

Beacon Hill Byline by Mary Rogeness

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Taxes

“Nothing is certain but death and taxes!” says the old expression. And here in Massachusetts we tend to feel like we pay much more to the government than people in other states. A book that arrived from the Tax Foundation to my office gave me the chance to check out our taxes. It compares all states on a variety of tax measures, and of course I had to look it over to find out how we’re doing.

So I spent a summer afternoon doing just that. Here is what I found.

We are right if we think our income tax is too high. Massachusetts places first in the nation with our \$1,346 per capita income tax payments. We might lose that distinction if lawmakers were willing to carry out the voter-mandated reduction of the rate from 5.3% to 5%. The state has ended the past two fiscal years with billion-dollar surpluses, and the people voted overwhelmingly to reduce the rate, but the Democratically controlled legislature has blocked efforts to reduce the rate.

For better news, statistics say that Massachusetts lottery tickets should be considered a “best buy.” The state’s high prize payout is first in the nation and much higher than the average of all state lotteries. The lottery commission has figured out that people keep coming back for more if they get even small payouts as incentives. Sales are \$683 per capita (2004), a number exceeded only by the states that include slot machine revenue in their reporting.

There’s a good news – bad news situation on the federal tax scene. The good news of very high per capita income leads to the bad news that we are third in our tax burden, trailing only Connecticut and New Jersey in our obligation to Washington.

The reports on federal spending in Massachusetts show the way statistics can be slanted to give good or bad results. We rank 11th in receiving federal dollars, which sounds like pretty good news. But we pay so much to the federal government that the return is only \$.78 per dollar, placing us 44th out of 50. Both numbers are true, and you can choose between them depending on the purpose of your effort.

When we get to a variety of individual states’ taxes, our results are mixed. Our property taxes, aggregated for the whole state, are 7th highest. The \$.21 gasoline tax is only 21st, but the \$1.51 tax on cigarettes is among the highest. Our sales tax is right in the middle, as is the tax on wine. Beer, however, is another best buy. We rank 40th in the nation, even lower than New Hampshire.

The business climate is mixed, harmed by the very high price of unemployment insurance. Employers pay into a state fund for every employee on the payroll, and the charges are a damper on economic development. The index ranks us as 49th, with only Rhode Island receiving a lower score than Massachusetts.

I have covered only a few of the comparative tax tables. If your interest is piqued, I invite you to call or e-mail my office if you are interested in learning more. You can reach me at Mary.Rogeness@state.ma.us or 567-1661.