



Massachusetts business leaders urge state to blunt potential impacts of Question 1 tax hike

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Greater Boston Chamber of Commerce head James Rooney (center), who has expressed concerns the approved surtax in Ballot Question 1 could undercut the state's competitiveness for talent and business.

SAM DORAN/STATE HOUSE NEWS SERVICE



By [Benjamin Kail](#) — Reporter, Boston Business Journal
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A day after the final tally revealed voters approved a [tax hike on income over \\$1 million](#), business leaders urged the incoming Healey administration and policymakers in state government to consider new incentives to keep the state competitive and prevent an ongoing exodus of talent and wealth from worsening.

[Jim Rooney](#), president and CEO of the Greater Boston Chamber of Commerce, told the Business Journal Thursday that the state has suffered from “a little bit of competitive complacency” among those who bank on the region’s quality of life and top educational institutions and hospitals. But “long-term, that’s not a sustainable strategy,” he said.

Concerned advocates like Rooney say the narrow approval of Ballot Question 1 this week — which will add an extra 4% surtax to the state’s 5% flat income tax rate for all earnings over \$1 million — just enshrined in the constitution [yet another reason to leave](#) or never start a business here to begin with.

About 800,000 tax filers with a combined \$65 billion in adjusted gross income left the commonwealth between 2010 and 2019, with high costs, taxes and lack of affordable housing cited as key drivers, according to [a report released](#) by the Massachusetts Taxpayers Foundation this summer.

Rooney, along with [Christopher R. Anderson](#), president of the Massachusetts High Technology Council and [Eileen McAnneny](#), president of the Massachusetts Taxpayers Foundation, told the Business Journal the state should eye business-friendly capital-gains tax changes, along with reforms to unemployment insurance.

“We’re in an intensely competitive environment ... for talent and business, and business units like research and development divisions and manufacturing,” Rooney said. “Texas and Florida are trying to gobble up talent and business. Tennessee, Arizona, even Ohio — they’ve advertised and been quite aggressively vocal. The burden of making sure we remain competitive in a legislative matter is to think of the full package of things that people and businesses decide on, and see whether or not there’s adjustments outside of the income tax that can be addressed.”

'Window will be short' to create incentives

Anderson said that state leaders have limited statutory tools to create incentives blunting the new tax, particularly because it’s a constitutional amendment that would be challenging to change. But he urged leaders to eye reforms to the estate tax; to modernize the research and development tax credit; and to eliminate capital-gains taxes for startups and creating other incentives for companies to stay here as they mature.

“And these are just marginal ... it’s not a wide swath of people,” Anderson said. “This is going to be an opportunity for (Governor-elect [Maura Healey](#)) to really shape a response that offsets the negative consequences of Question 1 ... and that window will be short. People are making decisions today.”

Rooney said the state should remain conscious of “mobility pricing,” improving transit options and coming up with a plan to replace gas tax revenue before 2035 hits and the sale of new conventional vehicles is off-limits.

McAnneny added that state leaders could create a method for the sale of primary residences and small businesses to be exempted from triggering the 4% surtax on income over \$1 million. “That would certainly help mitigate what otherwise could be negative economic consequences,” she said.

Additionally, MTF noted in its August report that while most states saw unemployment insurance costs dip by more than \$90 on average between 2015 and 2020, Massachusetts reported an increase of almost \$100. The group pressed policymakers to reduce the benefit duration from 30 weeks to 26 or fewer; eliminate the child dependency allowance; and toughen eligibility requirements by including greater ties to rejoining the workforce.

'Opportunity to work together'

The revenue from the new surtax will be earmarked for education and transportation funding, according to the text of the initiative. But the funds will be subject to appropriation by state lawmakers — which critics and researchers have pointed out could mean those areas don't wind up seeing substantial, if any, increases in spending.

But the tax hike's proponents say improving crumbling infrastructure and investing in public education and the next generation of talent will serve as incentives that will bolster the state's competitive edge over the long haul.

"Years from now, our communities will continue to see the benefits of better schools, safer roads and a tax system that asks those at the very top to do their part," said [Beth Kontos](#), president of the Massachusetts branch of the American Federation of Teachers, on Wednesday.

State Sen. [Jason Lewis](#), one of the lawmakers who filed the initial petition to get the question on the ballot, issued a direct challenge to opponents in a virtual news conference Thursday morning.

"Come to the table with solutions," he said. "We all love Massachusetts. We're proud of the state's history. We're proud of our national and even global leadership on so many issues. We're proud of our creative, strong, innovative economy. I call on business leaders to not just be in opposition. We have a great opportunity to work together."

The Healey campaign did not immediately respond to a message Thursday.

Healey, who expressed support for Ballot Question 1, has promised to appoint an East-West rail director, to boost the production of affordable housing, to invest in transportation and infrastructure, and to incentivize businesses in marginalized communities across the state, [MassLive](#) reported this week.