

Beacon Hill Byline by Mary Rogeness

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## **The Year of Tax Cuts**

Tax cuts are the topic of the day in the State House. After years of steady reductions to many different focused taxes, the legislature and the governor seem united in the belief that it is time to reduce the rates of the state income tax. It is a thrill for me to see the broad support for ideas that I have supported throughout my time on Beacon Hill.

With the 21 tax reductions that have been enacted since 1991, citizens are already realizing substantial savings, but an actual reduction in the rates on the tax forms will impact on everyone.

The tax reductions that are in place have provided significant relief for some people and businesses. Estate tax changes provided significant relief to the survivors of a Massachusetts decedent. The phasing out of capital gains taxes will continue to benefit those who have sold appreciated assets over the coming years. And any military retiree gains a tax-free pension as a result of last year's change in the tax code.

What has made the broader tax cut so appealing in 1998? There are several answers. First, with the existing reductions, the state is still experiencing strong revenue growth. Structural changes in government have restrained growth of the state budget, and the tax changes that have supported economic expansion have reinforced the state's recovery from the recession of the last decade.

Other causes for the tax-cutting popularity include the ballot question sponsored by Citizens for Limited Taxation and Government, formerly CLT, letting voters enact their own tax cut this November. The coming gubernatorial election also plays a part. Of the candidates for governor, Governor Cellucci, Treasurer Malone, and Attorney General Harshbarger all support tax cuts. It seems to be an automatic response to our strong economy and the substantial budget surplus from last year.

What kind of reductions are we talking about? The income tax on wages was raised to 5.95% in the crisis year of 1989. I support a phased reduction to 5%. Investment or "unearned" income is taxed at a rate of 12%. No other state has such a disparity in taxing types of income, and there is growing support for lowering the punitive rate on savings.

The state can continue to grow if we reduce these rates. I will be working throughout the session to bring the reductions to reality. Stay tuned for the main act.