

REVENUE & TAXATION

2014 GOVERNOR'S RACE

*EXCERPT; PROGRESSIVE MASSACHUSETTS ENDORSEMENT
QUESTIONNAIRE RESPONSES (SECTION II, PART E)*



Contents

REVENUE & TAXATION.....	1
Statement/Experience	1
DON BERWICK.....	1
MARTHA COAKLEY	2
STEVE GROSSMAN	2
JULIETTE KAYYEM.....	2
Policies and Proposals.....	3
Tax Rates for Upper Incomes.....	3
Automatic Tax Decrease Triggers	3
Capital Gains	3
Progressive Taxation	3
Corporate Tax Breaks	4
Clawbacks and Transparency in Corporate Tax Breaks.....	4
Graduated Income Tax.....	4
NOTES	5

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REVENUE & TAXATION

[Section E] *Because of income tax cuts and the effects of the recession, Massachusetts has lost nearly \$3 billion in revenue over the last 12 years. We now collect less revenue than 21 other states, and our tax revenue is below the national average. Since 1982, local aid has dropped 58%. Cuts to the moderately progressive state income tax have meant increasing reliance on fees, sales, gas and property taxes, exacerbating the overall regressiveness of our revenue. Regressive taxation strains low- and middle-income families, and reduced revenue collection curtails our ability to invest in vital infrastructure.*

Statement/Experience

[Question E1/E2] *What principles do you bring to considerations of state revenue and tax reform (individual and corporate)? SUGGESTED TOPIC: How should we raise more revenue to adequately fund our communities for the future?*

DON BERWICK

Any candidate who says that the state does not need new revenue simply isn't telling the truth. Massachusetts cannot afford not to invest in the essential services that support the middle class and strengthen the social safety net. We must make a choice; – it's "spend now or spend (more) later."

I believe this badly needed revenue should come from three main areas:

1. Massachusetts needs to move towards a fair tax system that asks people with lower incomes to pay less, and people with higher incomes to pay more. I would both explore a constitutional amendment to our income tax system and work within existing law to further this goal.
2. We also need to hit the reset button on loopholes and exemptions. I will order a comprehensive and transparent review of all tax breaks. If an exemption helps to create jobs or strengthen the safety net, I will support it; if not, I will work to end it. There is no place for tax breaks that benefit only the wealthy and well connected.
3. Finally, we must control health care costs. The burden of high-cost care takes money away from workers, businesses, and state and local governments. I have unique experience working to achieve better care at lower costs. Here's how: we need to move away from a "fee-for-service" system that pays doctors and hospitals for what they do rather than the results they achieve for patients, and towards a simpler system that focuses on keeping communities healthy. Chapter 224 was a step in the right direction, but we need to move even faster. That's why I'm the only candidate that has put single payer on the table.

Berwick/Related Experience/Record

As CEO of the Institute for Healthcare Improvement, I spent 19 years leading successful efforts across the nation and globe to deliver better health at lower costs. And I have seen firsthand how lowering costs frees up much needed resources for governments to invest in critical social programs.

As Medicare and Medicaid Administrator, I fought the political wisdom that says not to talk about poverty because it doesn't poll well. I worked every day to keep helping the most vulnerable among us at the core of



our mission. And I used the tools of improvement that I have learned and taught for 30 years to make sure every nickel of tax payer dollars went towards its intended purposes – supporting the workforce to provide the highest quality health and health care for 100 million Americans.

MARTHA COAKLEY

Our first priority for growing state revenue should be growing our state economy, which will increase the amount of money reinvested in local businesses and increase state and local tax revenues.

We also need to examine how our state currently allocates its resources and determine if we are addressing our priorities as cost-effectively as possible and, along with that, identify areas where significant cost savings can be achieved. For example, controlling healthcare spending by 1% would save the Commonwealth nearly \$140 million dollars, money that could be used to fund critical programs in other areas.

If we determine that it is necessary to raise new revenues in order to accomplish our goals, we need to be sure that we are not increasing the burden on those who can least afford it, especially as our economy is only now beginning to recover and so many in Massachusetts are still struggling to make ends meet.

Coakley/Related Experience/Record

Our office works closely with the Department of Revenue to ensure that the tax laws are uniformly enforced for both businesses and individuals, and to identify and prosecute instances of tax evasion and other violations.

The Attorney General's Office is also unique in that it is a revenue generator for the Commonwealth and its citizens. Through our aggressive enforcement actions combating fraud and abuse, our office has recovered literally hundreds of millions of dollars back for taxpayers and the Commonwealth's general fund. During the last fiscal year alone, our office recovered nearly \$10 for every \$1 in our budget.

STEVE GROSSMAN

I would never rule out seeking additional revenue, as long as it's coupled with meaningful tax reform that hold harmless low and middle-income families through the uses of expanded exemptions. But first, I would seek to grow the economy by creating jobs and broadening our tax base. Second, I would look to save money just as I have done at Treasury by putting nearly every contract we oversee out to bid and saving the taxpayers more than \$20 million. Third, I would ask the business community to participate in public-private partnerships because it's in their long-term interest to do so.

JULIETTE KAYYEM

Our budget is a reflection of our morals. It is where we invest in people through investing in education, workforce training, veterans services and more. That is how I think about revenue and tax reform. We must have a system that pays for the services that our society requires.



Policies and Proposals

Tax Rates for Upper Incomes

[Question E3] *Do you support increasing income taxes on the wealthiest residents of Massachusetts?*

- SUPPORT: Berwick
- COAKLEY: As our economic recovery continues, part of building an economy that works for everyone is analyzing the fairness of our tax code. It is unfair if those at the top are paying a lower effective tax rate than many of those at the bottom of the income ladder. I am committed to examining our tax system and exploring all the options we have at our disposal to make it more progressive for everyone. What we cannot be doing is asking those at the bottom, who can least afford it, to be contributing more in taxes.
- GROSSMAN: I would not rule out seeking additional revenues but I would also insist that any such revenue legislation be coupled with meaningful tax reform that holds harmless low and middle-income families through the use of expanded exemptions.
- KAYYEM: I support having a progressive tax system where everyone pays their fair share.

Automatic Tax Decrease Triggers

[Question E4] *Do you support halting the automatic decrease in state tax when Massachusetts state revenues grow four quarters in a row?*

- SUPPORT: Berwick
- OPPOSE: Coakley
- GROSSMAN: I am deeply concerned that we have too many unfunded priorities and continuing to take hundreds of millions of dollars out of our revenue stream will undermine our ability to deal effectively with our critical priorities, however as governor, I would be required to implement the current law.
- No response: Kayyem

Capital Gains

[Question E5] *Do you support increasing the capital gains tax (with safeguards to protect seniors)?*

- SUPPORT: Berwick, Kayyem
- OPPOSE: Grossman*
- COAKLEY: I am committed to examining our tax system and exploring all the options we have at our disposal to make it more progressive for everyone.
- *GROSSMAN: I strongly opposed the plan to take away protections from seniors in the FY 2014 budget. I strongly believe that short-term capital gains should be taxed at a higher rate than long-term gains, which are a form of economic stability.

Progressive Taxation

[Question E6] *"An Act to Invest in Our Communities" was designed to raise significant revenue while making our tax code more progressive, but it has not passed the legislature. Would you support a renewed effort to pass this or similar legislation?*

- SUPPORT: Berwick
- COAKLEY: Again, I believe we need to explore every proposal that would make our tax system more progressive, and fairer, for everyone in the Commonwealth.



- GROSSMAN: I would not rule it out but I would also insist that any such revenue legislation be coupled with meaningful tax reform that holds harmless low and middle-income families through the use of expanded exemptions.
- KAYYEM: As I have said publicly, I supported Governor Patrick's legislative push and will continue to push similar initiatives. This act was not solely about increased revenue, but a call to invest in transportation, education, and other much needed services. I commit to fighting for these increases, whether through reformed tax code, public-private partnerships, or regional cooperation.

Corporate Tax Breaks

[Question E7] *Do you support eliminating or substantially reducing corporate tax breaks?*

- SUPPORT: Berwick, Grossman, Kayyem
- COAKLEY: Corporations should not be making massive profits while workers still struggle. We need to explore strategies that ensure that everyone pays their fair share in taxes.
- GROSSMAN: I support reducing unjustified corporate tax breaks, and I strongly believe that any tax break must require a clawback provision along with thorough economic analysis. We also need to grow the economy, and where tax concessions can create jobs we must consider using them.

Do you support repealing or significantly reducing the Film Production Tax Credit?

- SUPPORT: Berwick, Kayyem
- OPPOSE: Grossman
- COAKLEY: Again, we need to do a comprehensive review of our tax system to ensure that those at the top do not have unfair advantages, and that the burden is not increased on those in the middle, and at the bottom.

Clawbacks and Transparency in Corporate Tax Breaks

[Question E8] *Do you support increasing corporate tax break transparency and clawback provisions?*

- SUPPORT: Berwick, Coakley, Grossman, Kayyem
- GROSSMAN: I have repeatedly called for strengthening them, and I believe that any tax break should have a clawback provision with no exceptions.

Graduated Income Tax

[Question E9] *Would you support a state constitutional amendment creating a Massachusetts progressive income tax?*

- SUPPORT: Berwick
- COAKLEY: I am committed to examining our tax system and exploring all the options we have at our disposal to make it more progressive for everyone. What we cannot be doing is asking those at the bottom, who can least afford it, to be contributing more in taxes.
- GROSSMAN: I would not rule raising revenues but I would also insist that any such revenue legislation be coupled with meaningful tax reform that holds harmless low and middle-income families through the use of expanded exemptions.
- KAYYEM: As I have said publicly, I supported Governor Patrick's legislative push and will continue to push similar initiatives. This act was not solely about increased revenue, but a call to invest in transportation, education, and other much needed services. I commit to fighting for these increases, whether through reformed tax code, public-private partnerships, or regional cooperation.



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