



Commonwealth of Massachusetts

OFFICE OF THE COMPTROLLER

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THOMAS G. SHACK III, ESQ.
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July 25, 2018

Secretary Michael Heffernan
Executive Office of Administration and Finance

The Honorable Jeffrey Sánchez, Chairman
House Committee on Ways and Means

The Honorable Karen Spilka, Chairwoman
Senate Committee on Ways and Means

RE: FY2018 Capital Gains Tax Revenue/Transfer to Stabilization Fund

Dear Secretary Heffernan, Chairwoman Spilka and Chairman Sánchez:

On July 24, 2018, the Department of Revenue certified to the State Comptroller that through June 30, 2018, fiscal year 2018 capital gains tax revenue totaled \$1,682,700,000. Section 5G of Chapter 29 of the Massachusetts General Laws, as amended, requires capital gains tax revenue in excess of the fiscal year capital gains tax threshold be transferred to the Commonwealth Stabilization Fund. In addition, Section 5G requires that a total of 10% of the amount so transferred to the Stabilization Fund be transferred from the Stabilization Fund to the State Retiree Benefits Trust Fund (SRBTF) and the Commonwealth's Pension Liability Fund (PRIT), in equal 5% increments.

On June 24, 2018 my office processed a transfer of \$322,109,264 to the Stabilization fund along with 2 equal transfers of \$16,105,463 to the State Retiree Benefits Trust Fund (SRBTF) and the Commonwealth's Pension Liability Fund (PRIT). Based on the July 24, 2018 Department of Revenue certification, my office will process the following additional transfers:

1. A transfer of \$191,800,000 to the Commonwealth Stabilization Fund;
2. A transfer equal to 5% of the capital gains tax revenues transferred to the Stabilization Fund, or \$9,590,000, to the State Retiree Benefits Trust Fund (SRBTF);

3. An additional transfer equal to 5% of the capital gains taxes transferred to the Stabilization Fund, or \$9,590,000, to the Commonwealth's Pension Liability Fund (PRIT).

If you have any questions regarding this letter, please contact Howard Merkowitz, Deputy Comptroller, at (617) 973-2602.

Sincerely,

Thomas G. Shack III, Esq.
Comptroller

Enc. [Attachment #1: M.G.L. Chapter 29, Section 5G](#)
Cc: Catharine Hornby, Assistant Secretary for the Budget, ANF
Heath Fahle, Finance Director, ANF
David Bunker, Budget Director, HWM
Christopher Marino, Budget Director, SWM
Christopher C. Harding, Commissioner, DOR
Kazim Ozyurt, Director, Office of Tax Policy Analysis, DOR
James MacDonald, First Deputy Treasurer, TRE
Howard Merkowitz, Deputy Comptroller, CTR

Attachment #1

Chapter 29, Section 5G. After each quarter, the department of revenue shall certify to the state comptroller the amount of tax revenues estimated to have been collected during the preceding quarter from capital gains income. If the department of revenue certifies that the amount of tax revenues estimated to have been collected from capital gains income exceeds \$1,000,000,000 in a fiscal year, the comptroller shall transfer quarterly any such amount that exceeds \$1,000,000,000 collected during that fiscal year to the Commonwealth Stabilization Fund established in section 2H. The \$1,000,000,000 threshold established in the preceding sentence shall be adjusted annually to reflect the average annual rate of growth in United States gross domestic product over the preceding 5 years based on the most recently available data published by the Bureau of Economic Analysis in the United States Department of Commerce.

This transfer shall be made before the certification of the consolidated net surplus for the previous fiscal year under section 5C. The department of revenue shall report by November 30 to the state comptroller, the executive office for administration and finance and the house and senate committees on ways and means tax revenues estimated to have been collected during the preceding fiscal year from capital gains income. The comptroller shall not make adjustment to amounts previously transferred if the capital gains revenue reported on November 30 differs from the amounts estimated during the preceding fiscal year.

Five per cent of any amount transferred to the Commonwealth Stabilization Fund under this section shall then be transferred from the Commonwealth Stabilization Fund to the State Retiree Benefits Trust Fund established in section 24 of chapter 32A and 5 per cent of any amount transferred to the Commonwealth Stabilization Fund under this section shall then be transferred from the Commonwealth Stabilization Fund to the Commonwealth's Pension Liability Fund established in section 22 of chapter 32.