



Commonwealth of Massachusetts

OFFICE OF THE COMPTROLLER

ONE ASHBURTON PLACE, 9TH FLOOR
BOSTON, MASSACHUSETTS 02108
TELEPHONE (617) 727-5000
WWW.MASS.GOV/COMPTROLLER

THOMAS G. SHACK III, Esq.
COMPTROLLER

March 1, 2017

Secretary Kristen Lepore
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 2017 Certification of MBTA Base Sales Tax Revenues and Dedicated Sales Tax Revenues for FY2018

Dear Secretary Lepore and Secretary Pollack:

Pursuant to Massachusetts General Laws (MGL) Chapter 10, Section 35T, this letter certifies for FY2018 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 FY2018 is calculated by comparing the change in the calendar year 2016 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 2016 "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 **FY2018 increased by an amount of \$14,614,985 compared to the FY2017 figure of \$992,191,784 due to the inflation rate of 1.473%. The base revenue amount for FY2018 is \$1,006,806,769.**

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 FY2018 consensus revenue estimate of \$27.072 billion, the dedicated sales tax revenue amount for FY2018 is projected to be \$1,001,000,000, 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 FY2018 dedicated and base tax revenues is estimated to be \$5,806,769.

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 Brian Dempsey, Chairman, House Ways and Means
Deborah B. Goldberg, Treasurer and Receiver General
Michael Heffernan, Commissioner of Revenue
Adriana Campos, Senate Ways and Means Budget Director
Justin Sterritt, House Ways and Means Budget Director

Fiscal Year 2018 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 2016 (annualized, non-seasonally adjusted).....	1.473%
Growth in gross sales tax revenue, for calendar year 2016.....	2.208%
Allowable base revenue growth (lesser of sales tax growth or inflation, but not greater than 3%).....	1.473%
Current fiscal year's base revenue (FY2017).....	\$ 992,191,784
Growth factor.....	<u>1.473%</u>
Upcoming fiscal year's base revenue (FY2018).....	<u>\$ 1,006,806,769</u>

Calculation No. 2 - Dedicated Sales Tax Revenue:

Projected sales and use tax collections, exclusive of meals tax.....	\$ 5,256,250,000
Percentage due to the MBTA*.....	<u>16.000%</u>
16.000% of FY18 sales and use tax collections, exclusive of meals tax.....	841,000,000
Plus \$160 million per M.G.L. Chapter 10, Section 35T.....	<u>160,000,000</u>
FY2018 projected dedicated sales tax revenue.....	1,001,000,000
FY2018 base revenue.....	<u>1,006,806,769</u>
Difference, FY2018 dedicated minus base revenue.....	<u>\$ (5,806,769)</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).