

The Honorable Michael J. Heffernan
Executive Office for Administration and Finance
State House, Room 373
Boston, MA 02133

January 8, 2018

Dear Mr. Secretary:

The Massachusetts Society of Certified Public Accountants (MSCPA) is the state's premiere professional organization with more than 11,000 members in public accounting, business and industry, government and education. As trusted financial and business advisors to their clients, our members have a unique and unmatched perspective on the impact of taxpayer behavior on state revenue collections, especially as it relates to estimated payments, capital gains activity and corporate investment.

With that in mind, I am writing on their behalf regarding the December preliminary revenue collections report issued by the Department of Revenue (DOR) on January 4, 2018. While we are pleased to see the Commonwealth end 2017 with such strong receipts, I want to caution you and your colleagues that collections in the first part of 2018 will likely be far less than anticipated.

We support the DOR's analysis that the surge in estimated payments is directly associated with the federal tax reform legislation signed by President Trump on December 22, 2017. Since the final proposal was released so close to the year's end, our members advised clients to prepay January and April estimates. As the tax proposal eliminated the ability to prepay and receive a deduction in 2018, we expect that collections in January, and collections and extension payments in April, will be much less than anticipated. We also expect refunds in April to be much higher than anticipated.

Our members also note that, in general, 2017 brought increased wages, larger than anticipated stock market gains, increased merger and acquisition activity and a very healthy housing market. These gains are most likely the cause for some of the increase in withholding collections and corporate and business taxes – although our members caution that actual increases unrelated to tax reform and other timing differences (e.g., bonus activity) are modest. We are cautiously optimistic these modest increases will continue into 2018, however, our members do not expect these gains to drastically impact revenues, especially since the uncertainty surrounding the tax reform law's impact on Massachusetts could dampen this growth.

As you work through the remainder of Fiscal Year 2018, and look ahead to the Fiscal Year 2019 budget, we urge caution as it relates to the December revenue report. By our estimation, most of the unanticipated revenues will be offset during the second half of FY 2018. We encourage you to be diligent and conservative in your expectations through April, when we believe the Commonwealth will have a clearer picture of state revenues.

I appreciate the opportunity to comment on this matter. I will share more information as it becomes available. In the meantime, if you or your staff have any questions or concerns, please don't hesitate to contact me.

Sincerely,

A handwritten signature in black ink, appearing to read "Amy Pitter". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

Amy Pitter
President & CEO

cc: The Honorable Christopher C. Harding, Massachusetts Department of Revenue
The Honorable Harriette L. Chandler, Acting President of the Senate
The Honorable Robert A. DeLeo, Speaker of the House
The Honorable Karen E. Spilka, Senate Committee on Ways and Means
The Honorable Jeffrey Sánchez, House Committee on Ways and Means