

# leftpage

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## Should Massachusetts Eliminate the State Income Tax?

At a time when cost-of-living expenses are draining more and more money from our wallets, the hope of putting some back just might prove irresistible when it comes time to vote for or against the end of personal income tax in Massachusetts. It's a question Massachusetts voters will be asked in November.

But before we delve into the concept, let's take a look at the income tax. What kind of money are we talking about? And what is it being used for?

This year, about 40 percent of the state's tax revenue, that's about \$11 billion, will be collected via the personal income tax from state residents. Forty percent. That's a big piece of pie.

If you believe in the common-sense logic that pooling resources is an efficient means of utilizing those same resources to tackle large public projects, you don't see paying taxes as "Oh my God, that's \$11 billion of my hard-earned salary!" You see paying taxes as a contribution to the state's services and to the maintenance and building of necessary public infrastructure. You see paying taxes like paying tithes to your church or temple to help support the greater good of the congregation and those less fortunate. You see it as your contribution to the community.

In addition to the personal income tax, Massachusetts residents also pay property tax, a general sales tax, business taxes, corporate income taxes, selective sales taxes and other miscellaneous taxes.

The personal income tax, which the state constitution mandates at a flat rate, is currently set at 5.3 percent.

Although the rate is flat, the Massachusetts Budget and Policy Center (MBPC), an independent research organization, considers the Massachusetts

personal income tax as slightly progressive in that through a system of exemptions and credits, lower-income groups pay less tax. Data collected by the Institute on Taxation and Economic Policy indicates the bottom quintile of income earners dedicates 0.2 percent of their incomes to the state income tax while the top quintile dedicates 4.3 percent.

How does the state use these taxes? According to United for a Fair Economy, in 2000, when the budget was \$23.5 billion (this year's budget is about \$26 billion), the pie was divided thusly: education 22 percent; medical assistance 21 percent; human services 19 percent; public safety 8 percent; debt service 6 percent; local aid to cities and towns 6 percent; with the remaining 18 percent divided among environmental programs, pensions, and running the government.

Proponents of ending the personal income tax claim that state spending has doubled in a decade. Wrong. According to MBPC, at the end of 1991, the state spent \$13.6 billion. Adjusting this figure for inflation brings state spending up by 25 percent over the 12 years between 1991 and 2003, or about 1.8 percent a year. The MBPC says that the extra spending went to "increases in education and health care, exactly the priorities voters say they want."

An increase in spending seems the logical result of serving a growing population, which rose from a little more than 6 million people in 1990, to just shy of 6.5 million in 2006. Despite the population growth, pressure to reduce spending has taken its toll.

"Rather than expanding government," says the MBPC, "the state cut housing programs by two-thirds, cut cash-assistance programs by almost 60 percent, cut mental-health programs and

cut environmental programs."

While state spending rose by about 1.8 percent a year after adjusting for inflation, according to the MBPC, "Personal income in Massachusetts grew by about 2.5 percent a year. In other words, throughout the 1990s and into the new decade, income growth consistently outpaced the growth of in-state spending."

In addition to the effects income growth has had on lowering the tax-to-income percentage, according to the MBPC, cuts in the personal income tax during the years 1991 to 2006 have reduced state collections by \$2.9 billion annually. And today, coincidentally, we're short about \$2 billion in the state budget.

Shortfalls in revenue mean the state has less to spend, as can be seen in one example of dipping expenditures for higher education. According to The Boston Foundation, between Fiscal Year 2000 and Fiscal Year 2004, Massachusetts decreased its per-capita tax appropriations for public higher education by 28 percent, bringing the per-capita figure to \$155 and dropping the state's rank for per-capita spending to 46th in the nation.

Less to spend should be good news to those who advocate for fewer taxes and fewer state-run services, because in Massachusetts, that's what's happening.

Advocates for repealing the state income tax would like us to believe the state is flush with money and squandering it on useless programs and services. They would like us to believe we'll get a large payback. According to the MBPC, taxpayers would get \$3,600 back from the state every year if we didn't have to pay the personal income tax. The MBPC says that the \$3,600 is an average figure that encompasses the incomes of the wealthiest residents, which considerably raises that average. In truth, it's the high

