



Commonwealth of Massachusetts

OFFICE OF THE COMPTROLLER

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THOMAS G. SHACK III, ESQ.
COMPTROLLER

March 5, 2018

Secretary Michael Heffernan
Executive Office for Administration and Finance
State House, Room 373
Boston, MA 02133

Secretary Stephanie Pollack
Massachusetts Department of Transportation
10 Park Plaza, Room 3170
Boston, Massachusetts, 02116

RE: March 2018 Certification of MBTA Base Sales Tax Revenues and Dedicated Sales Tax Revenues for FY2019

Dear Secretary Heffernan and Secretary Pollack:

Pursuant to Massachusetts General Laws (MGL) Chapter 10, Section 35T, this letter certifies for FY2019 the following amounts: 1) MBTA Base Sales Tax Revenue; and 2) MBTA Dedicated Sales Tax Revenue. This certification was done in consultation with the Department of Revenue. The details of the two calculations are shown on the accompanying attachment.

- 1) Base Sales Tax Revenue Amount: The base revenue amount for FY2019 is calculated by comparing the change in the calendar year 2017 consumer price index for all urban consumers for the Boston metropolitan area as determined by the Bureau of Labor Statistics of the United States Department of Labor to the per cent increase in gross sales tax revenues received pursuant to MGL Chapters 64H and 64I for the same period. The calendar year 2017 "gross sales tax revenues" is defined as sales tax receipts by taxpayers from nonexempt sales, less amounts abated, refunded, or reimbursed. Attachment No. 1 presents the calculation of the base revenue amount. The percentage increase in the base sales tax revenue is the lower of the percent increase in gross sales tax revenues or the inflation rate.

I certify to you that the base revenue amount for **FY2019 increased by an amount of \$25,260,782 compared to the FY2018 figure of \$1,006,806,769 due to the inflation rate of 2.509%. The base revenue amount for FY2019 is \$1,032,067,551.**

2) Dedicated Sales Tax Revenues (projected): The projected dedicated sales tax revenue is the amount of “monies received by the Commonwealth equal to one percent of the gross receipts of a sale as defined by the provisions of MGL Chapter 64H and one percent of the sales price of a purchase as defined by the provisions of Chapter 64I from that portion of the taxes imposed under the provisions of said Chapters 64H and 64I as excises upon the sale and use at retail of tangible property or of services, and upon the storage, use or other consumption of tangible property or of services, including interest thereon or penalties plus commencing in fiscal year 2015, the amount of \$160,000,000 in each fiscal year thereafter but not including any portion of such taxes imposed on the sale of meals as defined in paragraph (h) of section 6 of Chapter 64H”. Based on the most recent FY2019 consensus revenue estimate of \$27.594 billion, the dedicated sales tax revenue amount for FY2019 is projected to be \$1,018,880,000, as calculated in Attachment No. 2.

Any shortfall between dedicated sales tax revenue and the base revenue certified above will be made up by quarterly transfers from the General Fund, pursuant to the MOU and Chapter 10, Section 35T(b). Based on the attached calculations, the shortfall between FY2019 dedicated and base tax revenues is estimated to be \$13,187,551.

Should you have any questions on the calculation of this amount, please feel free to call me or Howard Merkowitz, Deputy Comptroller.

Sincerely yours,

Thomas G. Shack III
Comptroller of the Commonwealth

Cc: Senator Karen Spilka, Chairwoman, Senate Ways and Means
Representative Jeffrey Sánchez, Chairman, House Ways and Means
Deborah B. Goldberg, Treasurer and Receiver General
Christopher Harding, Commissioner of Revenue
David Bunker, House Ways and Means Budget Director
Chris Marino, Senate Ways and Means

Fiscal Year 2019 MBTA Base and Dedicated Sales Tax Revenue Calculations

Calculation No. 1 - Base Revenue:

Change in inflation index for the Boston metropolitan area for calendar year 2017 (annualized, non-seasonally adjusted).....	2.509%
Growth in gross sales tax revenue, for calendar year 2017.....	3.322%
Allowable base revenue growth (lesser of sales tax growth or inflation, but not greater than 3%).....	2.509%
Current fiscal year's base revenue (FY2018).....	\$ 1,006,806,769
Growth factor.....	<u>2.509%</u>
Upcoming fiscal year's base revenue (FY2019).....	<u><u>\$ 1,032,067,551</u></u>

Calculation No. 2 - Dedicated Sales Tax Revenue:

Projected sales and use tax collections, exclusive of meals tax.....	\$ 5,368,000,000
Percentage due to the MBTA*.....	<u>16.000%</u>
16.000% of FY19 sales and use tax collections, exclusive of meals tax.....	858,880,000
Plus \$160 million per M.G.L. Chapter 10, Section 35T.....	<u>160,000,000</u>
FY2019 projected dedicated sales tax revenue.....	1,018,880,000
FY2019 base revenue.....	<u>1,032,067,551</u>
Difference, FY2019 dedicated minus base revenue.....	<u><u>\$ (13,187,551)</u></u>

* The sales tax rate is currently 6.25% for both regular sales and motor vehicles. Based on this tax rate, the MBTA dedicated percentage is 16.00% (1 cent of the 6.25 cents per dollar).