MASS HIGH TECH COUNCIL STATEMENT ON INCOME TAX AMENDMENT HEARING

The proposed amendment will result in unavoidable negative impacts on Massachusetts’ economic climate during a time of historic expansion of economic growth, opportunity and momentum and state revenues at record levels. This is a certainty, borne out by actual experiences in states which have similarly attempted to segment taxpayers with so-called progressive tax strategies that overreach.

The proposed amendment is unwise, unwarranted and imprudent and raises serious questions about the Commonwealth’s long-term fiscal instability at a time when many economists are predicting a national recession at some point within the next few years.

The proposed tax increase amendment would be a damaging step backward for the state.

The proposal would cause immediate and long-term harm to Massachusetts’ brand as an attractive hub for innovation, entrepreneurship and investment and would do lasting damage to the fiscal, economic and civic health of the Commonwealth. At a time when our economy is performing well, the amendment presents a serious risk and one we cannot afford to take.

Any shift in state policy that weakens the private sector performance will create significant state budget challenges in Massachusetts.

The thriving private sector economy is allowing Massachusetts to support one of the highest levels of state spending in the nation, providing high levels of state funding for education and transportation.

- Massachusetts’ fiscal condition receives poor ratings in several respected and peer-validated 50-state rankings. Massachusetts is ranked:
  - 44th in the recently-launched MATTERS State Fiscal Stability Index;
  - 47th in the George Mason University/Mercatus Center State Fiscal Condition report; and
- State spending in Massachusetts is the 6th highest per capita in the United States.
- Over the past 15 years, the state budget has DOUBLED to over $41 billion dollars annually, a growth rate that far outpaces inflation.
- State revenues for FY19 were 50% higher than they were in FY09.
- Massachusetts taxpayers support the 7th highest level of per pupil spending in the country with an average annual expenditure of more than $15,000 per student.
- Federal Highway Administration data shows that Massachusetts spends four times the national average to build and maintain each mile of highway, more per mile than 47 other states.
Around country, state leaders from both sides of the aisle are rejecting similar proposals, turning away from “Millionaires Taxes” and other hyper-progressive and anti-competitive tax policies.

These leaders within the Democratic party recognize that anticipated tax revenues are inflated, illusory and volatile and understand that the negative impacts of high state taxes on competitiveness have intensified due to federal caps on deductibility. Note, for example the following comments:

- Andrew Cuomo, Governor of New York: *If even a small number of high-income taxpayers leave, it has a great effect on this tax base. You are relying on a very small number of people for the vast amount of your tax dollars. Tax the rich. Tax the rich. Tax the rich. We did that. God forbid the rich leave.*

- Dannel Malloy, former Governor of Connecticut: *Connecticut is too dependent on our highest-income earners for our revenue. We need to go down a different road with tax policy, and that’s not raising taxes.*

- Steve Sweeney, President, New Jersey State Senate: *You have the ability to save a lot of money. We should be doing that before we’re ever talking about raising the income tax, the sales tax or any other tax. NJ is in a “fiscal death spiral” that can’t be repaired by raising taxes.*

**Massachusetts should not take the precedent step of being the first state in the country to permanently imbed income tax thresholds and rates in its Constitution.**

Any need for new resources or new revenues should remain the subject of ongoing debates and discussion rooted in data and economic realities and preserve the legislature’s prerogative and responsibility to make decisions on taxing and spending policy. No other state in the nation imbeds an individual income tax rate in its Constitution and Massachusetts should not be the first.

**About the Massachusetts High Technology Council – [www.mhtc.org](http://www.mhtc.org)**

MHTC is an organization of CEOs and senior executives representing technology companies, professional services firms, and academic and research institutions dedicated to creating and sustaining conditions that support investment and job growth in Massachusetts. Our members are growth-oriented, knowledge-intensive employers and institutions that develop, deliver and depend on technology products, services and innovations to advance their organizational objectives.

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