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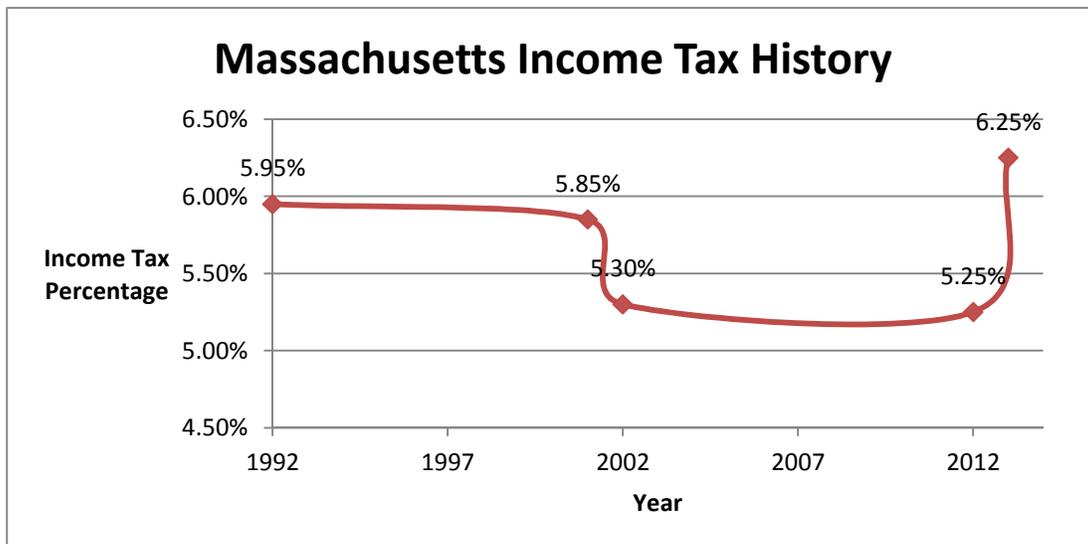
January 17, 2013

Proposed Income Tax Rate Increase to 6.25%

MassDOT proposed 5 new tax increases on Monday as part of a list of revenue raisers to fund their new “21st Century Transportation Plan.” Of the 5 tax hike options, the Governor endorsed the only non-user tax that hits working class families the hardest, an increase to the state’s income tax rate from 5.25% to 6.25%. In addition, he proposed a reduction of the sales tax from 6.25% to 4.5%. The Governor deserves credit for seeing the value in lowering the sales tax rate although the same logic that justifies a reduction for the sales tax rate should be carried over to the income tax rate.

In 2000, the voters supported a ballot question that would gradually lower the income tax rate to 5%, which was never reached. MA is 1 of 7 states in the nation that has a flat tax rate, and of these states we currently have the highest income tax rate. Additionally, this increase would place MA as the 2nd highest among New England states based on the national median income of \$52,762. According to the Tax Foundation, MA’s 2008 state-level individual income tax collections were \$1,549 per person, which was the 3rd highest in the nation.

If the Governor’s income tax increase becomes law, it would be the first income tax increase since 1990 and the highest income tax rate in the state’s history over the last 21 years.



*Data from the Tax Foundation, <http://taxfoundation.org/blog/massachusetts-implements-reduction-personal-income-tax-rates>

The Governor’s endorsed plan and the expiration of the federal government’s payroll tax holiday will further negatively impact working class families and their take home pay. The 2% federal payroll tax holiday expired on December 31st, 2012 adding \$1,319.62 in taxes to the median household income in MA. The governor’s proposed income tax increase would add an additional \$659.81 more in income taxes to the median household income, for a sum amount of \$1,979.43¹. Recently, the Governors of Louisiana and Nebraska proposed ending their states income tax to give relief to working class families. By endorsing a plan that raises the state income tax rate, Governor Patrick is in sharp contrast to other Governors and how they are handling the slow economy.

¹*This number was calculated does not include personal exemptions.

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