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# Proposal Would Allow Local Sales Taxes

*By Christian M. Wade, Statehouse Reporter*

BOSTON — Cities and towns would be allowed to set a local sales tax to drum up more money for municipal services under a new proposal on Beacon Hill, but fiscal watchdogs say the move would hurt the state’s competitiveness.

Legislation filed this week by Sen. Joan Lovely, D-Salem and Rep. Manny Cruz, D-Salem, would authorize local governments to approve a “local option sales tax” up to 5%, on top of the state’s current 6.25% levy. If approved, local governing boards and councils would have to vote on adopting any new tax.

Cruz said he filed the bill in response to a request from Salem Mayor Dominick Pangallo, who wants to put the issue before the Salem City Council this year but needs approval from the state Legislature to change tax laws. Legislators are required to file bills from local officials, even if they don’t support them.

“I understand that for every community, a local option sales tax might not be the best fit, but in the case of Salem, it could help with filling some of the holes we’re seeing in our municipal budget and projects,” Cruz said. “This is a conversation starter.”

Lovely said she is also “neutral” on the tax bill but recognizes that Salem and other Cities and towns desperately need to explore new funding sources to ensure funding for critical municipal services.

“I haven’t taken a position on the bill, but I’m interested to see what the public thinks about it,” Lovely said. “People are pretty chilled about raising taxes. We’re seeing increased costs for food and utilities, so I would anticipate that we hear from a lot of people opposed to it.”

Pangallo said, like many cities, Salem is struggling to balance its budget amid flat state aid, dwindling revenues, and rising operating costs. He said a local sales tax would help generate more revenue for the city’s coffers while easing the burden on the city’s property owners.

The city has become a major tourist destination, drawing hundreds of thousands of people during its month-long Halloween event, and added revenue from a municipal sales tax would prevent the city from raising property and other taxes, he said.

“With such a high level of visitation, we’re looking for opportunities to move some of the cost burdens off of our residents and property taxpayers and onto tourists and visitors,” Pangallo said. “In cities and towns where it makes sense, this should be a tool for them.”

Massachusetts is one of only 12 states that doesn’t have a local option sales tax. Previous efforts on Beacon Hill to give cities and towns that authority have failed to gain traction amid opposition from legislative leaders on both sides of the political aisle.

Fiscal watchdogs say giving local governments the ability to set more taxes would exacerbate an affordability crisis in Massachusetts that critics say has contributed to an exodus of taxpayers leaving the state.

“Simply put, Massachusetts can't afford more tax hikes,” said Jim Stergios, executive director of Pioneer Institute and a member of the Mass Opportunity Alliance. “This bill would add to the steep tax burden that's making it harder for people to live and work in Massachusetts.”

“Instead of doubling down on bad ideas, lawmakers should make meaningful taxpayer relief a top priority,” he said.

Paul Craney, executive director of the conservative Massachusetts Fiscal Alliance, said Beacon Hill lawmakers need to “reprioritize state spending, and give more money back to towns and cities instead of just allowing municipalities the ability to raise local taxes.”

“The state adds mandates to towns and cities, but no way to fund them,” he said. “Massachusetts is below the national average for local aid going back to towns and cities, yet every year, they pass the largest state budget in state history.”

Municipal leaders say cities and towns across Massachusetts are struggling to balance their operating budgets as state aid remains largely flat, federal pandemic aid dried up, and Proposition 2 1/2 overrides are not keeping pace with rising costs.

Last year, Gov. Maura Healey re-filed her Municipal Empowerment Act, which would allow local governments to raise the maximum local option tax on hotels, motels, and other rentals from 6% to 7% of the price of a rented room, among other changes.

In a letter to lawmakers, Healey said she decided to refile the bill after discussions with

municipal leaders who “need increased relief from administrative burdens and improved tools to deliver for residents, including enhanced options for raising local revenue.”

A recent report by Massachusetts Municipal Association warned that a “perfect storm” of sluggish state aid growth and strict limits on local tax increases has left cities and towns with few options to plug gaps in their budgets. It echoed Healey's call for giving local governments the ability to increase taxes.

While the report didn't specifically call for a local option sales tax, the MMA's Executive Director Adam Chapdelaine said the proposal shows that there's an interest from local governments.

“We certainly understand the interest in and the need for significant revenue enhancements to ensure the delivery of essential municipal services,” he said in a statement. “Conditions vary among different communities, but Salem asking for this taxation option is evidence of the need at the local level.”

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