Massachusetts Taxpayers Foundation

For Immediate Release
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Good News, But Caution Remains Key Word for Fiscal 2019

MTF Reaction to February Tax Revenue Results

BOSTON – Massachusetts Taxpayers Foundation President Eileen McAnneny released the following statement in reaction to the Massachusetts Department of Revenue (DOR) announcement of February tax revenue collections.

"It is good news that tax revenue collections exceeded the monthly estimates," said McAnneny. "But caution remains the key word for the rest of the fiscal year because revenues remain below projections for the year."

Eight months into fiscal 2019, the Commonwealth is $292 million below the year-to-date revised tax benchmarks, including February collections which exceeded the February benchmarks by $111 million according to preliminary actual data published by the Massachusetts Department of Revenue (DOR) on March 5, 2019.

Key Takeaways

- Caution remains the key word for the rest of fiscal 2019
- Should revenues not rebound, programmatic spending reductions remain unlikely given the time of year and other options available to make up the revenue shortfall.
- The next major update of non-tax revenue and spending estimates will indicate whether more aggressive steps are required to end fiscal 2019 in balance

Summary of Tax Collections vs Official Benchmarks

Tax collections exceeded the year-to-date revised benchmarks by $111 million through February, typically the smallest month of the year for tax revenue collections. This variance is comprised of income tax revenue of $98 million over benchmark, corporate & business tax collections of $12 million over benchmark, and all other tax revenue $3 million over benchmark, offset by a very slight underperformance in sales ($1 million).

Notably for February, income tax refunds totaled $498 million, slightly above the projection of $485 million. February is typically the largest month of the year for income tax refunds.

With only four months left in the fiscal year, programmatic spending cuts to balance the budget (so-called "9C reductions") are unlikely given that such cuts are difficult to make this late in the fiscal year and that there are other options for addressing the shortfall. These items include unanticipated spending account balances at the end of the fiscal year (also known as "reversions"), receiving non-tax revenues above estimates, and automatic reductions to the amount of statutorily required transfers to the Stabilization Fund based on the Commonwealth's revenue volatility cap.

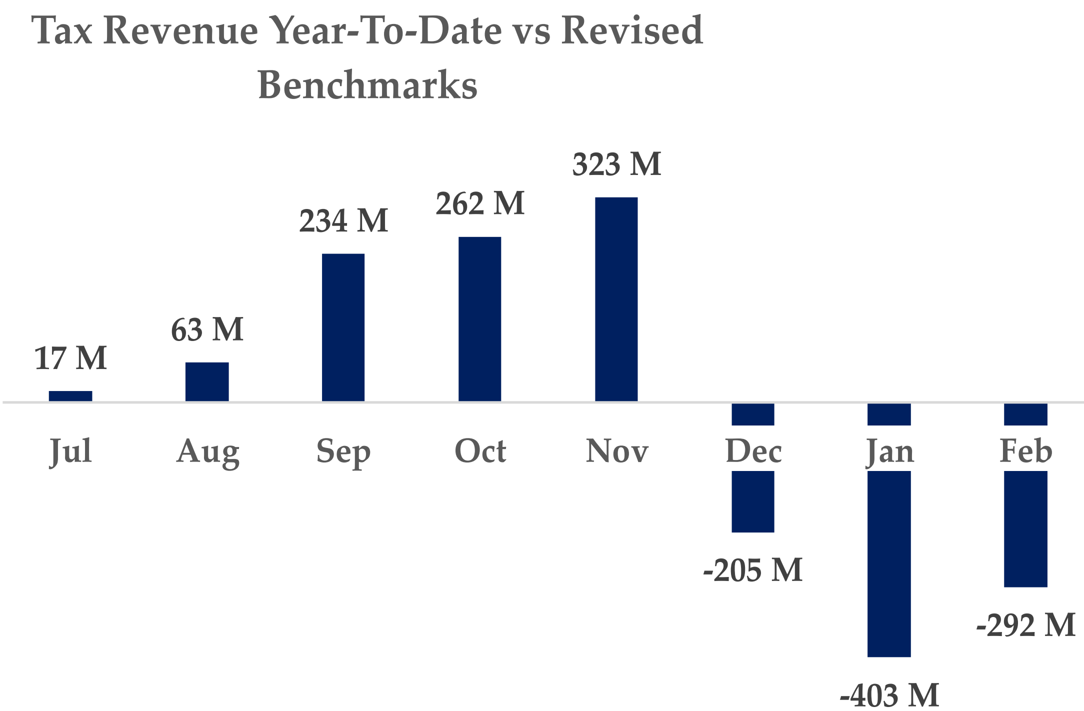

Figure 1: Total Tax Revenue vs Year-to-Date Benchmarks as Revised on December 31, 2018. Figures in $ millions.

The next major updates of non-tax revenue (like Lottery revenue, MassHealth federal reimbursements, etc.) and spending (especially MassHealth and other caseload-driven accounts) estimates will likely indicate whether fiscal managers need to take more aggressive steps to end the fiscal year in balance.

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