



Commonwealth of Massachusetts

OFFICE OF THE COMPTROLLER

ONE ASHBURTON PLACE, 9TH FLOOR
BOSTON, MASSACHUSETTS 02108
(617) 727-5000
MACOMPTROLLER.ORG



WILLIAM McNAMARA
COMPTROLLER

March 6, 2020

Secretary Michael Heffernan
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 2020 Certification of MBTA Base Sales Tax Revenues and Dedicated Sales Tax Revenues for FY2021

Dear Secretary Heffernan and Secretary Pollack:

Pursuant to M.G.L. c. 10, § 35T(b), this letter certifies for FY2021 the following amounts: 1) MBTA base revenue amount, which is the minimum amount of sales tax revenue to be credited to the fund; and 2) the estimated MBTA dedicated sales tax revenue projected to be credited to the fund. The MBTA is to receive the greater of either the base revenue or the 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 revenue amount: The base revenue amount for FY2021 is calculated by comparing the change in the calendar year 2019 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 percent increase in gross sales tax revenues received pursuant to M.G.L. c. 64H and 64I for the same time period. The calendar year 2019 “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 **FY2021 increased by an amount of \$20,303,865, or 1.910% compared to the FY2020 figure of \$1,063,029,578. The base revenue amount for FY2021 is \$1,083,333,443.**

- 2) Dedicated sales tax revenue (projected): Dedicated sales tax revenue is defined by M.G.L. c. 10, § 35T as, “all 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 FY2021 consensus revenue estimate of \$31.151 billion, the dedicated sales tax revenue amount for FY2021 is projected to be \$1.136 billion, as calculated in Attachment No. 2.

Pursuant to M.G.L. c. 10, § 35T and the July 1, 2000 Memorandum of Understanding between the MBTA and state agencies including the Office of the Comptroller, the MBTA is to receive the greater of the dedicated sales tax or the base revenue amount. Based on the attached calculations, the FY2021 dedicated sales tax revenue is projected to exceed the base revenues amount in this certification by \$52,666,557.

Should you have any questions on the calculation of this amount, please feel free to call me or Howard Merkowitz, Deputy Comptroller at (617) 973-2602 or me at (617) 973-2315.

Sincerely yours,

William McNamara
Comptroller of the Commonwealth

Attachment: Number 1 - Calculation of FY2021 Base Revenue
 Number 2 – Calculation of FY2021 Projected Dedicated Sales Tax Revenue

Cc: Senator Michael Rodrigues, Chair, Senate Ways and Means
 Representative Aaron Michlewitz, Chair, House Ways and Means
 Deborah B. Goldberg, Treasurer and Receiver General
 Kevin Brown, Interim Commissioner of Revenue
 David Bunker, House Ways and Means Budget Director
 Chris Marino, Senate Ways and Means Budget Director

Fiscal Year 2021 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 2019 (annualized, non-seasonally adjusted).....	1.910%
Growth in gross sales tax revenue, for calendar year 2019.....	5.316%
Allowable base revenue growth (lesser of sales tax growth or inflation, but not greater than 3%).....	1.910%
Current fiscal year's base revenue (FY2020).....	\$ 1,063,029,578
Growth factor.....	<u>1.910%</u>
Upcoming fiscal year's base revenue (FY2021).....	<u><u>\$ 1,083,333,443</u></u>

Calculation No. 2 - Dedicated Sales Tax Revenue:

Projected sales and use tax collections, exclusive of meals tax.....	\$ 6,100,000,000
Percentage due to the MBTA*.....	<u>16.000%</u>
16.000% of FY21 sales and use tax collections, exclusive of meals tax.....	976,000,000
Plus \$160 million per M.G.L. Chapter 10, Section 35T.....	<u>160,000,000</u>
FY2021 projected dedicated sales tax revenue.....	1,136,000,000
FY2021 base revenue.....	<u>1,083,333,443</u>
Difference, FY2021 dedicated minus base revenue.....	<u><u>\$ 52,666,557</u></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).