

A PROPOSED LAW TO ELIMINATE THE STATE INCOME TAX

Summary:

This proposed law would eliminate the state personal income tax for all tax years beginning on or after January 1, 2009. The personal income tax applies to income received or gain realized by individuals and married couples, by estates of deceased persons, by certain trustees and other fiduciaries, by persons who are partners in and receive income from partnerships, by corporate trusts, and by persons who receive income as shareholders of "S corporations" as defined under federal tax law. The proposed law would not affect the tax due on income or gain realized in a tax year beginning before January 1, 2009. The proposed law states that if any of its parts were declared invalid, the other parts would stay in effect.

The Petitioner's Argument: Committee for Small Government Website: <http://www.smallgovernmentact.org>

- Tax payers would save money.
- Seven states have no income tax. Tennessee and New Hampshire tax only dividend and interest income.
- The government budget would be reduced.
- State spending would be curbed, creating a budget similar to that of 1995, subsequently forcing the state legislature to streamline and cut the waste out of the Massachusetts state budget.
- It will take \$11 Billion out of the hands of Massachusetts Big Government – and put it back into the hands of the people. This \$ 11 billion will create hundreds of thousands of new jobs in Massachusetts.
- This will force the state legislature to get rid of the failed, flawed government programs that don't work.

LWVMA Arguments Against the Proposal:

- If the income tax were to be eliminated, this would result in more than \$12 billion being removed from the state's tax base, more than a third of the state's \$27 billion budget.
- There would be \$12 billion less in state funding for public works projects such as construction (roads/highways), public safety, school budgets, and many other state services (including Medicaid).
- If state funding is cut to programs such as Medicaid, then the federal funding will also be eliminated to these programs.
- If this tax were to be eliminated, this could lead to lawsuits against the states if they could not fulfill government mandates (as a result of the money shortfall).
- Local communities may have to raise property taxes significantly to maintain local services. For example, the state provides 40% of the total K-12 education funding in Massachusetts. This would probably be lowered if the tax was eliminated.
- Municipal Governments would see more overrides and the state would raise fees and the sales tax.
- Business and Corporate taxes are so low that a reduced tax would create higher profits but not necessarily more investment.

League Stance:

- Where We Stand , Program and Action book for The League of Women Voters of Massachusetts policy, "A state and local tax structure that will have an equitable impact on taxpayers and adequately support state services with consideration of the effect on the state and local economies; distribution of state aid in a manner that will equalize municipal resources; a comprehensive state budget system that will provide a basis for the evaluation of the cost and effectiveness of current state programs and long-range capital expenditures; up-to-date, uniform and accurate property valuation; and efficient management of the revenue collection systems." (1969-1979, 1992-93)
- LWVMA policy of opposition to draconian tax and expenditure limits which are inflexible, are borne unduly by the poor, discourage good fiscal planning and - a very important argument- cause detrimental changes in the balance of power between state and local government. June Michaels – Fiscal Policy Specialist, Coalition to Fight Income Tax Initiative, 978-546-3863, email macluj@comcast.net

Resources

<http://unionreview.com/carpenters-fight-elimination-income-tax>

<http://www.wwlp.com/global/story.asp?s=8518448>

http://www.boston.com/news/local/massachusetts/articles/2008/05/12/activists_push_to_repeal_state_income_tax/?page=2

<http://friendsoftr.blogspot.com/2008/05/income-tax-repeal-presses-forward-in.html>

<http://www.metrowestdailynews.com/news/x192204858/Income-tax-cut-unlikely-says-DiMasi>

<http://www.massbudget.org/question1.html>

<http://www.smallgovernmentact.org/nat-051508.html>

http://www.pvpc.org/pressreleases/2008/pr-may-22-08_pfp_tax.shtml

<http://www.govspot.com/know/incometax.htm>

<http://smallgovernmentact.org/index.html>