

The Commonwealth of Massachusetts

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March 1, 2011

Secretary Jay Gonzalez
Executive Office for Administration and Finance
State House, Room 373
Boston, MA 02133

Secretary Jeffrey Mullan
Massachusetts Department of Transportation
10 Park Plaza, Room 3170
Boston, MA 02116

RE: March 1, 2011 Certification of MBTA Base Sales Tax Revenues and Dedicated Sales Tax Revenues for FY2012

Dear Secretary Gonzalez and Secretary Mullan:

Pursuant to Massachusetts General Laws Chapter 10, Section 35T, this letter is to certify the: 1) Base Sales Tax Revenue amount; and 2) Dedicated Sales Tax Revenues for fiscal year 2012. 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 fiscal year 2012 is calculated by comparing the change in the calendar year 2010 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 Massachusetts General Laws chapters 64H and 64I for that same period. The calendar year 2010 "gross sales tax revenues" is defined as sales tax receipts by taxpayers from nonexempt sales, less amounts abated, refunded, or reimbursed. The percentage increase in base sales tax revenue is the lower of the percent increase in gross sales tax revenues or the inflation rate.

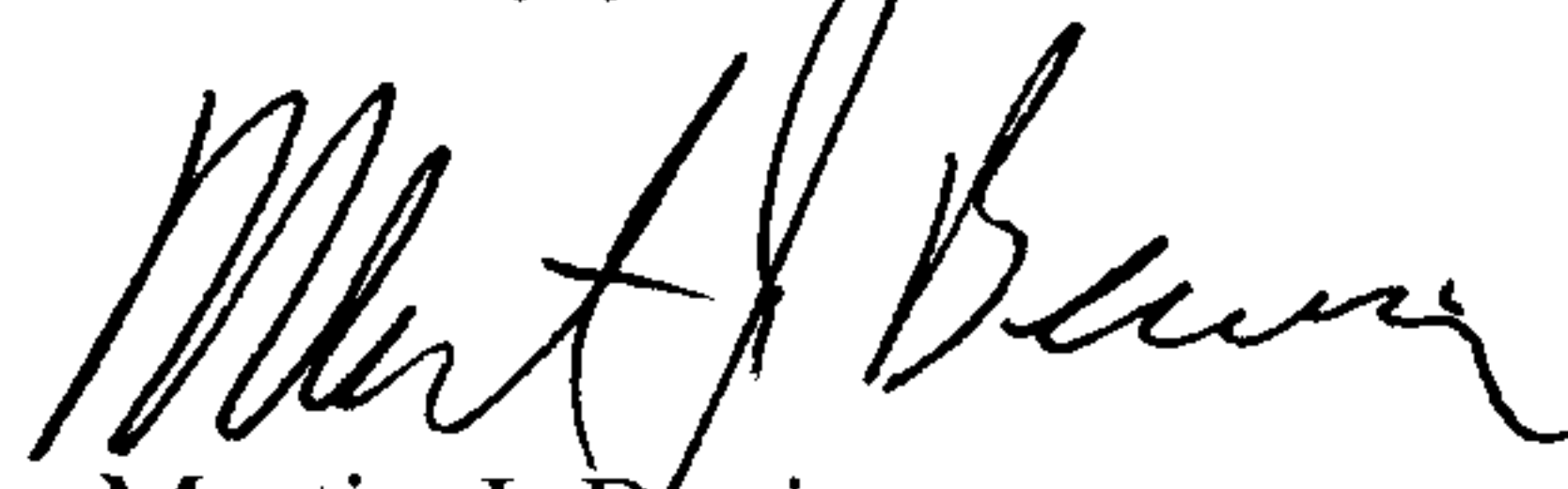
I certify to you that the base revenue amount for **fiscal year 2012 increased by an amount of \$12,035,119 compared to the fiscal year 2011 base revenue of \$767,056,684, due to inflation of 1.569%. The base revenue amount for fiscal year 2012 is \$779,091,803.**

2) Dedicated Sales Tax Revenues (projected): The projected dedicated sales tax revenue amount 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 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 fiscal year 2012 revenue estimates issued by the Department of Revenue on January 18, 2011, the dedicated sales tax revenue amount for fiscal year 2012 is projected to be \$678,124,324.**

Any shortfall between fiscal year 2012 dedicated sales tax revenue and the base revenue certified on March 1, 2011 will be made up by quarterly transfers from the General and Highway Funds, pursuant to the MOU and Chapter 10, Section 35T(b). Based on the attached calculations, the shortfall between FY 2012 dedicated and base tax revenues is estimated to be \$100,967,479.

Should you have any questions on the calculation of this amount, please feel free to call me.

Sincerely yours,



Martin J. Benison
Comptroller

Attachment (calculations)

Cc: Representative Brian S. Dempsey, Chairman House Ways and Means
Senator Stephen M. Brewer, Chairman Senate Ways and Means
The Honorable Steven Grossman, Treasurer and Receiver-General
Navjeet Bal, Commissioner of Revenue
Matthew Gorzkowicz, Undersecretary, ANF
Douglas Howgate, Senate Ways and Means Budget Director
Jeita Phillips, House Ways and Means Budget Director

FISCAL YEAR 2012 MBTA BASE AND DEDICATED REVENUE CALCULATIONS

Calculation 1: Base Revenue

The base revenue amount was calculated as follows:

Change in inflation index for the Boston metropolitan area for calendar 2010 (annualized, non-seasonally adjusted)	1.569 %
Growth in gross sales tax revenues , from calendar 2009 to 2010	18.83%
Allowable base revenue growth (lesser of sales tax growth or inflation, but not greater than 3%).	1.569%
Current year's base revenue (FY 2011)	\$767,056,684
Growth Factor	<u>1.01569</u>
Upcoming year's base revenue (FY 2012)	<u>\$779,091,803</u>

Calculation 2: Dedicated Revenue

The projected dedicated sales tax amount was calculated as follows:

Projected FY2012 Sales and Use Tax Collections, Exclusive of Meals Tax Percentage due to the MBTA(*)	\$4,238,277,023 <u>× 16%</u>
FY2012 Projected Dedicated Sales Tax Revenue	<u>\$678,124,324</u>
FY2012 Base Tax Revenue	<u>\$779,091,804</u>
Difference, FY2012 Dedicated Minus Base Revenue	-\$100,967,479

(*) As of August 1, 2009 the sales tax rate was increased from 5% to 6.25% for both regular sales and motor vehicle sales. Based on this new sales tax rate, the MBTA dedication percentage is now 16.00% (1 cent of 6.25 cents per dollar) as compared to the prior dedicated percentage of 20% (1 cent of 5 cents per dollar).