



The Beacon Hill Institute for
Public Policy Research

News Release

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Updated BHI state tax revenue estimate shows rebound in FY 2021 after significant loss in FY 2020

Institute expects revenue to grow by 3.0 percent in FY 2021

(Boston, MA) – As the Massachusetts economy turns the corner amidst the COVID-19 pandemic, The Beacon Hill Institute (BHI) projects that state tax revenues will total \$27.731 billion in FY 2020, 6.6% below FY 2019, and \$28.562 billion in FY 2021, 3.0% above FY 2020.

The shutdown clearly imposed costs on the state economy. In January, The Beacon Hill Institute estimated that Massachusetts state tax revenues would total \$30.242 billion in Fiscal Year 2020, 1.9% above FY 2019. At that time the Institute, FY 2021, revenues would total \$30.476, a mere .8% above FY 2020. The latest revisions do show some improvement for the current fiscal year.

William F. Burke, BHI Director of Research, released the estimate today which will also be presented to the administration and the Joint Committee on Ways and Means. Each year, the legislature uses the BHI estimate, along with estimates provided by other groups, to help determine the revenues needed for the upcoming state budgets.

Legislators have yet to pass a FY 2021 budget, as the state faces a potential \$6 billion budget deficit.

“The major indicators for the state economy – like recent measures of state Gross Domestic Product and the unemployment rate – have translated into lower state revenues,” says Frank Conte, who co-authored the Institute’s estimate. “Also putting pressure on revenues are consumer worries about their economic well-being.”

In FY 2021, personal income taxes will increase by 9.5 percent and corporate income taxes will rise by 8.7 percent. Sales tax revenues will fall by 1.3 percent. Alcohol taxes will fall by 4.9 percent. Motor fuels taxes will increase by 2.1 percent, and cigarette taxes will increase by 1.0 percent. Other tax revenues will fall by 12.6 percent. Even with the rebound in FY21, state revenues will lag the FY19 highpoint of \$29.7 billion.

A full copy of the revenue estimate is available at: <http://www.beaconhill.org>.