**MOSES Board of Directors, January Meeting: Legislative Update**

Tuesday, January 11, 2022

*Provided by Steven Smalley, Legislative Director*

**Tax Revenue Update**

Massachusetts collected $4.24 billion for the month of December, which is $1.4 billion more than actual collections in December of 2020 and $1.23 billion more than benchmark. The increase in collections is due in part to the recently enacted elective pass-through entity (PTE) excise, which allows members of a PTE to avoid the federal limit on the deduction for state and local taxes by electing to pay tax on the PTE’s income at the entity-level, and then claim a credit equal to 90% of the PTE excise paid. Many PTEs took advantage of this and paid their 2021 excise taxes in December in order to claim a deduction on their 2021 federal return. In the coming months, PTE members who also paid estimated taxes themselves on PTE income will receive refunds due to the credits offsetting 90% of the PTE excise payments. As a result, most of the increase in collections associated with the PTE excise is temporary. After adjusting for PTE excise payments, DOR had December 2021 collections at $520 million or 18.3% above actual collections in December 2020, and $635 million or 23.3% more than the benchmark.

FY2022 year to date collections are approximately $17.846 billion, which is $2.674 billion or 18.7 % more than the same period in FY2021 and $1.549 billion more than benchmark.

December collections included increases in all major tax types including regular sales and meals tax primarily due to strength in retail sales and easing of some covid restrictions. FY2022’s tax revenue projection was updated in December to fall between $35.7 to $36.6 billion, an increase of $1.325 to $2.2 billion from original budget projections.

**Collective Bargaining Supplemental Budget**

With the Legislature back in session as of last week, MOSES is continuing to press Governor Baker to file a supplemental budget to include the Commonwealth (and MassDOT) agreements. There is no firm timetable for a supplemental budget to come out, but it is anticipated to be sometime in the next month.

**MOSES Legislation**

On December 30th, **S1665/H2572**- An Act providing for fairness and equity for the MWRA was reported favorably by the Joint Committee on Public Service. This legislation applies the 'just cause' standard for removal from a position, which is standard for positions covered by collective bargaining agreements, to the Massachusetts Water Resources Authority. The bill now moves on to Senate Ways and Means.