

MEMORANDUM

TO: Board of Directors, Massachusetts School Building Authority
FROM: John K. McCarthy; Maureen Valente
DATE: July 28, 2015
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 May and June (preliminary) 2015.

The preliminary data provided by the DOR through June indicates that SMART collections for fiscal year 2015 totaled \$764.0 million, representing approximately \$36.5 million (5.0%) actual growth from fiscal year 2014 collections through the same period.

The Commonwealth’s fiscal year 2016 estimate for SMART collections is approximately \$803.9 million. The fiscal year 2016 estimate represents approximately \$39.8 million (5.2%) growth over fiscal year 2015 actual collections.

Staff will monitor sales tax collections against projections for the fiscal year ending June 30, 2016, and will update the Board on the Fiscal Year 2016 collections throughout the year.



MASSACHUSETTS DEPARTMENT OF REVENUE

Mark Nunnely, Commissioner

For Immediate Release:
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Department of Revenue announces preliminary June and total Fiscal Year 2015 revenue collections

(Boston, MA)- Department of Revenue Commissioner Mark Nunnely today announced that June collections totaled \$2.656 billionⁱ, up \$127 million or 5.0 percent from last June and \$4 million above the monthly benchmark. FY15 collections for the year totaled \$24.717 billionⁱⁱ, up \$1.347 billion or 5.8 percent from FY14, and \$391 million over the FY15 benchmark.

Excluding one-time tax settlements which are not counted towards benchmark, preliminary revenue collections for June totaled \$2.687 billion, \$158 million or 6.2 percent more than the state took in last June. Preliminary revenues for all of FY15 were \$24.931 billion, an increase of \$1.562 billion or 6.7 percent more than FY14.

"The better than expected revenue performance in Fiscal Year 2015 is due to greater than anticipated income tax payments, which were only partially offset by lower than expected sales and use tax collections," said Commissioner Nunnely. "Fiscal Year 2015's revenue performance reflects a strong state labor market and increased investment-related income, including capital gains, interest and dividend income."

Summary

- Revenues were \$4 million above benchmark for June and \$391 million above benchmark for the year, 5.8% above FY14 total.
- Income collections were \$37 million below benchmark in June and \$419 million above benchmark for the year.
- Corporate & business taxes were \$45 million above benchmark in June and \$8 million above benchmark for the year.
- Sales and use tax collections were \$13 million above benchmark for June and \$53 million below benchmark for the year.
- Capital gains tax is estimated to be \$1.669 billion for FY15.

June Revenue Collections

- **Income tax collections** for June were \$1.365 billion, \$24 million or 1.8 percent more than a year ago and \$37 million below the monthly benchmark.
- **Withholding collections** for June totaled \$857 million, down \$16 million or 1.8 percent from last June and \$61 million below the June benchmark, reflecting mostly the shifting of payments (about \$45-\$55 million) from June to May.
- **Income tax payments** with returns or tax bills for June totaled \$63 million, up \$15 million or 30.5 percent from the same period last year and \$8 million above the monthly benchmark.
- **Income tax estimated payments** of \$525 million for June were up \$55 million or 11.7 percent over a year ago and \$45 million above the monthly benchmark.
- **Income cash refunds** in June totaled \$79 million, up \$30 million or 61.0 percent from a year ago and \$30 million above the June benchmark.
- **Sales tax collections** for June totaled \$532 million, up \$44 million or 9.1 percent from last June and \$13 million above benchmark for the month.
- **Corporate and business tax collections** (excluding one-time tax settlement payments) for the month totaled \$525 million, up \$80 million or 18.1% from last June and \$45 million above the monthly benchmark.
- **Other tax collections**, including revenues from deeds and estates, etc., totaled \$234 million in June, \$22 million or 8.7 percent less than last June and \$17 million below the June benchmark.

2015 Revenue Collections

- **FY15 income tax collections** totaled \$14.374 billion, which was \$419 million more than anticipated.
 - **FY15 withholding collections** totaled \$11.063 billion, up \$555 million or 5.3 percent from the same period last year, and \$75 million above what was expected for the year.
 - **FY15 income tax payments** with returns and bills (excluding one-time tax settlements) totaled \$2.183 billion, \$241 million or 12.4 percent above the FY 2014 total and \$33 million above the year-to-date benchmark.
 - **FY15 income tax estimated tax payments** totaled \$2.553 billion, which was \$332 million or 14.9 percent more than a year ago and \$265 million above the full year benchmark.
 - **FY15 cash refunds** totaled \$1.421 billion, down \$48 million or 3.2 percent from the same period last year and \$48 million below the FY15 estimate.
 - **FY15 sales tax collections** totaled \$5.774 billion, up \$278 million or 5.1 percent from the same period last year, but \$53 million below what was anticipated for the full year.
 - **FY15 corporate and business tax collections** (excluding one-time tax settlements) totaled \$2.420 billion, \$91 million or 3.6 percent less than the FY 2014 total and \$8 million above the full year benchmark.
 - **FY15 other tax collections**, including revenues from deeds and estates, etc. totaled \$2.148 billion, \$13 million or 0.6 percent less than the same period last year and \$17 million above the FY15 benchmark.
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Capital Gains and Settlements

Per state finance law, FY15 tax revenues from realized capital gains exceeding \$1.048 billion and any settlement or judgment payments above \$10 million, are required to be transferred to the stabilization fund but that transfer was suspended for FY15 by legislation enacted in February, 2015. The Commonwealth collected about \$1.669 billion in capital gains tax during FY15. In an end of year supplemental budget filed last week, Governor Baker proposed a \$50 million deposit into the stabilization fund. On July 7, 2015, the Department of Revenue and the Office of the Attorney General jointly certified that FY15 tax-related settlement and judgment payments totaled \$214.7 million and non-tax related settlement and judgment payments totaled \$11.4 million.

Tax Amnesty Programs

In FY15, the state implemented two tax amnesty programs. The first amnesty program, from September 1, 2014 to October 31, 2014, generated \$69.1 million tax collections, exceeding the estimate of \$35 million. The second program that began on March 16, 2015 and ended on May 15, 2015, resulted in total collections of approximately \$16 million, \$2 million less than the estimate of \$18 million. Processing for the second amnesty program will continue until all payments are validated. A final report will be released when processing is completed.

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¹ Excludes \$30 million one-time tax settlement payment

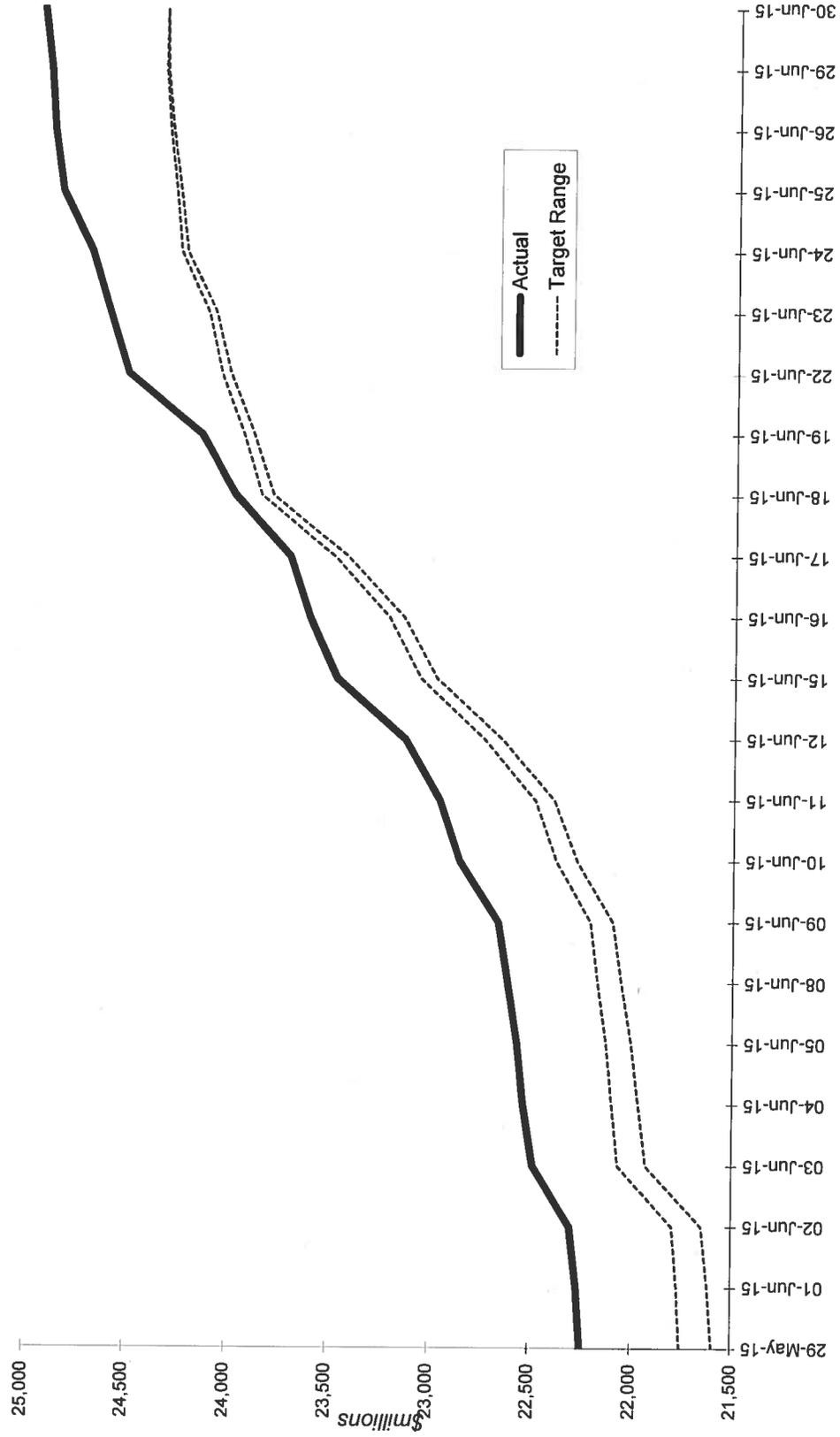
¹¹ Excludes \$214 million one-time tax settlement payments

June 2015 Tax Collection Summary (in \$ millions)
(Preliminary as of July 22, 2015)

	Month of June				FY15 Year-to-Date				
	06/15 Collections	06/15 v. 06/14 \$ Change	06/15 v. 06/14 Actual % Change	06/15 v. 06/14 Benchmark Based on FY15 Estimate of \$24.325 Billion	06/15 FY15 YTD Collections	06/15 FY15 YTD \$ Change	06/15 FY15 Actual % Change	06/15 FY15 YTD Baseline % Change	FY15 YTD \$ Above/(Below) Benchmark Based on FY15 Estimate of \$24.325 Billion
Income - Total	1,365	24	1.8%	4.7%	14,374	1,173	8.9%	9.0%	419
Income Withholding	857	(16)	-1.8%	2.6%	11,063	555	5.3%	5.7%	75
Income Est. Payments (Cash)	525	55	11.7%	11.8%	2,553	332	14.9%	15.4%	265
Income Returns/Bills	63	15	30.5%	30.2%	2,183	241	12.4%	10.5%	33
Income Refunds (Cash)	79	30	61.0%	61.0%	1,421	(48)	-3.2%	-3.3%	(48)
Sales & Use - Total	532	44	9.1%	7.9%	5,774	278	5.1%	4.5%	(53)
Sales - Regular	359	25	7.5%	7.4%	3,987	176	4.6%	4.0%	(56)
Sales - Meals	94	6	7.2%	6.7%	999	50	5.3%	4.3%	(3)
Sales - Motor Vehicles	79	13	19.3%	12.1%	789	52	7.1%	7.1%	5
Corporate & Business - Total	525	80	18.1%	18.9%	2,420	(91)	-3.6%	-4.6%	8
All Other	234	(22)	-8.7%	-8.5%	2,148	(13)	-0.6%	-1.3%	17
Total Tax Collections	2,656	127	5.0%	6.5%	24,717	1,347	5.8%	5.5%	391
<i>Tax-Related Settlements & Judgments Exceeding \$10 Million Each</i> (NOT included in the June and YTD collections figures above. June and YTD benchmarks DO NOT assume such large settlements and judgments exceeding \$10 million each).									
	31.3				214.7				
Total Tax Collections	2,687	158	6.2%	7.7%	24,931	1,562	6.7%	6.5%	
(Including tax-related settlements & judgments)									
Corporate & Business - Total	556	112	25.1%	25.9%	2,561	50	2.0%	1.0%	
(Including tax-related settlements & judgments)									
Income Returns/Bills	63	15	30.5%	30.2%	2,257	314	16.2%	14.3%	
(Including tax-related settlements & judgments)									

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

FY2015 Year-to-Date Tax Revenue Through June 30, 2015



YTD target range is based on FY2015 tax revenue estimate of \$24.325 billion (includes \$970.6 million in MBTA transfer funds).

May Revenue Collections Total \$1.836 Billion

Monthly revenues \$228 million above benchmark, \$389 million for the

year (Boston, MA) Revenue Commissioner Mark Nunnelly today announced that preliminary revenue collections for May totaled \$1.836 billion, \$214 million or 13.2 percent more than last May. A surge in withholding collections is largely responsible for the increase in revenues this month, along with greater than expected income tax payments with returns and bills. With one month to go in the fiscal year, total year-to-date collections of \$22.063 billion (not including \$183.4 million in large settlement payments), are \$1.222 billion or 5.9 percent above that of a year ago and \$389 million above the year-to-date benchmark.

- Revenues exceeded benchmark by \$228 million in May and \$389 million year to date
- Income tax collections for May were up \$241 million and \$194 million above benchmark
- Corporate and business taxes were up \$19 million in May, \$30 million above benchmark
- Sales and use tax collections for May totaled \$490 million, \$6 million below benchmark

“The improvement in labor markets continues this month as evidenced by the increase in withholding, even after accounting for some possible acceleration of June payments into this month,” said Commissioner Nunnelly. “We saw further evidence of recovery in the withholding performance with the growth of bonus-related revenues in the finance, insurance and biotech manufacturing industries.”

Income tax withholding totaled \$915 million for the month, up \$111 million or 13.8 percent over last year and \$81 million ahead of benchmark. Year-to-date withholding collections are \$136 million above benchmark.

Income tax payments with returns or bills totaled \$231 million, up \$130 million or 128.5 percent from the same time last year and \$114 million above the monthly benchmark. The growth in this month’s income tax return and bill payments is partially due to processing delays (shifting of payments from April to May), but notably cumulative payments to date are relatively better than expected at \$24 million above year-to-date benchmark.

Income tax estimated payments totaled \$24 million for the month, up \$4 million or 20.2 percent from last May and \$4 million above benchmark. Year-to-date collections are \$221 million above benchmark.

The Federal Government and other states have experienced similar revenue performance, particularly in income estimated payments and payments with bills and returns, which likely reflect capital gains on investment-related income, a volatile revenue source.

Sales tax collections totaled \$490 million for May, up \$17 million or 3.6 percent from the same time last year and \$6 million below benchmark for the month. Year-to-date sales and use tax collections total \$5.243 billion, up \$234 million or 4.7 percent from the same period last year and \$66 million below benchmark.

An unemployment insurance surcharge, a non-DOR tax category, of more than \$10 million was paid in May, although it was originally expected to be remitted in June, and is reflected in the All Other tax category.

With no quarterly estimated payments due, May is generally not a significant month for corporate and business tax collections. Collections for the month totaled \$81 million, up \$19 million over last year and \$30 million above the monthly benchmark, some of which is attributable to corporate and business amnesty collections.

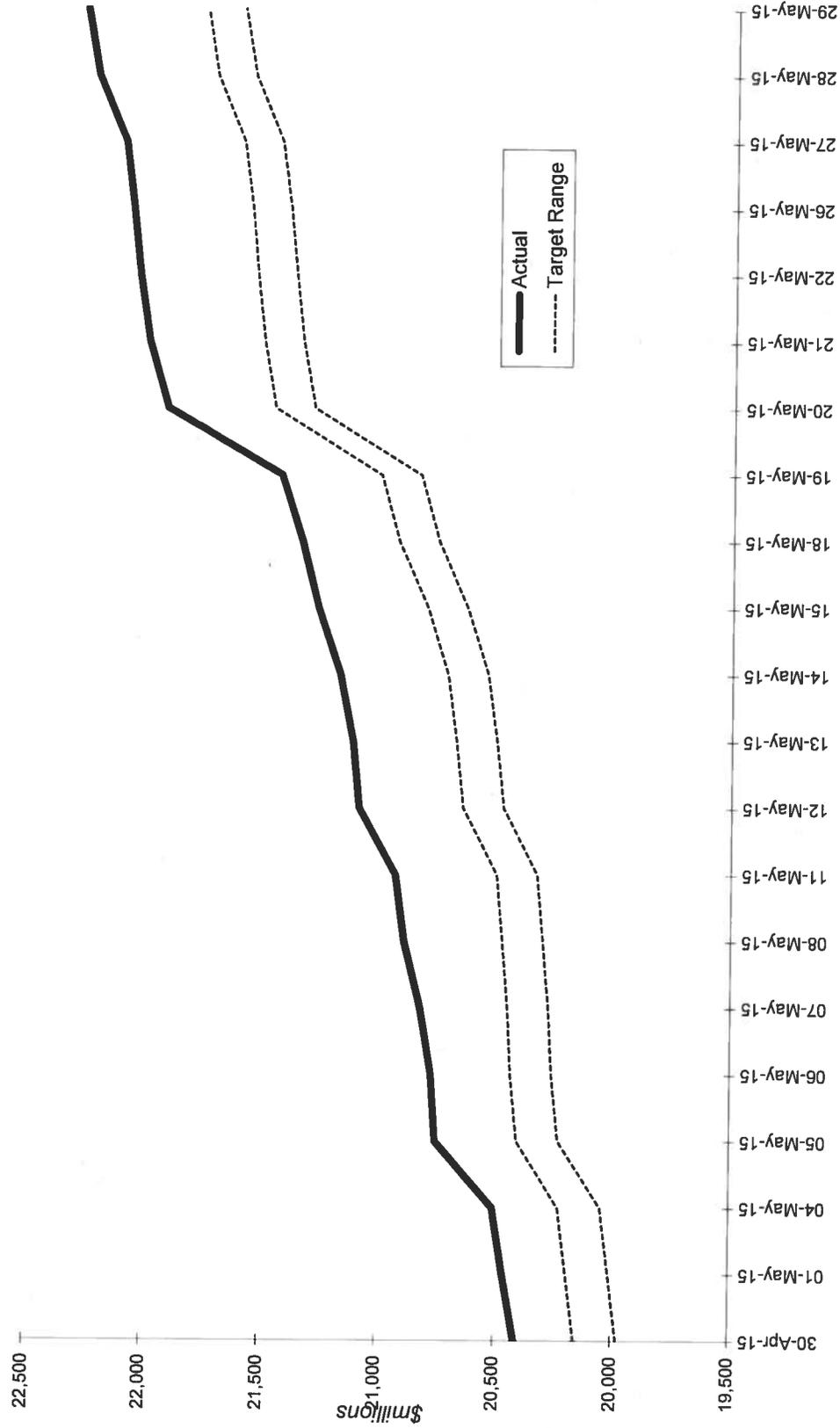
The two-month corporate and business amnesty program, that began on March 16 and ended on May 15, resulted in total collections of approximately \$15 million, about \$3 million less than the budgeted estimate of \$18 million. Amnesty collections will continue to be reviewed and accepted for taxpayers who meet the timing criteria for submitting payments, and the \$15 million total may change in the coming weeks.

May 2015 Tax Collection Summary (in \$ millions)
(Preliminary as of June 3, 2015)

	----- Month of May -----				----- FY15 Year-to-Date -----			
	05/15 Collections	05/15 v. 05/14 \$ Change	05/15 v. 05/14 Actual % Change	05/15 v. 05/14 Baseline % Change	05/15 FY15 YTD \$ Change	05/15 FY15 YTD Actual % Change	05/15 FY15 YTD Baseline % Change	FY15 YTD \$ Above/(Below) Benchmark Based on FY15 Estimate of \$24.325 Billion
Income - Total	1,087	241	28.4%	20.4%	13,010	9.7%	9.5%	457
Income Withholding	915	111	13.8%	9.0%	10,207	5.9%	6.0%	136
Income Est. Payments (Cash)	24	4	20.2%	20.2%	2,029	15.8%	16.4%	221
Income Returns/Bills	231	130	128.5%	93.5%	2,120	11.9%	10.0%	24
Income Refunds (Cash)	82	4	5.5%	-2.2%	1,342	(78)	-5.5%	(78)
Sales & Use - Total	490	17	3.6%	4.1%	5,243	4.7%	4.1%	(66)
Sales - Regular	334	8	2.3%	2.8%	3,628	151	4.3%	3.7%
Sales - Meals	83	3	4.3%	5.0%	905	44	5.1%	4.1%
Sales - Motor Vehicles	73	6	9.2%	9.6%	709	39	5.9%	6.6%
Corporate & Business - Total	81	19	29.6%	29.3%	1,895	(171)	-8.3%	(36)
All Other	178	(63)	-26.1%	-26.3%	1,915	10	0.5%	-0.3%
Total Tax Collections	1,836	214	13.2%	9.1%	22,063	1,222	5.9%	389
<i>Tax-Related Settlements & Judgments Exceeding \$10 Million Each</i> (NOT included in the May and YTD collections figures above. May and YTD benchmarks DO NOT assume such large settlements and judgments exceeding \$10 million each).								
	0.0							
Total Tax Collections	183.4							
Total Tax Collections (including tax-related settlements & judgments)	1,836	214	13.2%	9.1%	22,246	1,406	6.7%	6.3%
Corporate & Business - Total (including tax-related settlements & judgments)	81	19	29.6%	29.3%	2,005	(61)	-3.0%	-4.3%
Income Returns/Bills (including tax-related settlements & judgments)	231	130	128.5%	93.5%	2,194	300	15.8%	13.9%

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

FY2015 Year-to-Date Tax Revenue Through May 31, 2015



YTD target range is based on FY2015 tax revenue estimate of \$24.325 billion (includes \$970.6 million in MBTA transfer funds).