



Christopher C. Harding  
Commissioner

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

July 29, 2019

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 General Laws<sup>1</sup>, the Department of Revenue (DOR) is required to certify to the State Comptroller, after each quarter during the fiscal year, the amount of tax revenues estimated to have been collected during the preceding quarter from capital gains income.

Because capital gains tax payments are remitted unevenly throughout the fiscal year according to tax filing deadlines, it was determined that DOR would follow the following schedule for reported quarters<sup>2</sup>:

- 1) Period 1 (July 1 through September 30)
- 2) Period 2 (October 1 through January 31)
- 3) Period 3 (February 1 through May 31)
- 4) Period 4 (June 1 through June 30)

The table below shows capital gains tax revenue estimates for each of the certification periods, and also for the full Fiscal Year 2019 (FY19).

**Capital Gains Tax Collections**

	<b>Period</b> (\$ millions)	<b>Year to Date</b> (\$ millions)
Period 1 (July 1, 2018 to September 30, 2018)	\$290.6	\$290.6
Period 2 (October 1, 2018 to January 31, 2019)	\$549.2	\$839.8
Period 3 (February 1, 2019 to May 31, 2019)	\$1,004.7	\$1,844.5
Period 4 (June 1, 2019 to June 30, 2019)	\$215.4	\$2,059.9

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

<sup>2</sup> The statute does not specify the quarters. For the purposes of accurate reporting, DOR interpreted “quarters” as “periods.”

Based on currently available data, DOR hereby certifies that tax revenues estimated to have been collected from capital gains income was \$215.4 million during the FY19 Period 4 (June 1, 2019 through June 30, 2019). The FY19 full year tax revenues estimated to have been collected from capital gains income were \$2,059.9 million.

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 \$1,211.5 million for FY19, shall be transferred into the Commonwealth Stabilization Fund.

**Therefore, this capital gains tax certification shall generate a total transfer of approximately \$848.4 million to the Commonwealth Stabilization Fund,** which will be distributed as follows under Section 5G of Chapter 29 of the General Laws:

- 90% of the above transfer (~\$763.6 million) shall remain in the Commonwealth Stabilization Fund
- 5% of the above transfer (~\$42.4 million) shall then be transferred from the Stabilization Fund into the State Retiree Benefits Trust Fund
- 5% of the above transfer (~\$42.4 million) shall then be transferred from the Stabilization Fund into the Commonwealth's Pension Liability Fund

Based on the Period 3 certification letter issued by DOR on June 18, 2019, the Comptroller has already transferred \$636.4 million to the Commonwealth Stabilization Fund. Therefore, this certification letter requires an additional transfer of approximately \$212 million.

Please note that the estimates reflected in each of the four certifications are based in part on tax year 2018 tax return data received to date. Tax year 2018 filings are incomplete, especially with respect to capital gains, because many of the taxpayers with significant capital gains file for extensions, making October 15<sup>th</sup> the due date for returns. The estimates for FY19 capital gains tax could change significantly when all returns are received and analyzed. However, Chapter 29 requires that a certification must be issued after each quarter (period). Therefore we are submitting this letter as our FY19 Period 4 certification using the best information available to us at this time.

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 617-626-2100).

Sincerely,



Christopher C. Harding  
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