



The Beacon Hill Institute for
Public Policy Research

News Release

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BHI forecast: Revenue growth to speed up for Fiscal Year 2008

(BOSTON) – Testifying before the annual consensus revenue forecast hearing conducted by the Joint Committee on Ways and Means, The Beacon Hill Institute at Suffolk University (BHI) reported today that it expected tax revenue growth to speed up in Fiscal Year 2008, after falling off in FY 2007.

The Institute's forecasts for FY 2007 and 2008 are:

- For FY 2007 (ending June 30, 2007): \$19.040 billion, for growth of 3.0% over FY 2006.
- For FY 2008 (ending June 30, 2008): \$20.265 billion, for growth of 6.4% over the predicted level for FY 2007.

Tax revenue grew at a torrid pace of 8.1% in FY 2006. FY 2007 growth will be substantially lower in part because growth in FY 2006 was so high and in part because of tax law changes that took effect in FY 2007. With the continuing improvement in the state economy, growth will recover in FY 2008.

This is the fourth year that BHI, at the invitation of legislators responsible for writing the upcoming budget, has provided a forecast. BHI's optimism on FY 2008 revenues is bolstered by the following observations:

- The average annual growth of tax revenues for the past quarter century (FY 1981 to FY 2006) has been about 6.4%. BHI's projected growth for FY 2008 is consistent with that record.
- Except for recessions, state tax revenues have never increased by less than 5% for two consecutive years over the same period.
- The combination of rising demand for the state's technology products and financial services and the reversal of the state's population and employment losses will strengthen revenue growth in FY 2008.

“Despite growing pessimism over the state's revenue outlook, we see strong continued growth in Fiscal Year 2008,” said David G. Tuerck, executive director of the institute. “We base our confidence in high tech, financial services and other key sectors, as well as our analysis of revenue trends going back many years.”

Copies of the Institute's *Massachusetts Tax Revenue Forecasts for FY 2007 and FY 2008* are available at www.beaconhill.org. Detailed revenue forecasts for 11 MA state taxes are available upon request by calling BHI at 617-573-8750.