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BHI Forecast: State tax revenues to fall flat in FY 2013 but to surge by 5.1% in FY 2014

(BOSTON) – The Beacon Hill Institute at Suffolk University (BHI) estimates that Massachusetts state tax revenues will come in at $21.113 billion for Fiscal Year 2013, virtually no increase over FY 2012. Revenues will be $22.194 billion for FY 2014, 5.1% above FY 2013.

Paul Bachman, BHI Director of Research and David G. Tuerck, Executive Director of the Institute and Chairman of Economics at Suffolk University, will present the forecast in testimony before the Joint Committee on Ways and Means this morning at 11:00 a.m. in Gardner Auditorium at the Massachusetts State House. The legislature uses the BHI estimate, along with estimates provided by other groups, to help determine the revenues needed for the upcoming state budget.

Total tax revenues for FY 2012 closed out at $21.115 billion, and FY 2013 revenues are not expected to exceed that amount. Sales tax revenues are expected to grow by 3.6% in FY 2013, while personal income tax revenues are expected to grow by 0.4%. Based on the New England Economic Partnership forecast of strong growth of employment and personal income over the next two years, FY 2014 revenues will be much improved, growing 5.1% over 2013.

“Massachusetts is going through a soft patch but state revenue collections will be returning to healthier trends,” says Tuerck. “Tax revenues will be flat in FY 2013, but the state will see a nice bounce in FY 2014, led by strong personal income tax revenue and positive corporate tax revenue growth,” said Tuerck.

According to BHI projections for FY 2014, personal income tax revenues will grow by 6.5%, sales tax revenues by 5.3%, corporate excise by 4.5% while business excises and motor fuels tax revenue will fall by 8.9% and 0.5% respectively. Total taxes for FY 2014 will increase by $1.08 billion over FY 2013.

“The all-encompassing debate over what to do about the ‘fiscal cliff’ injects a lot of uncertainty for tax revenues. In addition the fear of recession in Europe also poses a threat to the state’s economy and thus tax revenues,” said Tuerck.

A full copy of the Institute’s Massachusetts Tax Revenue Forecasts for FY 2013 and FY 2014 may be obtained at www.beaconhill.org or by calling BHI at 617-573-8750.

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