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Public Policy Research

News Release

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BHI Forecast: Driven by strong income growth, state tax revenues to rise this year and FY 2015

(Boston, MA) – The Beacon Hill Institute at Suffolk University (BHI) estimates that Massachusetts state tax revenues will come in at \$23.283 billion for Fiscal Year 2014, 5.3% above FY 2013. Meanwhile, revenues will be \$25.132 billion for FY 2015, 7.9% above FY 2014.

The 7.9% increase for FY 2015 is largely driven by a surge in personal income. The New England Economic Partnership projects state personal income to increase by 6.0% in Calendar Year (CY) 2014 and 6.7% in CY 2015.

David G. Tuerck, Executive Director of the Institute and Professor of Economics at Suffolk University, and Paul Bachman, Director of Research, 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 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 2013 closed out at \$22.12 billion, and FY 2014 revenues are on pace to exceed the predictions made last December of \$22.19 billion. Sales tax revenues are expected to grow by 6.7% in FY 2014, while personal income tax revenues are expected to grow by 3.5%.

“Massachusetts is experiencing a firm recovery from the Great Recession and moving ahead with a tax cut required by law,” says Tuerck. “Growth is taking form in all of the major tax categories through FY 2015 with only a slight dip in miscellaneous taxes for this fiscal year.”

According to BHI projections for FY 2015, personal income tax revenues will grow by 9.3%, sales tax revenues by 2.2%, and corporate excise by 16.7%, while more volatile business excises and usually stable motor fuels tax revenue will grow by 31.3% and 5.8%, respectively. Total taxes for FY 2015 will grow by \$1.91 billion over FY 2014.

“Both the U.S. and Massachusetts economies have survived the fiscal cliff and the government shutdown,” said Tuerck. “There is uncertainty at the federal level over the effects of Dodd-Frank, the Affordable Care Act, and eventual tapering of federal reserve policy. But the continued capacity of Massachusetts to outperform the rest of the country bodes well for strong revenue growth.”