

## MEMORANDUM

**TO:** Board of Directors, Massachusetts School Building Authority  
**FROM:** Maureen Valente, Chief Executive Officer and John K. McCarthy, Executive Director /  
Deputy CEO  
**DATE:** March 18, 2016  
**RE:** Sales Tax Update

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Attached, please find monthly tax collection statements and collection summary tables released by the Department of Revenue (“DOR”) for the months of January and February 2016 (preliminary).

The preliminary data provided by the DOR indicates that SMART collections for fiscal year 2016 through January totaled \$477.1 million, representing approximately 5.7% actual growth from fiscal year 2015 collections through the same period.

The Commonwealth’s fiscal year 2016 most recent revenue estimate from DOR for SMART collections is approximately \$814.8 million (updated from \$800.8 million). The updated fiscal year 2016 estimate would represent approximately \$50.7 million (6.6%) growth over fiscal year 2015 actual collections.

The Consensus Revenue Estimate of SMART collections for fiscal year 2017 is \$867.1 million.

Staff will continue to monitor SMART collections data and provide the Board with updates on fiscal year 2016 SMART collections, and any additional changes made by the Commonwealth to the fiscal year 2016 and fiscal year 2017 SMART collections estimates.



## MASSACHUSETTS DEPARTMENT OF REVENUE

Mark Nunnely, Commissioner

### For Immediate Release:

February 3, 2016

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## January Revenue Collections Total \$2.588 Billion

*Revenue collections are \$48 million above the monthly and year-to-date newly-revised FY16 benchmark which was reestablished in January 2016*

**(Boston, MA)-** Revenue Commissioner Mark Nunnely today announced that preliminary revenue collections for January 2016 totaled \$2.588 billion, \$110 million or 4.4 percent more than the state took in January 2015.

For the purpose of this revenue release and going forward in Fiscal Year 2016 (FY16), the “benchmark” refers to the newly-revised **January 2016** benchmark.

On January 14, 2016, Administration and Finance Secretary Kristen Lepore announced an upward revision for FY16 revenue collections of \$140 million in conjunction with the Fiscal Year 2017 consensus revenue agreement. Accordingly, the yearly benchmark has been adjusted to \$25.751, up from \$25.611 billion.

Revenue collections for January would be \$78 million above the previous monthly benchmark. Under the revised benchmark, January monthly revenue came in \$48 million above what was expected.

“January closed above expectations largely due to strong performance in withholding, which was partly driven by bonus-related income payments,” Commissioner Nunnely said. “We must continue to monitor revenues closely as a significant portion of the month’s revenues could be due to temporary or timing-related factors, which may not recur in upcoming months.”

- Income tax collections were \$20 million above the monthly benchmark
- Withholding collections were \$91 million above the January benchmark
- Income tax estimated payments were \$81 million below the monthly benchmark

- Corporate & business taxes were \$22 million above the January benchmark
- Sales and use tax collections were \$6 million below the monthly benchmark
- All other collections came in \$11 million above the January benchmark

Revenues were \$48 million above benchmark for January largely due to strong income tax withholding collections and corporate and business tax collections. These combined offset weak income tax cash estimated payments. It appears that more taxpayers have shifted their estimated payments from January to December this year as compared to last year.

Seven months into the fiscal year, year-to-date revenues total \$14.306 billion, \$526 million or 3.8 percent more than last year at this time. Excluding the \$26.9 million in large one-time tax settlements received year-to-date, tax collections totaled \$14.279 billion, \$621 million or 4.5 percent above last year at this time and \$48 million above benchmark.

- Income tax collections were \$1.788 billion, \$45 million or 2.6 percent more than last January and \$20 million above the monthly benchmark.
- Withholding collections totaled \$1.074 billion, up \$123 million or 12.9 percent from the same period last year and \$91 million above benchmark for the month.
- Income tax estimated payments totaled \$711 million, \$88 million or 11 percent below last January and \$81 million below the January benchmark.
- Income tax payments with returns or tax bills totaled \$32 million, \$3 million or 12.0 percent more than last January and \$4 million above the monthly benchmark.
- Income cash refunds totaled \$30 million, \$5 million or 14.1 percent less than last January and \$5 million below the monthly benchmark.
- Corporate and business tax collections totaled \$37 million, \$22 million more than last January and \$22 million above the monthly benchmark, which was due to lower corporate refunds this January.
- Sales tax collections totaled \$578 million for the month, \$25 million or 4.6 percent more than last January and \$6 million below the January benchmark.
- Other tax collections totaled \$184 million, \$17 million or 10.4 percent more than last year and \$11 million above benchmark for the month.

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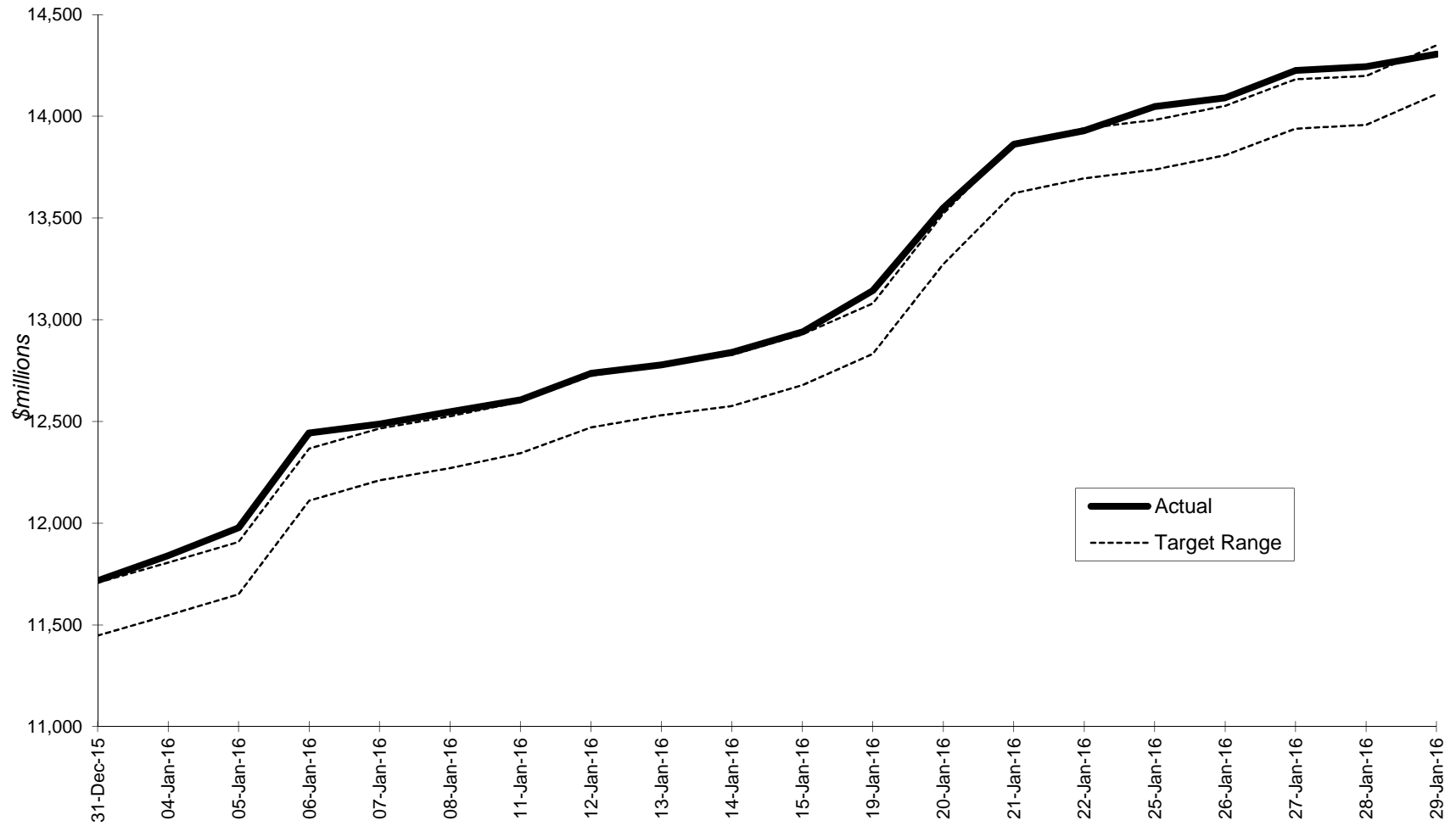
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**January 2016 Tax Collection Summary (in \$ millions)**  
**(Preliminary as of February 3, 2016)**

	----- Month of January -----					----- FY16 Year-to-Date -----				
	01/16 Collections	01/16 v. 01/15 \$ Change	01/16 v. 01/15 Actual % Change	01/16 v. 01/15 Baseline % Change	01/16 \$ Above/(Below) Benchmark Based on FY16 Estimate of \$25.751 Billion	01/16 FY16 YTD Collections	01/16 FY16 YTD \$ Change	01/16 FY16 YTD Actual % Change	01/16 FY16 YTD Baseline % Change	FY16 YTD \$ Above/(Below) Benchmark Based on FY16 Estimate of \$25.751 Billion
<b>Income - Total</b>	<b>1,788</b>	<b>45</b>	<b>2.6%</b>	<b>4.6%</b>	<b>20</b>	<b>8,376</b>	<b>299</b>	<b>3.7%</b>	<b>5.2%</b>	<b>20</b>
Income Withholding	1,074	123	12.9%	10.8%	91	6,635	311	4.9%	5.8%	91
Income Est. Payments (Cash)	711	(88)	-11.0%	-4.1%	(81)	1,706	22	1.3%	1.9%	(81)
Income Returns/Bills	32	3	12.0%	12.5%	4	308	1	0.2%	16.4%	4
Income Refunds (Cash)	30	(5)	-14.1%	-14.1%	(5)	274	35	14.7%	14.7%	(5)
<b>Sales &amp; Use - Total</b>	<b>578</b>	<b>25</b>	<b>4.6%</b>	<b>5.4%</b>	<b>(6)</b>	<b>3,626</b>	<b>198</b>	<b>5.8%</b>	<b>6.5%</b>	<b>(6)</b>
Sales - Regular	437	17	4.1%	4.4%	(6)	2,501	122	5.1%	5.6%	(6)
Sales - Meals	86	6	7.8%	8.5%	1	644	36	6.0%	7.5%	1
Sales - Motor Vehicles	55	2	3.5%	8.8%	(1)	482	40	9.0%	9.6%	(1)
<b>Corporate &amp; Business - Total</b>	<b>37</b>	<b>22</b>	<b>142.4%</b>	<b>143.4%</b>	<b>22</b>	<b>958</b>	<b>56</b>	<b>6.2%</b>	<b>6.3%</b>	<b>22</b>
<b>All Other</b>	<b>184</b>	<b>17</b>	<b>10.4%</b>	<b>6.7%</b>	<b>11</b>	<b>1,319</b>	<b>67</b>	<b>5.4%</b>	<b>4.9%</b>	<b>11</b>
<b>Total Tax Collections</b>	<b>2,588</b>	<b>110</b>	<b>4.4%</b>	<b>5.8%</b>	<b>48</b>	<b>14,279</b>	<b>621</b>	<b>4.5%</b>	<b>5.6%</b>	<b>48</b>
<i>Tax-Related Settlements &amp; Judgments Exceeding \$10 Million Each</i> (NOT included in the January and YTD collections figures above. January and YTD benchmarks DO NOT assume such large settlements and judgments exceeding \$10 million each).										
	<b>0.0</b>					<b>26.9</b>				
<b>Total Tax Collections</b> (Including tax-related settlements & judgments)	2,588	12	0.5%	1.8%		14,306	526	3.8%	4.8%	
<b>Corporate &amp; Business - Total</b> (Including tax-related settlements & judgments)	37	(2)	-4.2%	-3.8%		985	35	3.7%	3.8%	
<b>Income Returns/Bills</b> (Including tax-related settlements & judgments)	32	(70)	-68.6%	-68.5%		308	(73)	-19.2%	-6.2%	

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

## FY2016 Year-to-Date Tax Revenue Through January 31, 2015



YTD target range is based on FY2016 tax revenue estimate of \$25,751 billion (includes \$986.3 million in MBTA transfer funds).

# February Revenue Collections Total \$1.273 Billion

## Revenue collections are \$123 million below benchmark\* year-to-date

(Boston, MA)- Revenue Commissioner Mark Nunnelly today announced that preliminary revenue collections for February totaled \$1.273 billion, \$238 million or 15.8 percent less than the state took in last February.

“Several factors including timing issues related to refunds and withholding payments as well as weaker bonus payouts contributed to February’s revenue picture,” said Commissioner Nunnelly. “Principal economic indicators show that the overall Massachusetts economy is strong but the stock market continues to be volatile and corporate earnings are lower than expected. We will continue to closely monitor revenue collections and the economic indicators.”

- February revenues were \$172 million below the monthly benchmark
- Income tax collections were \$154 million below the monthly benchmark
- Withholding (a subcategory of income tax) collections were \$129 million below the February benchmark
- An increase in Income tax refunds accounted for \$33 million of this month’s shortfall
- Corporate & business taxes were \$6 million below the monthly benchmark
- Sales and use tax collections were \$16 million below the monthly benchmark

Revenues came in below benchmark for the month due in large part to a greater than expected acceleration in refunds issued to taxpayers. Last February refunds were delayed due to the TurboTax fraud issue, as a result we expected more refunds to go out this year, but more people than expected have filed their returns early, explaining the additional refunds issued.

This month, weaker than anticipated withholding collections were impacted by a timing-related withholding shift of \$80 million to \$100 million from February into January, as well as an overall softer bonus payout this year relative to last year due to lower corporate earnings.

The possibility of temporary/timing-related factors affecting January revenues was highlighted last month when withholding ended the month a little more than \$90 million above the January benchmark.

Eight months into the fiscal year, year-to-date revenues total \$15,578 billion, \$261 million or 1.7 percent more than last year at this time. Excluding \$26.9 million in one-time tax settlements received year-to-date, tax collections totaled \$15.551 billion, \$382 million or 2.5 percent above last year at this time and \$123 million below benchmark.

- Income tax collections were \$602 million, \$257 million or 29.9 percent less than last February and \$154 million below the monthly benchmark.
- Withholding collections totaled \$988 million, down \$69 million or 6.6 percent from the same period last year and \$129 million below benchmark for the month.
- Income tax payments with returns or tax bills totaled \$43 million, \$11 million or 34.2 percent more than last February and \$6 million above the monthly benchmark.
- Income tax estimated payments totaled \$23 million, \$1 million or 4.9 percent more than last February and \$2 million above the February benchmark.
- Income cash refunds totaled \$451 million, \$199 million or 79.2 percent more than last February and \$33

million above the monthly benchmark.

- Corporate and business tax collections totaled \$55 million, \$14 million or 19.9 percent below last February and \$6 million below the monthly benchmark.
- Sales tax collections totaled \$438 million for the month, \$24 million or 5.7 percent more than last February and \$16 million below the February benchmark.
- Other tax collections totaled \$178 million, \$8 million or 5.0 percent more than last year and \$4 million above benchmark for the month

*\*For the purpose of this revenue release and going forward in Fiscal Year 2016 (FY16), the “benchmark” refers to the newly-revised **January 2016** benchmark.*

**February 2016 Tax Collection Summary (in \$ millions)**  
**(Preliminary as of March 3, 2016)**

	----- Month of February -----					----- FY16 Year-to-Date -----				
	02/16 Collections	02/16 v. 02/15 \$ Change	02/16 v. 02/15 Actual % Change	02/16 v. 02/15 Baseline % Change	02/16 \$ Above/(Below) Benchmark Based on FY16 Estimate of \$25.751 Billion	02/16 FY16 YTD Collections	02/16 FY16 YTD \$ Change	02/16 FY16 YTD Actual % Change	02/16 FY16 YTD Baseline % Change	FY16 YTD \$ Above/(Below) Benchmark Based on FY16 Estimate of \$25.611 Billion
<b>Income - Total</b>	<b>602</b>	<b>(257)</b>	<b>-29.9%</b>	<b>-1.6%</b>	<b>(154)</b>	<b>8,978</b>	<b>42</b>	<b>0.5%</b>	<b>3.7%</b>	<b>(134)</b>
Income Withholding	988	(69)	-6.6%	1.1%	(129)	7,624	242	3.3%	4.2%	(37)
Income Est. Payments (Cash)	23	1	4.9%	6.7%	2	1,729	22	1.3%	1.9%	(81)
Income Returns/Bills	43	11	34.2%	18.8%	6	351	12	3.5%	16.7%	10
Income Refunds (Cash)	451	199	79.2%	13.3%	33	725	234	47.8%	14.0%	28
<b>Sales &amp; Use - Total</b>	<b>438</b>	<b>24</b>	<b>5.7%</b>	<b>2.8%</b>	<b>(16)</b>	<b>4,064</b>	<b>222</b>	<b>5.8%</b>	<b>6.1%</b>	<b>(21)</b>
Sales - Regular	302	3	0.9%	0.7%	(15)	2,803	125	4.7%	5.1%	(21)
Sales - Meals	75	7	10.8%	10.2%	2	719	43	6.4%	7.8%	2
Sales - Motor Vehicles	61	14	29.3%	5.5%	(2)	542	53	10.9%	9.2%	(3)
<b>Corporate &amp; Business - Total</b>	<b>55</b>	<b>(14)</b>	<b>-19.9%</b>	<b>-19.4%</b>	<b>(6)</b>	<b>1,013</b>	<b>42</b>	<b>4.3%</b>	<b>4.5%</b>	<b>16</b>
<b>All Other</b>	<b>178</b>	<b>8</b>	<b>5.0%</b>	<b>7.4%</b>	<b>4</b>	<b>1,496</b>	<b>76</b>	<b>5.3%</b>	<b>5.2%</b>	<b>17</b>
<b>Total Tax Collections</b>	<b>1,273</b>	<b>(238)</b>	<b>-15.8%</b>	<b>-0.2%</b>	<b>(172)</b>	<b>15,551</b>	<b>382</b>	<b>2.5%</b>	<b>4.5%</b>	<b>(123)</b>

*Tax-Related Settlements & Judgments Exceeding \$10 Million Each* (NOT included in the February and YTD collections figures above. February and YTD benchmarks DO NOT assume such large settlements and judgments exceeding \$10 million each).

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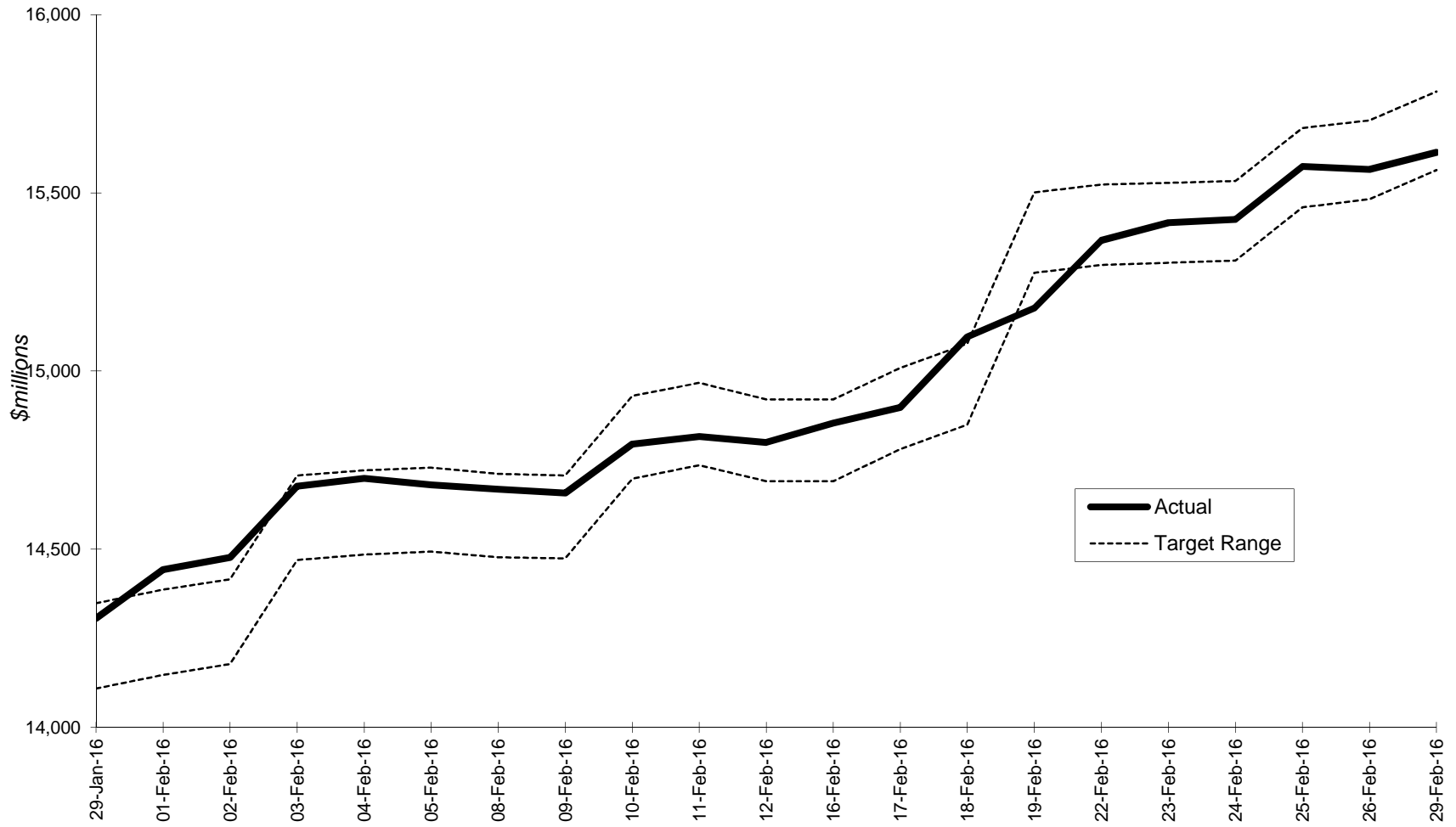
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<b>Total Tax Collections</b> (Including tax-related settlements & judgments)	1,273	(265)	-17.2%	-1.9%		15,578	261	1.7%	3.7%	
<b>Corporate &amp; Business - Total</b> (Including tax-related settlements & judgments)	55	(40)	-42.3%	-41.9%		1,040	(5)	-0.5%	-0.3%	
<b>Income Returns/Bills</b> (Including tax-related settlements & judgments)	43	11	34.2%	18.8%		351	(62)	-15.0%	-4.2%	

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



## FY2016 Year-to-Date Tax Revenue Through February, 2016



YTD target range is based on FY2016 tax revenue estimate of \$25,751 billion (includes \$986.3 million in MBTA transfer funds).