

Beacon Hill Byline – By Rep. Mary Rogeness

October 22, 2000

November's Ballot Tax Questions

November 7th, as we all know, voters throughout the country will elect a new president. Massachusetts voters have the additional responsibility of deciding eight ballot questions. The questions deal with a variety of issues, and you will hear from supporters and opponents over the next two weeks. Two of those questions tackle important tax issues, and this week's Byline will discuss those issues.

Question 4, "the tax rollback," attracts the most emotion and the most expensive media campaigns pro and con. I support its tax cut proposal because it keeps a promise to voters, because the economy can afford it and because of the economic benefit it provides both to taxpayers and to the state itself.

What is the rollback -- and what is the promise? The story began with a tax increase. In the late '80s, the legislature increased the income tax rate from its traditional 5% to 5.95% to bail the state out of a budget crisis. News stories from 1989 make it clear: the tax increase was approved to take Massachusetts through a crisis. Once the emergency was over, the rate would revert to 5%.

The Massachusetts economy has led the nation in performance over the past decade, but the tax rate is 5.85%. With our annual surplus approaching \$1 billion, the tax cut is affordable. Question 4 avoids a precipitous revenue drop by phasing in the cut over four tax years with interim rates of 5.6% and 5.3%.

The benefit to taxpayers is obvious. The average savings when the reduction is fully implemented will be \$450. The benefit to the state is less apparent. Many small businesses pay taxes at the personal tax rate, and a more competitive rate will help Massachusetts retain those businesses as they grow. Such retention will be particularly important to our state when the business cycle turns and the economy softens.

If tax reduction is such a great idea, you may wonder why the legislature has dragged its feet. House leaders believe the reduction should be slower, and the house approved a gradual slide to 5% in this year's budget, though that reduction did not survive the house-senate conference. Some legislative opponents assert that any "promise" was actually broken in 1990 when the first deadline for reduction passed. Some believe that overall tax rates are at the appropriate rate now, that government should expand programs to expend any surplus, and that any reductions should be targeted to certain classes of taxpayer.

Opponents to Question 4 link it with Question 6 and say the combined two proposals are unaffordable. Question 6 is an attempt to provide tax credits for turnpike tolls and remove auto excise taxes. It is a cumbersome attempt to shift turnpike costs away from users and onto all taxpayers, and it has no real linkage to the income tax question. I do not support it, but its passage would send a strong anti-tax message to Boston that the governor and legislature would work with.

Do you believe the state should recognize its surplus as money that belongs to the government -- or does it belong to the people who pay their taxes. Next month that question will be posed to voters. Which philosophy will you support?