JUST THE FACTS

on the Proposed Tax Hike Amendment

In November, **the ballot will feature a proposed Constitutional amendment to raise a series of taxes by 4 percent when annual household (including business) income exceeds $1 million. This 80 percent increase would be the largest in state history. The tax will fall primarily on retirees and small businesses, exacerbate the flight of talent and wealth from Massachusetts, hand a blank check to politicians already flush with billions of dollars in state budget surpluses and — because it alters the constitution — be virtually unchangeable if passed.**

The tax mainly impacts retirees and small business owners—not "millionaires"

The majority of households ensnared by the tax hike are not "millionaires" — they do not regularly have incomes exceeding $1 million. They are households selling a business or seniors selling their home and assets to fund retirement. Pass-through businesses — partnerships, sole proprietorships, S or limited liability corporations that are taxed via individual returns — account for 70% of all for-profit entities and employ half of Massachusetts' workforce. When added to other taxes that only apply to such entities, **these small businesses would pay taxes at a higher rate than large corporations**.

The tax would chase talent and money from Massachusetts

Already, more Massachusetts loses more people — and wealth — than are moving in. Between 1993 and 2018, Massachusetts experienced an annual net loss of nearly $1 billion, 70 percent of it going to low-tax Florida and New Hampshire. Recent Census data shows that in 2021 alone Boston hemorrhaged 3 percent of its population.

During this century, Connecticut has repeatedly raised taxes on high earners and employers. Between 2012 and 2018, it lost more high-income taxpayers per capita than any other state — and its budget have only worsened. How many wealthy taxpayers left? The year after Connecticut raised its income tax in 2015, the amount of taxes paid by the state's 100 largest taxpayers **dropped by 45%**.

Initial estimates that the proposed Massachusetts amendment would generate $2 billion in new revenues have in recent studies declined to $1.3 billion, and in a few years the revenue yield is likely less than that due to the exodus of people and wealth.

The tax would devastate the economy

Connecticut's experience from 2008 to 2020 is instructive:

- On private sector wage growth, Connecticut ***ranked 49th*** (Massachusetts 9th)
- On jobs, Connecticut had ***negative*** growth (Massachusetts 12.5% growth)
- Headquarters of marquee companies like GE and Alexion Pharmaceuticals fled to Massachusetts

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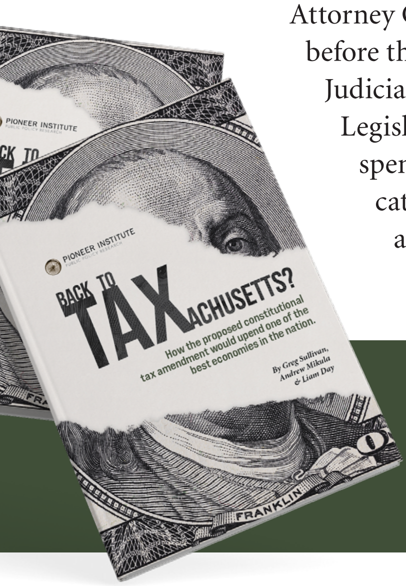
The tax would worsen the Massachusetts' already challenging business cost environment. CNBC ranks **Massachusetts 49th in the country for the cost of doing business**. The pandemic has dramatically increased the number of people working from home and empower employees living in more affordable areas to work for Massachusetts companies.Recognizing this, 16 states cut their income taxes in 2021, 13 have income tax cut legislation pending, 9 are considering reductions in corporate taxes, and sales tax cuts are under consideration in 5 states.

The tax is a blank check for politicians

What about all that money for education and transportation? The amendment's tax revenues might be directed to those areas, but the legislature is free to redirect current funding for public education and transportation to other priorities. **The proposed tax hike doesn't require an additional cent to be spent on our schools, roads, bridges and public transportation.**

That's precisely what's happened in other states that have passed similar taxes, and our political leaders know this is a bait and switch. Attorney General Maura Healey argued before the Massachusetts Supreme Judicial Court (SJC) in 2018 that "the Legislature could choose to reduce spending in specified budget categories from other sources and replace it with new surtax revenue." The late SJC Chief Justice Ralph Gants stated during that case's oral argument that the amendment might not result in an increase in education and transportation spending; the lawyer representing the Attorney General before the SJC fully agreed.

And the legislature has also made its intentions crystal clear: Twice during debates on the proposed ballot measure, legislators rejected amendments to require that new revenues generated by the proposed tax be **dedicated in addition** to existing education and transportation expenditures. (They were voted down 4 to 1.)



The tax is the usual political solution to a non-existent problem

The state government is swimming in money it does not know how to spend. Over the past decade, the state budget grew by more than 60 percent, and state employee salaries rose by a third. By comparison, the average household's income grew less than 20 percent.

In fiscal 2021, the Commonwealth's surplus exceeded $10 billion, including collections from residents, workers, and businesses $5 billion higher than projections and $4.8 billion in unspent federal funding for COVID-19 relief.

Massachusetts spends more than $17,000 per pupil, higher than nearly every other state in the nation. Spending on the MBTA and transit is at historic highs, and billions are spent on other infrastructure, even as we see projects taking years to complete and the Massachusetts highway system ranking 47th nationally in cost-effectiveness.

So, what will legislators do with a blank check for a billion dollars or more? Here's a hint: In 2021, a proposal ***costing billions and supported by 70% of State House members*** would have given bonuses for COVID duty to ***legislators*** even though the State House remained closed throughout the pandemic.

The ballot question would amend the state Constitution: You can't undo it

Any repeal would be onerous, if not impossible. Repeal would take years and require approval by two consecutive legislatures and then by voters in a new statewide referendum. Meanwhile, Massachusetts would bleed jobs and people.

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