



The Beacon Hill Institute for
Public Policy Research

News Release

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For Immediate Release:
Monday, December 6, 2004
12:01 noon

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BHI forecasts “strong” growth in state tax revenues

(BOSTON) –The Beacon Hill Institute has released its forecasts of Massachusetts state tax revenues for fiscal years 2005 and 2006. The forecasts indicate continued strength in the Massachusetts economy. Revenues will continue to show strong, through somewhat slower, growth. State tax revenues grew by 6.6% over FY 2003-2004. The Institute’s forecasts for FY 2005 and 2006 are:

- For FY 2005 (ending June 30, 2005): \$16.813 billion, for growth of 5.4% over FY 2004.
- For FY 2006 (ending June 30, 2006): \$17.555 billion, for growth of 4.4% over the predicted level for FY 2005.

David G. Tuerck, Executive Director of BHI and Chairman and Professor of Economics at Suffolk University, presented the forecast in testimony before the joint Senate and House Ways and Means Committee. The Institute’s forecast for FY 2004 released in last year’s testimony turned out to be more accurate than other recognized forecasts.

“We continue to be moderately bullish on the state economy and therefore on the outlook for state tax revenues,” said Tuerck in his testimony. “Although Massachusetts lags the national economy, we see strong growth in state tax revenue through the rest of fiscal 2005. State tax revenue growth will fall off a bit during fiscal 2006 but will nevertheless reflect continued underlying strength in the state economy.”

The Institute predicts that state personal income will grow by 4% through calendar years 2005 and 2006. Even though the state economy will therefore continue to exhibit a respectable rate of growth, tax-revenue growth will fall in fiscal year 2006, as a result of weakness in state collections of major excise tax revenues.

The Beacon Hill Institute provides policy analysis through its State Tax Analysis Modeling Program (STAMP). Information about STAMP and a copy of the Institute’s *Massachusetts Tax Revenue Forecasts for FY 2005 and FY 2006* may be obtained at www.beaconhill.org or by calling BHI at 617-573-8750.