					----- FY14 Year-to-Date -----				
	03/14 Collections	03/14 v. 03/13 \$ Change	03/14 v. 03/13 Actual % Change	03/14 v. 03/13 Baseline % Change	03/14 \$ Above/(Below) Benchmark Based on FY14 Estimate of \$23.2 Billion	03/14 FY14 YTD Collections	03/14 FY14 YTD \$ Change	03/14 FY14 YTD Actual % Change	03/14 FY14 YTD Baseline % Change	FY14 YTD \$ Above/(Below) Benchmark Based on FY14 Estimate of \$23.2 Billion
Income - Total	766	99	14.8%	13.4%	68	9,009	560	6.6%	6.7%	125
Income Withholding	999	104	11.6%	10.5%	67	8,021	427	5.62%	5.65%	121
Income Est. Payments (Cash)	16	5	50.6%	50.6%	6	1,493	100	7.1%	7.3%	18
Income Returns/Bills	86	16	23.1%	23.6%	21	495	111	28.9%	29.0%	30
Income Refunds (Cash)	334	27	8.7%	8.6%	25	1,000	72	7.7%	7.7%	44
Sales & Use - Total	404	35	9.6%	6.6%	11	4,068	240	6.3%	5.8%	(9)
Sales - Regular	275	23	9.0%	5.1%	7	2,828	151	5.6%	5.1%	(7)
Sales - Meals	66	5	7.9%	5.5%	2	705	33	5.0%	5.0%	(3)
Sales - Motor Vehicles	64	8	14.0%	14.4%	2	535	56	11.6%	11.5%	2
Corporate & Business - Total	654	(58)	-8.2%	-10.6%	(114)	1,907	256	15.5%	14.4%	145
All Other	128	(7)	-5.2%	-15.5%	(24)	1,499	148	10.9%	2.2%	(34)
Total Tax Collections	1,953	69	3.6%	0.9%	(60)	16,483	1,204	7.9%	6.9%	228

Memo: Aggregate Value of **Tax and Non-Tax Related** Settlements & Judgments Exceeding \$10 Million During the **Period of July 2013 through February 2014**:

Tax Related Settlements & Judgments Exceeding \$10 Million:	391.1	...included in the YTD collections figures above
Non-Tax Related Settlements & Judgments Exceeding \$10 Million:	0.0	...not included in the YTD collections figures above

Total (**Tax and Non-Tax Related**) Settlements & Judgments Exceeding \$10 Million: 391.1

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

April Revenue Collections Total \$2.736 Billion

(Boston, MA) - Department of Revenue Commissioner Amy Pitter today announced that preliminary revenue collections for April totaled \$2.736 billion, \$129 million or 4.5 percent below what the state took in last April, and \$107 million below the April benchmark. After accounting for April performance, year to date tax collections are now \$121 million above the revised tax revenue estimate of \$23.2 billion. The April below-benchmark performance was heavily concentrated in the income tax payments with returns and extensions category, which came in \$126 million below the monthly benchmark, largely due to greater than anticipated acceleration of capital gains realizations in 2012 in response to federal tax rate changes effective January 1, 2013. April collections also included \$30 million in tax settlements exceeding \$10 million which by current law are dedicated to the Rainy Day Fund.

“Revenues from capital gains were up significantly at the end of 2012 as a reaction to federal fiscal policy changes, and we signaled that these revenues were borrowed from future years,” said Commissioner Pitter. “Year-to-date revenues from withholding and sales tax, which are more directly linked with the current economic conditions, and estimated payments, generally continue to perform in line with benchmark, reflecting the moderate growth we anticipated and general investor optimism about business and economic conditions.”

April is historically the largest tax collection month of the year when payments with income tax returns and extensions for the previous year are due and the first quarterly estimated income tax payments are due for the new tax year.

Income tax payments with bills and returns in April totaled \$1.297 billion, down 225 million or 14.8 percent from the same period last year, and \$126 million below the monthly benchmark. Income tax estimated payments totaled \$239 million, down \$12 million or 4.6 percent from the same period last year, and \$1 million below the monthly benchmark.

Income tax withholding totaled \$811 million, up \$16 million or 2.1 percent from the same period last year, and \$17 million below the monthly benchmark.

April corporate/business tax collections totaled \$96 million, up \$27 million or 38.6% from the same period last year, and \$17 million above the monthly benchmark.

Sales tax collections for April totaled \$468 million, \$23 million or 5.2 percent more than the same period a year ago and \$7 million below the April benchmark.

Year-to-date tax collections so far this fiscal year total \$19.218 billion, up \$1.074 billion or 5.9 percent from the same period last year and \$121 million above the year-to-date revised benchmark.

On a fiscal 2014 year-to-date basis, sales and use tax collections are \$263 million or 6.2 percent higher than the same period a year ago, \$15 million below the revised benchmark. Year-to-date corporate/business taxes are \$283 million or 16.5 percent higher than the same period a year ago, \$162 million above the revised benchmark. Income tax collections on a year-to-date basis totaled \$11.014 billion or 3.3 percent higher than the same period a year ago and \$5 million below the revised benchmark.

April 2014 Tax Collection Summary (in \$ millions)
(Preliminary as of May 2, 2014)

	----- Month of April -----					----- FY14 Year-to-Date -----				
	04/14 Collections	04/14 v. 04/13 \$ Change	04/14 v. 04/13 Actual % Change	04/14 v. 04/13 Baseline % Change	04/14 \$ Above/(Below) Benchmark Based on FY14 Estimate of \$23.2 Billion	04/14 FY14 YTD Collections	04/14 FY14 YTD \$ Change	04/14 FY14 YTD Actual % Change	04/14 FY14 YTD Baseline % Change	FY14 YTD \$ Above/(Below) Benchmark Based on FY14 Estimate of \$23.2 Billion
Income - Total	2,004	(212)	-9.6%	-7.5%	(131)	11,014	349	3.3%	3.7%	(5)
Income Withholding	811	16	2.1%	5.8%	(17)	8,832	443	5.3%	5.66%	104
Income Est. Payments (Cash)	239	(12)	-4.6%	-2.8%	(1)	1,732	88	5.4%	5.8%	18
Income Returns/Bills	1,297	(225)	-14.8%	-14.3%	(126)	1,793	(113)	-6.0%	-5.5%	(95)
Income Refunds (Cash)	342	(8)	-2.4%	-3.3%	(13)	1,342	63	5.0%	4.7%	31
Sales & Use - Total	468	23	5.2%	4.3%	(7)	4,536	263	6.2%	5.7%	(15)
Sales - Regular	324	16	5.1%	3.7%	(4)	3,151	167	5.6%	4.9%	(12)
Sales - Meals	77	3	3.6%	3.7%	(1)	782	36	4.8%	4.8%	(4)
Sales - Motor Vehicles	68	5	7.4%	7.7%	(1)	603	60	11.1%	11.1%	0
Corporate & Business - Total	96	27	38.6%	31.1%	17	2,003	283	16.5%	15.1%	162
All Other	168	32	24.0%	13.1%	15	1,666	179	12.0%	3.1%	(21)
Total Tax Collections	2,736	(129)	-4.5%	-3.8%	(107)	19,218	1,074	5.9%	5.2%	121

Memo: Aggregate Value of **Tax and Non-Tax Related** Settlements & Judgments Exceeding \$10 Million During the **Period of July 2013 through April 2014:**

Tax Related Settlements & Judgments Exceeding \$10 Million:

421.4 *...included in the YTD collections figures above*

Non-Tax Related Settlements & Judgments Exceeding \$10 Million:

0.0 *...not included in the YTD collections figures above*

Total (**Tax and Non-Tax Related**) Settlements & Judgments Exceeding \$10 Million:

421.4

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