

Investing in Massachusetts

PROGRESSIVE REVENUE REFORM



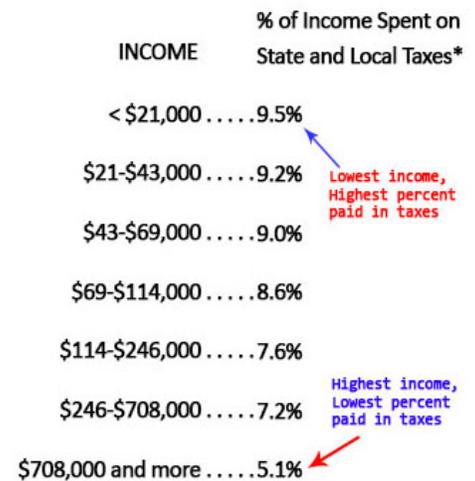
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The recent breakdown of the MBTA, the Governor's call for new budget cuts, and the looming budget shortfall make raising revenue an urgent topic for our state. Since 2001, funding for higher education has been cut 20%, and just this year, \$40 million was cut from the Massachusetts Department of Transportation, even as the collapse of the MBTA made the need for new transportation spending clear.

Without new revenue, we can't make investments in transportation and education to help working families succeed. Raising new revenue is necessary to improve K-12 education, rebuild crumbling roads and bridges, make college affordable and invest in fast and reliable public transportation.

Two Big Problems

1. **We don't raise enough revenue:** Massachusetts has a structural budget deficit – the cost of operating the state, including education, roads and bridges, services, transportation – exceeds the amount of revenue brought in through taxes. This has led to years of budget cuts, neglected needs and abandoned investments on our future strength as a Commonwealth.
2. **Our tax structure which raises that revenue is unfair** – As a percentage of income, taxpayers who have the least income pay the *most* in taxes, while the very wealthiest pay the *least*.



Principles for Revenue Reform

- Our tax system should be fundamentally fair. It currently is not.
- Our families and our communities need significant investments in the services, schools, and infrastructure that make Massachusetts a great place to live and work.*
- The revenue raised by taxes should be sufficient to fund these investments.
- Our current tax system is currently regressive** -- so this new revenue should come primarily from the highest income earners.

*including federal offset
Data from 2012, via Mass. Budget and Policy Center



**Significant means around \$2 billion, the amount necessary to address MBTA, education, restore budget cuts to services, spurred by tax cuts 1998-2002 and revenue lost during the Great Recession. A smaller amount will only be a temporary stop-gap, and we'll continue going from crisis to crisis and continue to need to cut programs, raise fees, and raise taxes again. Let's do it right.*

LONG TERM SOLUTION: Amend the State Constitution to Create a Graduated Income Tax (SD1057)

Working families already contribute their share of resources to help us reach our goals as a Commonwealth, but the richest organizations and individuals in Massachusetts often pay no or little taxes compared to the rest of us. It is time for everyone to pay their fair share for the common resources we all rely on.

Under our current system, the wealthiest among us pay a significantly smaller percentage of their income in state and local taxes than everybody else. One way we can correct this, create tax fairness, and generate revenue that can be used to invest in our communities is to enact a 3% increase in the income tax for income above \$500,000, netting the state almost \$3 billion dollars a year.



Because a flat tax is currently stipulated by the Commonwealth's Constitution, a true graduated income tax must be achieved through a state Constitutional amendment.

This is a long process and Progressive Massachusetts supports taking the steps now to pass an amendment. Legislators should support Senator Eldridge's proposal for an amendment to the Constitution, creating a progressive income tax (SD1057).

Short-Term Legislative Fixes

While we should get started right away on a constitutional amendment, we need not wait to address the inequalities of our system and the shortfalls of our budget. Legislation to close corporate tax loopholes, or "An Act to Invest in our Communities" would all raise significant new revenue, while moderately relieving some of the imbalance in tax burdens. Legislators should support these goals and legislation.

An Act to Invest in Our Communities (SD396)

Sponsor: Sen. Sonia Chang-Diaz

Summary: This bill, refiled from last session, would raise approximately \$2 billion a year when fully phased in, giving us funds to invest in reliable transportation and other core priorities. It does this by restoring the state income tax to its 1992 level of 5.95% and making other reforms relative to unearned income. It also includes significant exemptions to shield low- and middle-income taxpayers and seniors from increases. By asking everyone—particularly those who can best afford it—to do their share, we can protect the investments of past generations and create a strong foundation for future economic stability and growth.

An Act promoting efficiency and transparency in economic development (SD1654)

Sponsor Sen. James Eldridge

Massachusetts invests heavily in economic development each year and yet we currently lack the data necessary to assess total spending or to judge the impact of our economic development investments. To increase the efficiency of the state's economic development agencies, we need to be collecting the performance management data that will allow us to make informed decisions and ensure that our economic development dollars are being spent as efficiently as possible. This bill would promote efficiency, accountability and transparency by improving the tracking, reporting and evaluation of the tax breaks and hold businesses accountable by requiring them to give the money back if they fail to deliver on their job creation or retention commitments.

An Act Relative to Transparency of Economic Development Spending (SD1658)

Sponsor Sen. James Eldridge

This bill would promote transparency in economic development spending by ensuring that all relevant information about economic development spending is available to those who foot the bill the taxpaying public. It would present the total picture of all economic development spending both through the state and by cities and towns in one unified budget.



QUESTIONS? CONTACT GRASSROOTS@PROGRESSIVEMASS.COM

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