

Beacon Hill Byline by Mary Rogeness

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Getting and Spending

“The world is too much with us; late and soon, Getting and spending we lay waste our powers.”

I am reminded of these lines from a Wordsworth poem as the legislature struggles this week to develop a budget. State revenues appear insufficient to maintain last year’s spending levels, and lawmakers have faced the question of how to handle the shortfall. Should we raise revenue before adopting a budget, or should we set appropriations first?

The House Ways and Means Committee answered those questions by publishing a budget last week that spends only the revenue anticipated with the existing tax structure and presenting a group of tax increases to the membership. Acting on the tax questions before dealing with the budget, the house approved more than \$1 billion in new taxes. “Getting,” in our legislature, comes before “spending.”

The House approved five new taxes by a wide margin, though I voted against them. My opposition is based on these factors. Voters implemented two of the tax cuts, and the new taxes were bundled for an all or nothing vote. The “no-tax” budget appears to magnify the damage to programs unnecessarily, failing to consider the state’s reserve funds. Massachusetts prepared well for the downturn in the economic cycle by setting up a substantial rainy day fund, but the legislature has been unable to reverse expansion in government spending.

These are the tax increases you can expect to find when you file next year’s tax return if the tax bill becomes law. Income tax, scheduled to drop to 5%, will retain this year’s 5.3% rate. Capital gains tax, previously eliminated on assets held more than 6 years, increases to 5.3%. A voter-approved deduction for charitable giving is eliminated. Your personal exemption has been reduced from \$4400 to \$3300. These four taxes will increase the income tax for everyone who files a return.

The fifth tax increase, an additional \$.75 tax on each pack of cigarettes, applies only to smokers. Taxes on a pack-a-day smoker will increase by \$270 unless that taxpayer looks out of state for purchase. If the tax encourages the smoker to quit, Massachusetts reaps a public health benefit. If tobacco revenues decline, I certainly hope its because in smoking rather than out-of-state buying.

The House has moved beyond taxes and will spend the next few days developing the state budget, but there are more hurdles for the tax bill. The Senate may wait until our budget is complete to consider new taxes acceptable to both Speaker Finneran and President Birmingham. If and when the two branches agree on a single bill, Governor Swift has promised to veto it, and I don’t know where we go from there.

My deepest concern about legislative action last week is our breach of faith with the voters to interrupt the voter-mandated tax reduction. During the budget crisis in 1990, the legislature increased the income tax from its 5% rate “temporarily.” But when the coffers were filled, the tax rate remained at 5.85% until voters mandated the phased reduction in the 2000 election. Last week’s House vote provides a trigger mechanism to reduce the rate 5%, but it is a very slow trigger. The best case scenario would restore the 5% rate in 2009.

I have worked hard to remove Taxachusetts from common usage, and I will fight against its return to the Commonwealth.