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MTF BRIEF

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Brief Primer on FY 2023 Tax Revenue Benchmark Upgrade

In January, budget-writers upgraded the Fiscal Year (FY) 2023 tax revenue benchmark by just over \$150 million, from \$39.618 billion to \$39.768 billion. Tax collections for the month of March (announced on April 5th) are the first collections to be compared to the new, upgraded, FY 2023 benchmarks. This brief explains how the revenue benchmarks were upgraded and contextualizes the March collections.

Benchmark Upgrade

When the Department of Revenue upgrades benchmarks midway through a fiscal year, it establishes actual prior month collections as the benchmark figures for each of those months. In one sense, this approach makes sense: the department knows how much revenue was collected in each of those months, so the actual amount can now be treated as the ‘benchmark’. Therefore, the monthly benchmarks for July through February have been adjusted as follows:

FY 2023 Original Benchmarks v. New Benchmarks, through February

	Original Benchmark	Actual Collections	New Benchmark
July	\$2,406	\$2,406	\$2,406
August	\$2,601	\$2,601	\$2,601
September	\$3,963	\$4,198	\$4,198
October	\$2,066	\$2,362	\$2,362
November	\$2,161	\$2,384	\$2,384
December	\$3,506	\$3,858	\$3,858
January	\$4,019	\$3,863	\$3,863
February	\$1,930	\$1,979	\$1,979
Total	\$22,652	\$23,651	\$23,651
vs. Original BM		\$999	\$999

\$ in millions

As the table shows, the revised benchmarks through February are now \$999 million higher than the original. This is because actual collections exceeded the original benchmarks by \$999 million over this time period. Those collections are now considered the new benchmarks.

Counterintuitively, this adjustment for actual revenue collections forces the benchmarks for the remaining months of the fiscal year to be revised downward. This is because the difference between the upgraded



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fiscal year revenue estimate (\$39.768 billion) and actual collections through February (\$23.651 billion) is less than the difference between the original FY 2023 revenue estimate (\$39.618 billion) and the original benchmarks through February (\$22.652 billion).

FY 2023 Original Benchmarks vs. Revised Benchmarks, July through February

FY 2023 Original Benchmark	\$39,618
FY 2023 Original Benchmarks, July - February	\$22,652
Difference	\$16,967

FY 2023 Revised Benchmark	\$39,768
FY 2023 Actual Collections, July - February	\$23,651
Difference	\$16,117

\$ in millions

To accommodate the reduced difference between the FY 2023 revised benchmark and actual revenue collections between July and February, the new benchmarks for March through June are revised downward by the same margin.

FY 2023 Original Benchmarks v. New Benchmarks, March through June

	Original Benchmark	New Benchmark
March	\$3,980	\$3,621
April	\$6,389	\$6,216
May	\$2,589	\$2,537
June	\$4,009	\$3,743
Total	\$16,967	\$16,117

\$ in millions

Understanding March Collections

Because of the change in benchmarks, contextualizing March revenue collections can be challenging. March revenues came in at \$3.849 billion, \$228 million above the revised monthly benchmark. This means that revenue collections also exceeded the new year-to-date benchmark by the same margin.

However, when compared to the original monthly benchmark, collections fell by \$131 million. This still puts the state ahead of the original year to date benchmark by \$868 million, though represents a slight decrease from the \$999 million above benchmark margin in February.



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Revenue Collections Compared to Original and New Benchmarks

	Original Benchmark	New Benchmark	Actual Collections	Actuals vs. Original BM	Actuals vs. New BM
July	\$2,406	\$2,406	\$2,406	\$0	\$0
August	\$2,601	\$2,601	\$2,601	\$0	\$0
September	\$3,963	\$4,198	\$4,198	\$235	\$0
October	\$2,066	\$2,362	\$2,362	\$296	\$0
November	\$2,161	\$2,384	\$2,384	\$223	\$0
December	\$3,506	\$3,858	\$3,858	\$352	\$0
January	\$4,019	\$3,863	\$3,863	(\$156)	\$0
February	\$1,930	\$1,979	\$1,979	\$49	\$0
March	\$3,980	\$3,621	\$3,849	(\$131)	\$228
Year to Date	\$26,632	\$27,272	\$27,500	\$868	\$228

\$ in millions

Bottom Line

The state remains on pace to meet or exceed the revised FY 2023 tax estimate of \$39.768 billion. However, compared to the original benchmarks, above benchmark collections decreased slightly in March from \$999 million to \$868 million.