



The Beacon Hill Institute for
Public Policy Research

News Release

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For Immediate Release:
Tuesday, May 5, 2009
11:00 a.m.

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BHI Forecast Update: State tax revenues decline by 9.3% in FY 2009 and increase by 0.8% in FY 2010

(BOSTON) – After examining the state’s slide into a recession and the prospects for recovery, The Beacon Hill Institute at Suffolk University today released its revised forecasts of Massachusetts state tax revenues for fiscal years (FY) 2009 and 2010.

The Institute’s forecasts for state tax revenues are:

- For FY 2009 (ending June 30, 2009): \$18.844 billion.
- For FY 2010 (ending June 30, 2010): \$18.987 billion.

The Institute added the following comments regarding the budget situation:

- From FY 2005 through FY 2008, state spending grew by 24.6% compared to state tax revenues growth of only 20.7%. The difference accounts for \$300 million in excess spending.
- State and local governments could save almost a billion dollars by cutting state and local government salaries by 5%. Other substantial savings would result from a modification of the state prevailing wage law and further cutbacks in police details.
- A proposed increase in the sales tax to 6.25% would destroy 12,728 private sector jobs and result in the equivalent of a \$462 decrease in the average annual wage rate for Massachusetts workers. Moreover, the tax increase would yield only about \$674 million in new revenue, far less than the hoped-for \$900 million.

David G. Tuerck, Executive Director of the Beacon Hill Institute (BHI) and Chairman of the Department of Economics at Suffolk University, and Paul Bachman, BHI Director of Research, presented the forecast in testimony before the revenue hearing conducted under the auspices of the Senate Ways and Means Committee. Along with other forecasts, the legislature uses the BHI estimate to determine the revenues needed for the state budget.

“With the national economy in recession, Massachusetts has not been spared a dramatic loss in tax revenues,” said Tuerck. “Job losses will translate into lower personal income tax revenue for the Commonwealth in FY 2009,” said Tuerck in his testimony. “However, the evidence from past recessions and recent data suggest that the revenues will hold steady in FY 2010.”

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 2009 and FY 2010* may be obtained at www.beaconhill.org or by calling BHI at 617-573-8750.