

# 4

## Income Tax Rate Reduction

Do you approve of a law summarized below, on which no vote was taken by the Senate or the House of Representatives before May 3, 2000?

### WHAT YOUR VOTE WILL DO

**A YES VOTE** would reduce the state personal income tax rate in steps over three years to 5%.

**A NO VOTE** would make no change in the state income tax laws.

### SUMMARY

As required by law, summaries are written by the state Attorney General, and the statements describing the effect of a "yes" or "no" vote are written jointly by the State Attorney General and the Secretary of the Commonwealth.

This proposed law would repeal the law setting the state personal income tax rate on Part B taxable income (such as wages and salaries), which was 5.95% as of September 1, 1999, and would set the rate at 5.6% for tax year 2001, 5.3% for tax year 2002, and 5% for tax year 2003 and after. If the Legislature set

a lower rate for any of those years, that lower rate would apply.

The proposed law states that if any of its parts were declared invalid, the other parts would remain in effect.

See full text of Question 4 on page 16

### ARGUMENTS

**IN FAVOR:** Eleven years ago Massachusetts had a fiscal crisis. The Legislature increased taxes, promising this would be temporary and the income tax rate would quickly return to 5 percent.

Since then, state spending has doubled. Huge surpluses help fund the Big Dig and new programs. But the rate is still 5.85 percent.

For working people, this tax rollback is a pay raise; seniors benefit too because the "unearned income" rate tracks the wage rate. Taxpayers can invest in their family's future or favorite charity. Lower taxes protect our state economy.

Still, the best reason to vote yes is to make politicians keep their promise. They should be held to the same standard we teach our children: tell the truth and keep your word.

Ignore scare tactics from special interests: the rate is rolled back gradually. Essential services are secure and Prop 2½ protects property taxes.

Please keep the promise: vote yes.

Authored by:

Tax Rollback Committee  
McCormack P.O. Box 1988  
Boston, MA 02105  
(617) 338-2174

**AGAINST:** We have a chance today to invest in a strong future for Massachusetts' families, but Question 4 threatens that opportunity. Your "no" vote will keep the state focused on our top priorities — better schools, improved access to health care, and a strong economy.

- We need a healthy, well-educated workforce to be competitive in today's global economy. Question 4 would make it harder to reduce class size, expand early childhood education, fix crumbling schools, or increase access to health care.
- A strong economy has produced a budget surplus in recent years. But we should spend that surplus responsibly, on important priorities like education and health care rather than on a big tax cut for the wealthy.
- Question 4 benefits wealthier people far more than middle-income families, but it does nothing to promote investments or create jobs.

Vote "no" on Question 4. Invest in your future.

Authored by:

Campaign for Massachusetts' Future  
37 Temple Place, 3<sup>rd</sup> floor  
Boston, MA 02111  
(617) 426-1228

### MAJORITY REPORT

The majority of the Joint Committee on Taxation strongly opposes this petition and urges you to vote "NO".

The Cellucci-Swift petition repeats the folly of the late 1980s by irresponsibly embracing a fiscal policy in which the Commonwealth spends beyond its ability to pay. It slashes tax revenues in the Commonwealth by \$2.7 billion over four years with reckless disregard for the state's economy and its continuing financial obligations to fund quality public education, road and bridge repairs, and health care for children and seniors. We choose not to commit the taxpayers to an overzealous schedule of massive tax cuts that lacks the nec-

essary prudence of safely predicting the strength or weakness of the economy and the growing needs of the people over the next four years.

Many committee members support the general content and effect of this petition but oppose its precise language because a similar but more prudent alternative should be offered to the citizens. They specifically support an alternative to reduce the income tax to 5.0 percent automatically but one which is more sensitive to the Commonwealth's economic health and its ability to fulfill its obligations to the people. Such an alternative would offer the same effect of an

**MAJORITY  
REPORT  
(cont.)**

inevitable return to a 5.0% income tax rate and would be achieved by the same content or general idea of phasing in tax cuts but in a way more fiscally responsible by temporarily suspending them if the economy falters. Such an alternative tax cut would retain the sense or gist of the petition but would offer the people a true alternative if they that feel a phased-in tax rate cut of 5.0% is fit to adopt.<sup>1</sup>

These members oppose the petition, as drafted, for the same reason Governor Cellucci opposes the petition to refund road tolls and excise taxes: it costs too much, too fast. The Governor's testimony in opposition to the latter petition undermines his support for his own petition. That is, his petition goes further and faster than the commuter petition. The fiscal year 2001 cost of his plan to cut the income tax is \$135 million while the commuter petition has no revenue impact for that year. In fiscal year 2003, his plan costs \$883 million, 37 percent higher than the commuter petition for the same year at \$645 million. In the first full year of implementation, his plan costs \$1.154 billion, a full 70 percent higher than the commuter petition at \$677 million.

Some members oppose the Cellucci-Swift initiative petition because reducing taxes by \$2.7 billion over four years is simply not affordable. These members argue that the Legislature has already passed 45 tax cuts since 1992 that today are worth \$2.7 billion a year. This record of affordable, targeted tax cuts disproves any claim that the Legislature is unwilling to cut taxes. These members, however, believe it would be fiscally irresponsible to cut taxes another \$2.7 billion over four years in the face of increasing state commit-

ments to education, to expand health care, and to improve our roads and bridges. They believe that it is incumbent on the Legislature to continue these vital investments.

Other members oppose the Cellucci-Swift initiative petition because it is an unfair way to cut taxes. The working and middle class would only reap a fraction of the tax benefit that the wealthy receive, and would drain money that would otherwise be used to improve our schools, health care access, and roads and bridges, and to increase the supply of affordable housing and child care options. These members believe that future tax cuts should be specifically targeted to help the poor and working families who pay a disproportionate share of their income in taxes. They oppose this rate reduction because it provides most of its relief to people in the upper tiers of income.

For all of these reasons, a majority of committee members strongly recommend a "NO" vote on this initiative.

The undersigned members support the majority report on House 4981:

**Representatives:**

|                      |                        |
|----------------------|------------------------|
| John H. Rogers       | Joseph F. Wagner       |
| Philip Travis        | J. James Marzilli, Jr. |
| Daniel F. Keenan     | Thomas M. McGee        |
| Charles A. Murphy    | Barry R. Finegold      |
| Kathi-Anne Reinstein |                        |

<sup>1</sup>The record should reflect that Representative Finegold believes that the House plan should begin in the same year as the initiative petition.

**MINORITY  
REPORT**

We write to you to express our full support of House Bill 4981, *An Act to Roll Back the State Income Tax Rate to 5% by the year 2003*. This initiative would keep the promise made to Massachusetts taxpayers in 1989, that the income tax hike would be temporary and the rate on wage and salary income would return to 5 percent when that year's fiscal crisis was over. The crisis ended almost a decade ago and bonds that were used to pay overdue bills have been paid off. In fact, state spending has doubled since the tax hike took effect and the Commonwealth has since accumulated a "rainy day fund" of more than \$1.4 billion.

The tax rollback is estimated to save taxpayers up to \$1.2 billion when fully implemented. It is conservatively phased in over three years, with the rate dropping to 5.6 percent in 2001, 5.3 percent in 2002, and its original 5 percent in 2003. The tax increase eleven years ago was caused by overspending during the 1980s. Where the economy was strong, state government grew to a level that could not be sustained when the economy slowed down. The Commonwealth has been making the same mistake, spending an additional billion dol-

lars every year. The alternative to this tax rollback could be another tax increase during the next recession.

We recognize that the only way to control the growth of state government is to keep the surplus money away from the Legislature and instead leave it with its rightful owners. The three-year phase-out supported by Governor Cellucci and the House Minority Leadership is gradual and responsible, while still being a restraint on dangerous overspending.

The varied tax cuts adopted over the past ten years have stimulated the state economy and helped keep it strong and competitive. We cannot conceive of a better time to keep the promise that the income tax increase would be temporary. We recommend adopting this proposal and rolling back the rate to its historic 5 percent.

The undersigned members support the minority report on House 4981:

**Senators**

Jo Ann Sprague

**Representatives**

Viriato Manuel deMacedo  
David H. Tuttle