



Commonwealth of Massachusetts

OFFICE OF THE COMPTROLLER

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WILLIAM MCNAMARA
COMPTROLLER

June 23, 2021

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

The Honorable Aaron Michlewitz, Chair
House Committee on Ways and Means
State House, Room 243
Boston, MA 02133

The Honorable Michael J. Rodrigues, Chair
Senate Committee on Ways and Means
State House, Room 212
Boston, MA 02133

RE: Fiscal Year 2021 Capital Gains Tax Revenue Transfers to the Stabilization Fund,
the State Retiree Benefits Trust Fund, and the Pension Liability Fund

Dear Secretary Heffernan, Chair Michlewitz and Chair Rodrigues:

On June 22, 2021, the Department of Revenue certified to the Office of the Comptroller that through May 2021, Fiscal Year 2021 capital gains tax revenue totaled \$2,258,915,748. Section 5G of Chapter 29 of the Massachusetts General Laws, as amended, requires that capital gains tax revenue in excess of the fiscal year capital gains tax threshold be transferred as follows: (a) 90% to the Commonwealth Stabilization Fund, (b) 5% to the State Retiree Benefits Trust Fund and (c) 5% to the Commonwealth's Pension Liability Fund (PRIT). The Fiscal Year 2021 capital gains tax threshold is \$1,312,414,006. Therefore, I have processed the following transfers totaling \$946,501,742.00 as shown below:

From the General Fund to:	Amount	% of total
a) Commonwealth Stabilization Fund	\$851,851,567.80	90%
b) State Retiree Benefits Trust Fund (SRBTF)	\$47,325,087.10	5%
c) Commonwealth's Pension Liability Fund (PRIT)	\$47,325,087.10	5%
Total	\$946,501,742.00	100%

This is the first such transfer under Section 5G of Chapter 29 for Fiscal Year 2021.

If you have any questions regarding this letter, please contact me or Michael Rodino, Chief Financial Reporting Officer at michael.rodino@mass.gov or (617) 973-2304.

Sincerely,



William McNamara
Comptroller of the Commonwealth

Enc. Attachment #1: MGL Chapter 29, Section 5G
Attachment #2: Capital Gains Tax Certification Letter from Commissioner of Revenue
Attachment #3: FY21 Capital Gains Threshold Certification from Department of Revenue

cc: Catharine Hornby, Undersecretary, Executive Office for Administration and Finance
Paul Chong, Finance Director, Executive Office for Administration and Finance
David Bunker, Budget Director, House Committee on Ways and Means
Christopher Marino, Budget Director, Senate Committee on Ways and Means
Geoffrey E. Snyder, Commissioner, Department of Revenue
Kazim Ozyurt, Director, Office of Tax Policy Analysis, Department of Revenue
James MacDonald, First Deputy Treasurer, Office of the State Treasurer
Jeffrey Shapiro, First Deputy Comptroller, Office of the Comptroller
Howard Merkowitz, Deputy Comptroller, Office of the Comptroller

Attachment # 1

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 as follows: (i) 90 per cent shall be transferred to the Commonwealth Stabilization Fund established in section 2H; (ii) 5 per cent shall be transferred to the State Retiree Benefits Trust Fund established in section 24 of chapter 32A; and (iii) 5 per cent shall be transferred to the Commonwealth's Pension Liability Fund established in subsection (e) of subdivision 8 of section 22 of chapter 32. 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.

The transfers 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.



Geoffrey E. Snyder
Commissioner

The Commonwealth of Massachusetts
Department of Revenue
Office of the Commissioner
P.O. Box 9550
Boston, MA 02114-9550

June 22, 2021

Mr. William McNamara
Comptroller
Commonwealth of Massachusetts
1 Ashburton Place, 9th Floor
Boston, MA 02108

Dear Mr. McNamara:

Pursuant to Section 5G of Chapter 29 of the General Laws¹, the Department of Revenue (DOR) is required to certify to the State Comptroller, after each quarter during the fiscal year, the amount of tax revenue estimated to have been collected during the quarter from capital gain income.

Because taxes on capital gain income are remitted unevenly throughout the fiscal year in accordance with tax filing deadlines, DOR has historically certified estimated tax revenue from capital gain income on the following schedule:

Period 1 (July 1 through September 30)

Period 2 (October 1 through January 31)

Period 3 (February 1 through May 31)

Period 4 (June 1 through June 30)

The table below shows tax revenue estimates from capital gain income for each of the first three certification periods, and also on a year-to-date basis for fiscal year 2021.

Estimated Tax Revenue from Capital Gain Income

Period	Period \$ millions	Fiscal year to date \$ millions
Period 1 (July 1, 2020 to September 30, 2020)	\$355.4	\$355.4
Period 2 (October 1, 2020 to January 31, 2021)	\$659.2	\$1,014.7
Period 3 (February 1, 2021 to May 31, 2021)	\$1,244.2	\$2,258.9

¹ <http://www.malegislature.gov/Laws/GeneralLaws/PartI/TitleIII/Chapter29/Section5G>.

Based on currently available data, DOR hereby certifies that tax revenue estimated to have been collected from capital gain income was \$1,244.2 million during the FY2021 Period 3 (February 1, 2021 to May 31, 2021). The fiscal year-to-date (July 2020 through May 2021) tax revenue estimated to have been collected from capital gain income was \$2,258.9 million. These figures are subject to revision as DOR receives more data; those changes will be reflected in the report for the final period of the fiscal year and the final report of FY2021 tax revenue from capital gain income.

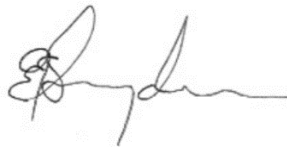
Under Section 5G of Chapter 29 of the General Laws, the amount of certified capital gains tax revenue collections over a defined threshold, which was previously set at \$1,312 million for FY21, is transferred to various funds as follows: 90% to the Commonwealth Stabilization Fund; 5% to the State Retiree Benefits Trust Fund; and 5% to the Commonwealth's Pension Liability Fund.

Therefore, this capital gains tax certification letter shall generate a transfer of approximately \$947 million, to the aforementioned funds as follows under Section 5G of Chapter 29 of the General Laws:

- 90% (~\$851.9 million) shall be transferred into the Commonwealth Stabilization Fund;
- 5% (~\$47.3 million) shall be transferred into the State Retiree Benefits Trust Fund; and
- 5% (~\$47.3 million) shall be transferred into the Commonwealth's Pension Liability Fund.

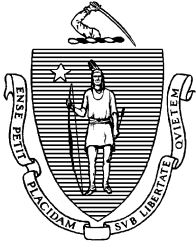
If you have any questions concerning this letter, please contact me (snyderge@dor.state.ma.us), or Kazim P. Ozyurt, Director of the Office of Tax Analysis (ozyurtk@dor.state.ma.us).

Sincerely,



Geoffrey E. Snyder
Commissioner

cc: Secretary Michael J. Heffernan, Executive Office for Administration and Finance
The Honorable Michael J. Rodrigues, Chair, Senate Committee on Ways and Means
The Honorable Aaron Michlewitz, Chair, House Committee on Ways and Means



The Commonwealth of Massachusetts

Department of Revenue

Office of the Commissioner

P.O. Box 9550

Boston, MA 02114-9550

KEVIN W. BROWN
ACTING COMMISSIONER

January 9, 2020

Mr. Andrew W. Maylor
Comptroller
Commonwealth of Massachusetts
1 Ashburton Place, 9th Floor
Boston, MA 02108

Dear Mr. Maylor:

Pursuant to Section 5G of Chapter 29 of the Massachusetts General Laws¹, and based on the procedure agreed upon by the Secretary of Administration and Finance and the Chairs of the House and Senate Committees on Ways and Means the Department of Revenue (DOR) hereby certifies that for the purpose of determining the amount of capital gains that will be transferred to the Commonwealth Stabilization Fund, the fiscal year 2021 capital gains tax collections threshold is \$1,312,414,006. Any fiscal year 2021 capital gains tax collections above that threshold, as certified by the Commissioner of Revenue, will be transferred to the Commonwealth Stabilization Fund. Please see attached table for our calculations.

If you have any questions concerning this letter, please contact me (at 617-626-2201), or Kazim P. Ozyurt, Director of the Office of Tax Policy Analysis (at 617-626-2121).

Sincerely,

A handwritten signature in black ink, appearing to read "Kevin W. Brown".

Kevin W. Brown
Acting Commissioner

cc: Secretary Michael J. Heffernan, Executive Office for Administration and Finance
The Honorable Michael J. Rodrigues, Chair, Senate Committee on Ways and Means
The Honorable Aaron Michlewitz, Chair, House Committee on Ways and Means

¹ <http://www.malegislature.gov/Laws/GeneralLaws/PartI/TitleIII/Chapter29/Section5G>

Calculation of Fiscal Year 2021 Capital Gains Tax Threshold:

Nominal U.S. GDP - Five Years Ago: U.S. **Gross Domestic Product** (*) figures for the four quarters ending in third quarter of 2014 (**)

2013: Quarter 4	17,083
2014: Quarter 1	17,105
2014: Quarter 2	17,433
2014: Quarter 3	17,722
Average GDP five years ago:	17,336 A

Nominal U.S. GDP - Current: Most recently available U.S. **Gross Domestic Product** (*) figures for the four quarters ending in third quarter of 2019 (**)

2018: Quarter 4	20,898
2019: Quarter 1	21,099
2019: Quarter 2	21,340
2019: Quarter 3	21,543
Average current GDP:	21,220 B

Compound annual growth rate (CAGR)(***):	4.1263899%	$C = [(B / A)^{(1/5)}] - 1$
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Fiscal Year 2020 Capital Gains Tax Threshold: \$1,260,404,790 D

1+ Compound annual growth rate (CAGR):	104.1263899%	$E=(1+C)$
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Fiscal Year 2021 Capital Gains Tax Threshold: \$1,312,414,006 F=D*E

(*) U.S. Gross Domestic Product figures are seasonally adjusted at annual rates and in billions of current dollars.

www.bea.gov/newsreleases/national/gdp/gdpnewsrelease.htm

(**) The 4th quarter of 2019 GDP figure is not available at the time when these calculations are conducted. The 3rd quarter of 2019 U.S. GDP figure ("third" estimate) was released by the Bureau of Economic Analysis on December 20, 2019.

(***) *Compound annual growth rate (CAGR)* = [(Average current GDP / Average GDP five years ago) to the power (1/5)] - 1