MHTC Urges Members to Vote No on Question 1: The Politicians' Tax Hike Amendment

Twenty-eight years ago, Massachusetts voters rejected scrapping the state's historic Constitutional requirement of a flat state income tax in exchange for new legislative powers to "graduate" tax rates for the fifth time in the Commonwealth's history. Question 1—which, if passed, would embed a four percent surtax on annual earnings over $1 million into the state Constitution—advances a permanent policy decision that a Boston Globe editorial on November 1 acknowledges is "one that runs the risk of creating unintended consequences that may be difficult to undo."

Difficult indeed. Prior legislative efforts to modify the Amendment to exempt home sales and small businesses, or to specify that funds raised must be in addition to, and not in lieu of, funds appropriated for education and transportation, were resoundingly rejected by the Legislature.

The Globe also asserts that, notwithstanding this risk, the Amendment is necessary to make Massachusetts' tax structure more progressive. The reality is that Massachusetts already has one of the most progressive tax policies in the country, with countless tax credits and other vehicles that alleviate lower-income residents' overall tax burden. The top 20 percent of Massachusetts taxpayers account for 72 percent of all state income tax collections.

The Mass. High Tech Council's mission to create and protect conditions that support investment, job growth, and a strong quality of life for Massachusetts employers and their employees leads us to support retaining the flat tax requirement in the Constitution as we did in 1994.

Since the 1994 campaign, our private sector economy has roared away from the Taxachusetts label that dogged employers' ability to recruit and retain employees. Our state tax revenue collections have yielded multi-billion-dollar surpluses for four consecutive years—and that is true in FY22 even after accounting for the return of $3 billion in over-collected taxes thanks to the Tax Revenue Growth Limit advanced by the Council and approved by voters in 1986.
Next week, voters will weigh the option of creating a new taxing authority in the Constitution—sweetened by a misleading promise of funding for two purposes—for the sixth time in Massachusetts’ history.

The following is a recap of “No on 1” campaign ads, key editorials, and articles on the issue. You’ll find fact-based themes that show that education and transportation investments are “options, not commitments,” the Amendment would accelerate the outmigration of wealthy residents, and that passing such a measure would go in the opposite direction of many states opting for flat-income tax rates.

**We strongly encourage our members to vote “No” on Question 1 to preserve our economic competitiveness and keep state tax revenue collections strong.**

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**Select Media Coverage of, and Commentary on, Question 1**

“*Millionaires tax proceeds are supposed to bolster education and transportation. Lawmakers would decide if they actually do.*” Matt Stout, Reporter, *The Boston Globe*, October 4, 2022

Reinforced by the admissions made by the Massachusetts Attorney General and pro-Amendment interveners in filings in our litigation before the Mass. Supreme Judicial Court earlier this year, this piece highlights that education and transportation investments are “options, not commitments”—in other words, new revenue from the Amendment does not commit or require the Legislature to increase spending in either of these two areas, despite proponents’ false claims otherwise. The article also references how efforts to modify the Amendment to specify that funds raised must be in addition to, and not in lieu of, funds appropriated for education and transportation were roundly rejected in the Legislature.

“*Editorial: Vote no on ballot Question 1.*” *Boston Business Journal*, October 12, 2022
The Boston Business Journal was clear in addressing proponents’ misinformation: “Yet, and we can’t say this plainly enough, there is nothing in the language of the ballot question that can ensure the Legislature will appropriate more funds for education or transportation.”

“Editorial: Massachusetts Flirts with Tax Masochism. Democrats want a 9% top rate on income despite a revenue surge,” Wall Street Journal, October 9, 2022

The Wall Street Journal’s editorial points out that the Amendment would accelerate the outmigration of wealthy residents and that Massachusetts is an outlier as many other states consider reforms to make their tax policies less onerous, including opting for flat income tax rates.

“There are rich people, and then there are the ‘one-time millionaires’,,” Shirley Leung, Columnist, The Boston Globe, September 22, 2022

This Globe columnist raises the “nest egg” tax implications of the Amendment, trapping one-time small businesses and retirees in an unintended consequence the Legislature is unwilling (and now unable) to fix.

Our mission is to help make Massachusetts the world’s most attractive place to live and work and create, operate, and grow high technology businesses.

For more information, visit our website.