

Will Dems' tax hikes be whole milk or low-fat?

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Only in Massachusetts can Legislative leaders roll out a new \$500 million dollar tax hike plan and expect the public to think it's reasonable all while trying to fast track the tax hike into law without the normal hearing process. The Speaker and the Senate President did just that this past Tuesday. Although their plan costs less than the Governor's proposal of \$19 billion over 10 years, any new tax hike would be a hard hit on working families. The Republicans, a minority in the Legislature, proposed a plan on Thursday that speaks to a majority of the state. Their plan does not include any new taxes.

On Friday, the Labor Department came out with new jobs numbers. US employers added just 88,000 jobs in March which is the fewest in nine months.¹ That's less than half the average of 196,000 jobs in the previous six months. Unemployment numbers took a slight dip, not because more people found work, but because they gave up looking for work. The percentage of working-age adults in the US with a job or looking for one fell to 63.3 percent in March which is the lowest such figure in nearly 34 years.² With unemployment and underemployment teetering at record high, the Governor and many Democratic legislators think now is a good time to raise taxes and introduce new taxes.

There is, however, a distinction with the two Democratic plans. Some Democratic legislative leaders have been quick to point out the obvious flaws with the Governor's proposal. Democratic State Representative Lori Ehrlich summarized it well when she said, "Over and over, I hear from people that they are worried about paying their bills. To overburden people with taxes to pay for "new wants" beyond necessary "needs" would be poor leadership."³

Outside of partisan politics, Standard and Poor's wrote in a March 18th report warning against the Governor's proposal. They said, "The budget is not structurally balanced in our opinion and relies on nearly \$1 billion of nonrecurring measures." Moody's, another rating agency stated in a March 15th report, "Requiring the income tax to pull in an even greater portion of the state's revenue would leave Massachusetts vulnerable." They continued and stated, "Based on fiscal 2013 estimates, 58 percent of the Commonwealth's general fund revenues come from personal income taxes. The proposed change would increase that to 72 percent, the second highest of any state and an increasing of Massachusetts' reliance on an already volatile revenue source."⁴

¹ http://www.washingtonpost.com/business/us-companies-likely-kept-up-steady-job-gains-though-recent-reports-suggest-hiring-could-slow/2013/04/05/0a2fb020-9dbf-11e2-9219-51eb8387e8f1_story.html

² <http://www.miamiherald.com/2013/04/05/3324691/us-companies-likely-kept-up-steady.html>

³ <http://www.wickedlocal.com/marblehead/newsnow/x2082728657/COLUMN-Tax-and-transportation-talk#axzz2PmLVKrAM>

⁴ http://archives.statehousenews.com/cgi/as_web.exe?2013.ask+D+3324871

Sounds like many reasonable minds can agree that the Governor's plan is no good, but Democratic legislative leaders proposed some bad ideas; a low fat milk version compared to Governor's whole milk proposal with all the fat.

Democratic legislative leaders proposed a hike to tobacco taxes, making Massachusetts the second highest in the country, only behind New York in some categories. They proposed a gas tax hike of "only 3 cents," increasing this tax to 24 cents per gallon, the first hike to the gas tax since 1991. The Democratic proposal not only increases the gas tax, they also tied it to the rate of inflation. This means it will always go up, not down, and without a public hearing or vote by your elected leaders. These tax hikes would go into effect in 2015, after the next election.

Another tax increase tucked away is an increase excise tax on utilities, including electric companies, from 6.5 percent to 8 percent. As if the hardworking people of Massachusetts weren't being taxed enough, they can look forward to higher utility bills as well.

Despite Massachusetts being ranked as the 49th best state to operate a business by last year's CBNC rankings, Democratic legislative leaders identified a new industry to tax. They want to apply the 6.25 percent sales tax to certain software services, possibly to ensure that both the purchase of software and modifications to software are both subject to the sales tax.

The Massachusetts Tech business is one of the most successful and growing sectors in the state. It was just about a month ago that legislators and administration officials met for the first Tech Hub Day in the State House. Secretary of Economic Development Gregory Bialecki said, *"If you look at our economy it is clear that the tech sector has become over the last 30 years a pillar of our Massachusetts economy. But I know for a lot of people in the tech sector they feel like that is not their relationship with state government. They are still seen as kind of the new kids on the block, and they don't really feel in many ways that their state government is thinking about them, thinking about policies that support their continue growth and success."*

Democratic Legislative leaders are trying to rush these tax hikes into law. They know it's a hard pill to swallow. They are attempting to circumvent the normal process which includes hearings and they voted against a Republican amendment to study the economic impact of the tax hikes before they are voted on. Democratic legislative leaders are hoping that the public doesn't catch on until after the next election. If the public does wake up to what's happening, these lawmakers will be as nervous as long tailed cats in a room full of rocking chairs come November.

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