

News Release

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MTF Forecast: Fiscal 2010 Revenues \$600 Million Below Consensus

State tax revenues for fiscal 2010 will total \$18.279 billion, \$600 million less than the \$18.879 billion consensus forecast on which the 2010 state budget is based, according to MTF's latest forecast which was presented to the chairs of the Senate and House Ways and Means Committees on October 8.

Summary	Baseline Revenues	Sales Tax Increase	Total State Tax Revenues
2009 Actual	18,259		18,259
2010 Consensus Forecast	17,989	890	18,879
MTF Forecast - May	17,823	890	18,713
MTF Forecast - October	17,389	890	18,279

September's dismal results, over 12 percent below benchmark, dragged down first quarter revenues and created another unexpected revenue gap. Sales taxes continue to slip due to a weak job market, anemic wage growth, tight credit and increased savings as consumers push off discretionary spending to pay down their debt. Corporate and business taxes were especially weak in September, falling 34 percent below benchmark because of greater than expected profit declines, increased use of transferrable tax credits, and a jump in refunds.

	FY 08 Actual	FY 09 Actual	FY 10 Consensus	FY 10 MTF Revised	MTF vs. Consensus
Income	12,487	10,577	10,381	10,241	-140
Sales - Baseline	4,088	3,869	3,774	3,525	-249
Sales Tax Increase			890	890	
Corporate and Business	2,551	2,099	2,153	1,955	-198
All Other	1,762	1,714	1,681	1,668	-13
Total	20,888	18,259	18,879	18,279	-600

Because of the underfunding of MassHealth and some other accounts, the 2010 shortfall could reach a billion dollars. Using the limited federal stimulus dollars remaining to help close this gap would require even deeper cuts in fiscal 2011.