

The Massachusetts Budget Crisis: Who Hurts? Who Pays?

Participant Handout
Packet



A Workshop produced for the *Stop the Cuts! Campaign* by



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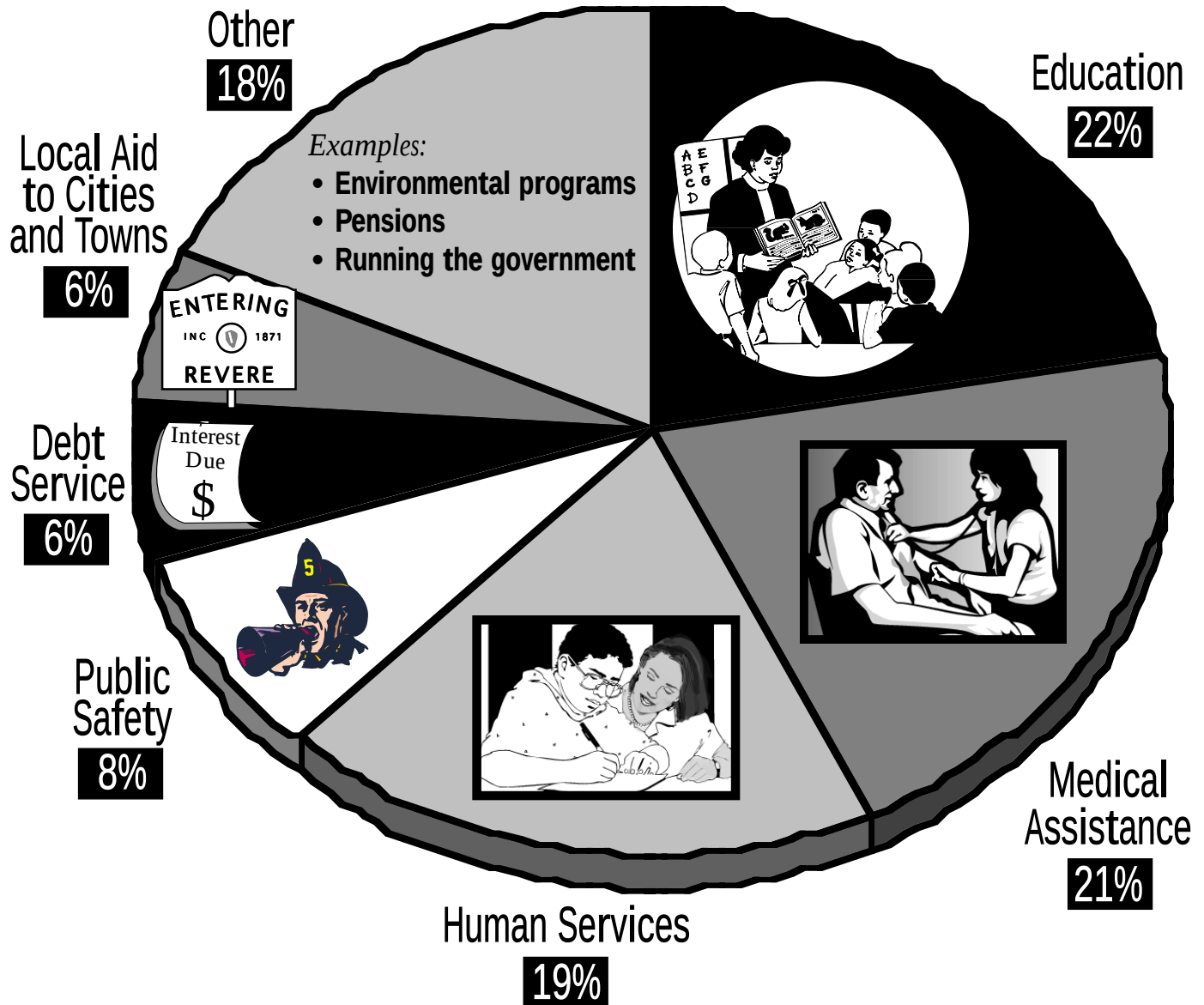
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Massachusetts State Budget: Distribution of Spending

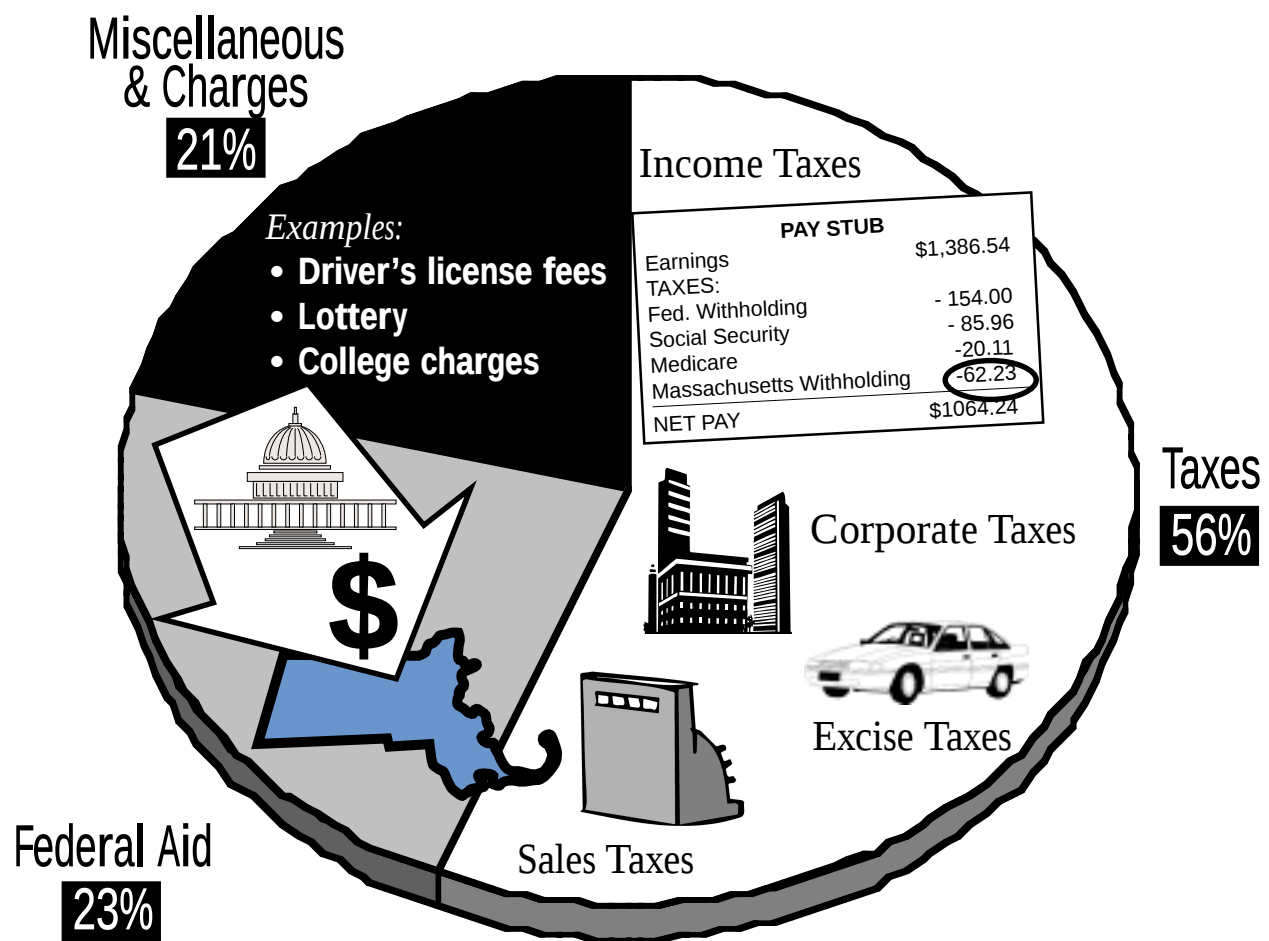
Where Does the Money Go?



Fiscal Year 2000 • Total Spending: \$23.5 billion

Massachusetts State Budget: Sources of Revenue

Where Does the Money Come From?



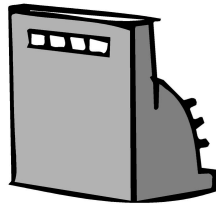
Fiscal Year 1998

Types of State and Local Taxes

★ **Income**

PAY STUB	
Earnings	\$1,386.54
TAXES:	
Fed. Withholding	- 154.00
Social Security	- 85.96
Medicare	- 20.11
Massachusetts Withholding	- 62.23
NET PAY	\$1064.24

★ **Sales**



★ **Excise**



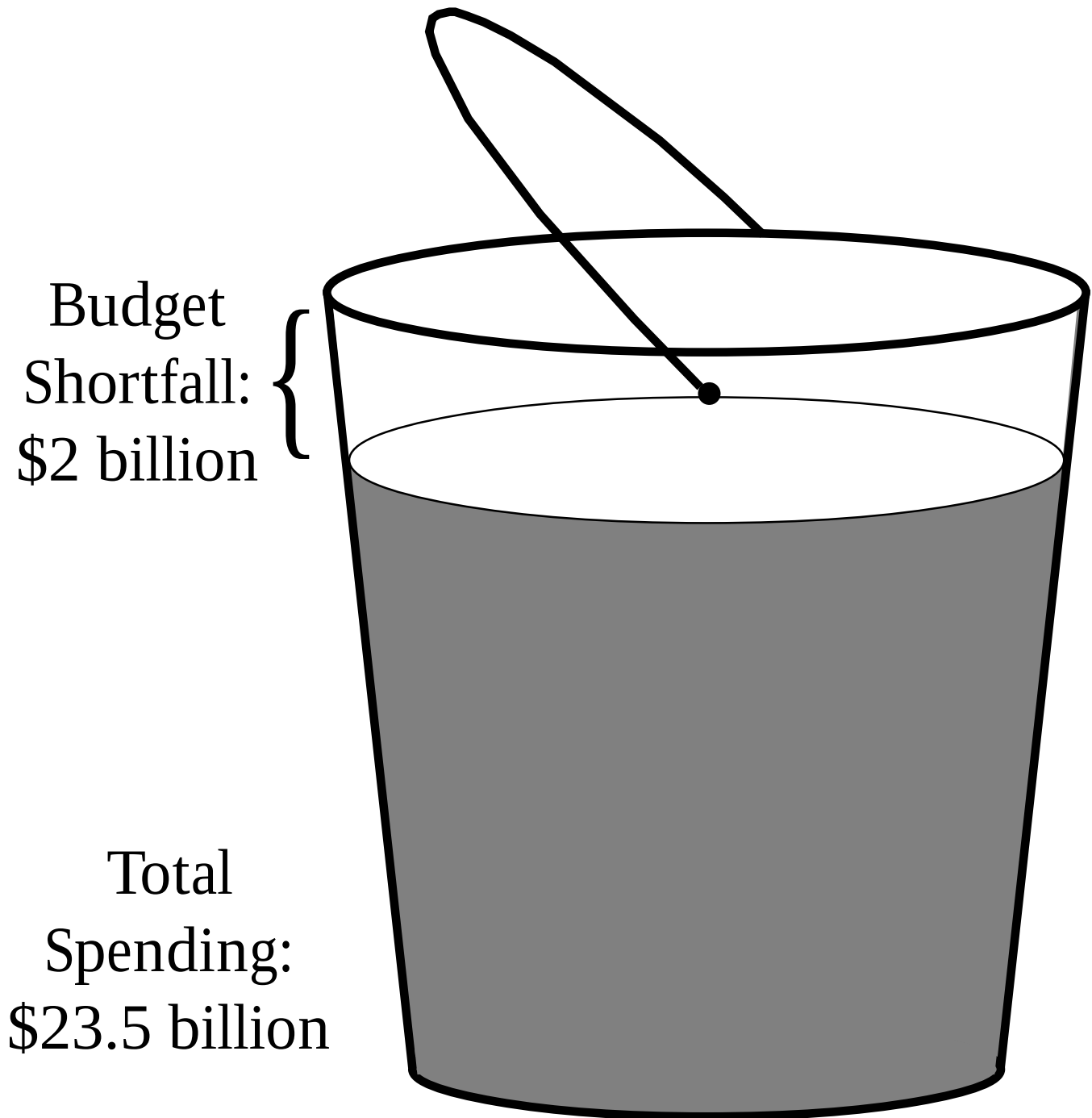
★ **Corporate**



★ **Property**



The Massachusetts Budget is \$2 Billion Short

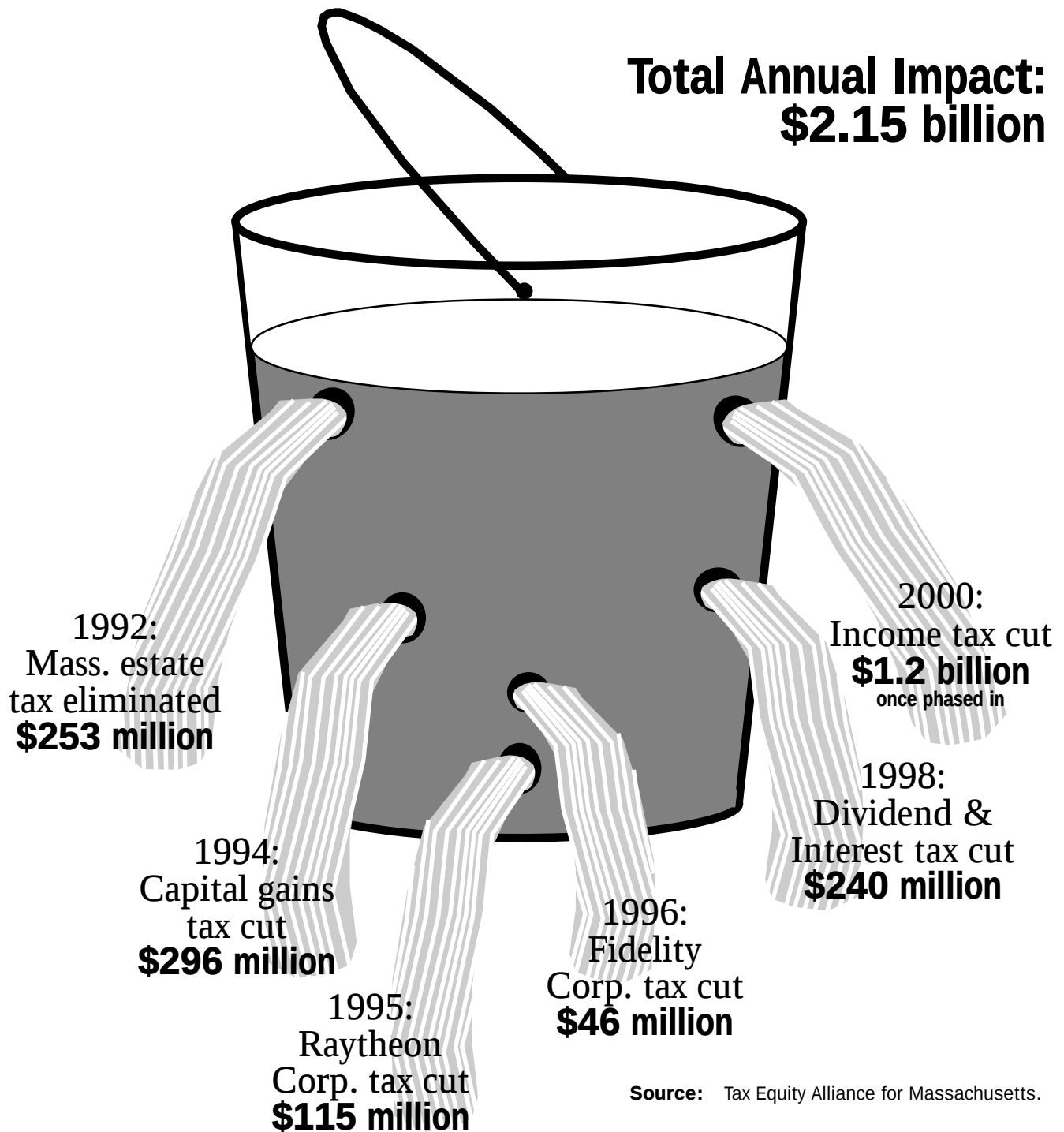


Roots of the Red Ink

- ★ **Recession**
 - ➡ Fewer purchases ➡ Less sales tax
 - ➡ More layoffs ➡ Less income tax
- ★ **Tax cuts & loopholes for corporations and wealthy people**
- ★ **More spending on certain programs (such as anti-terrorism)**
- ★ **Irresponsible spending (waste, patronage)**
- ★ **Internet purchases** ➡ Less sales tax
- ★ **Federal tax cuts that reduce state revenue (like estate tax repeal)**

Big Budget Busters Over the Last 10 Years

**Total Annual Impact:
\$2.15 billion**



Source: Tax Equity Alliance for Massachusetts.

Big Budget Busters Over the Last 10 Years

Year	Budget Buster	Est. Annual Cost
1992	Massachusetts estate tax eliminated	\$253 million
1994	Capital gains tax cut	\$296 million
1995	Raytheon Corporation tax cut	\$115 million
1996	Fidelity Corporation tax cut	\$46 million
1998	Dividend and Interest tax cut	\$240 million
2000	Income tax cut	\$1.2 billion*
Total Annual Impact:		\$2.15 billion

* Total once phased in.

Source: Tax Equity Alliance for Massachusetts.

Who Gets Hurt?

The Harshest Budget Cuts



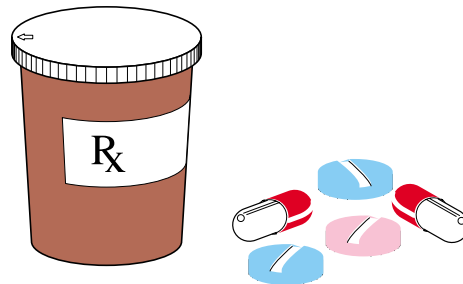
Child Care



School Programs



Dental Care



Prescription Drugs



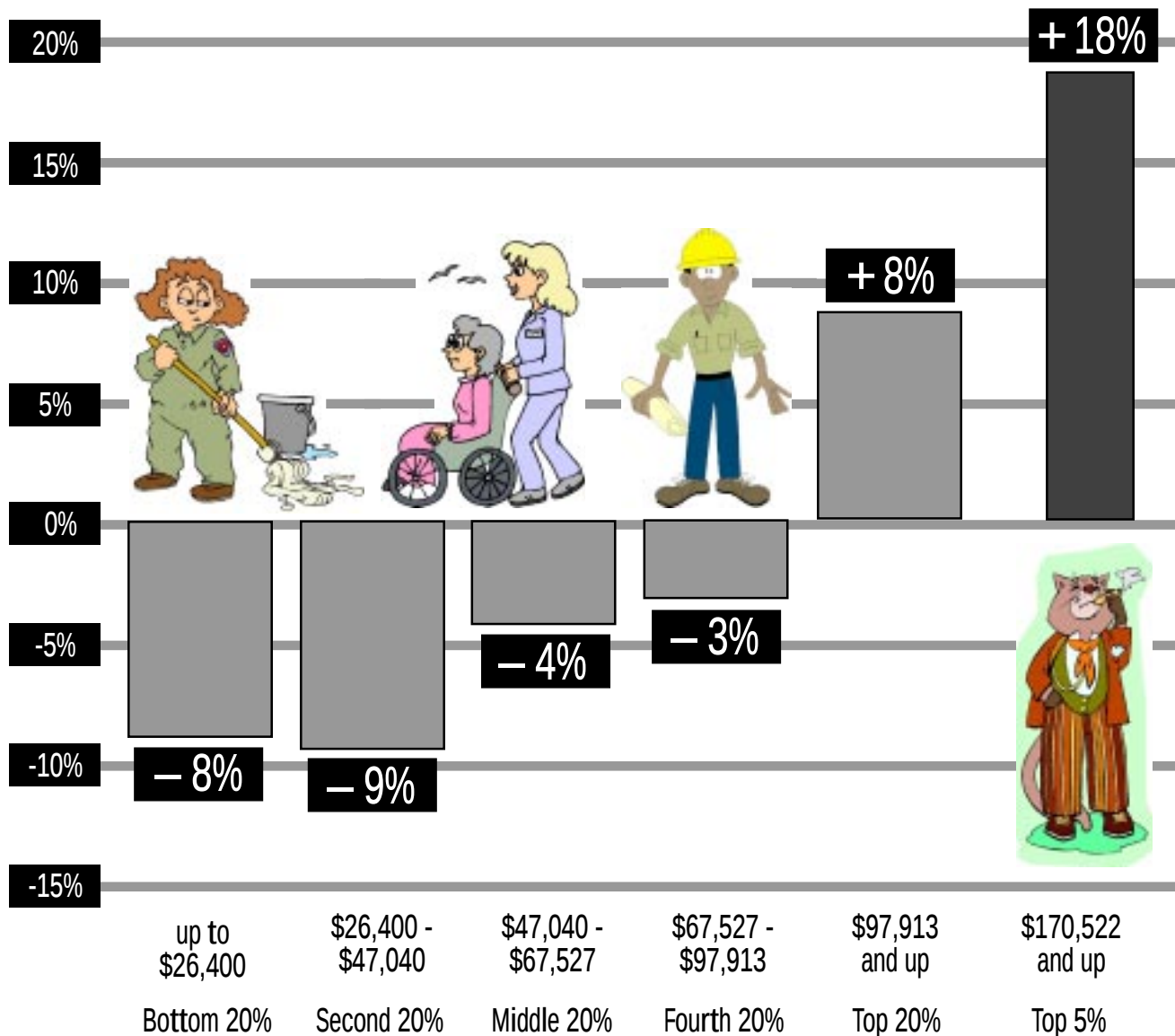
Affordable Housing



Layoffs in Departments of
Mental Health, Mental
Retardation, and Social Services

Change in Income in Massachusetts Late 1980s (1988-90) to Late 1990s (1996-98)

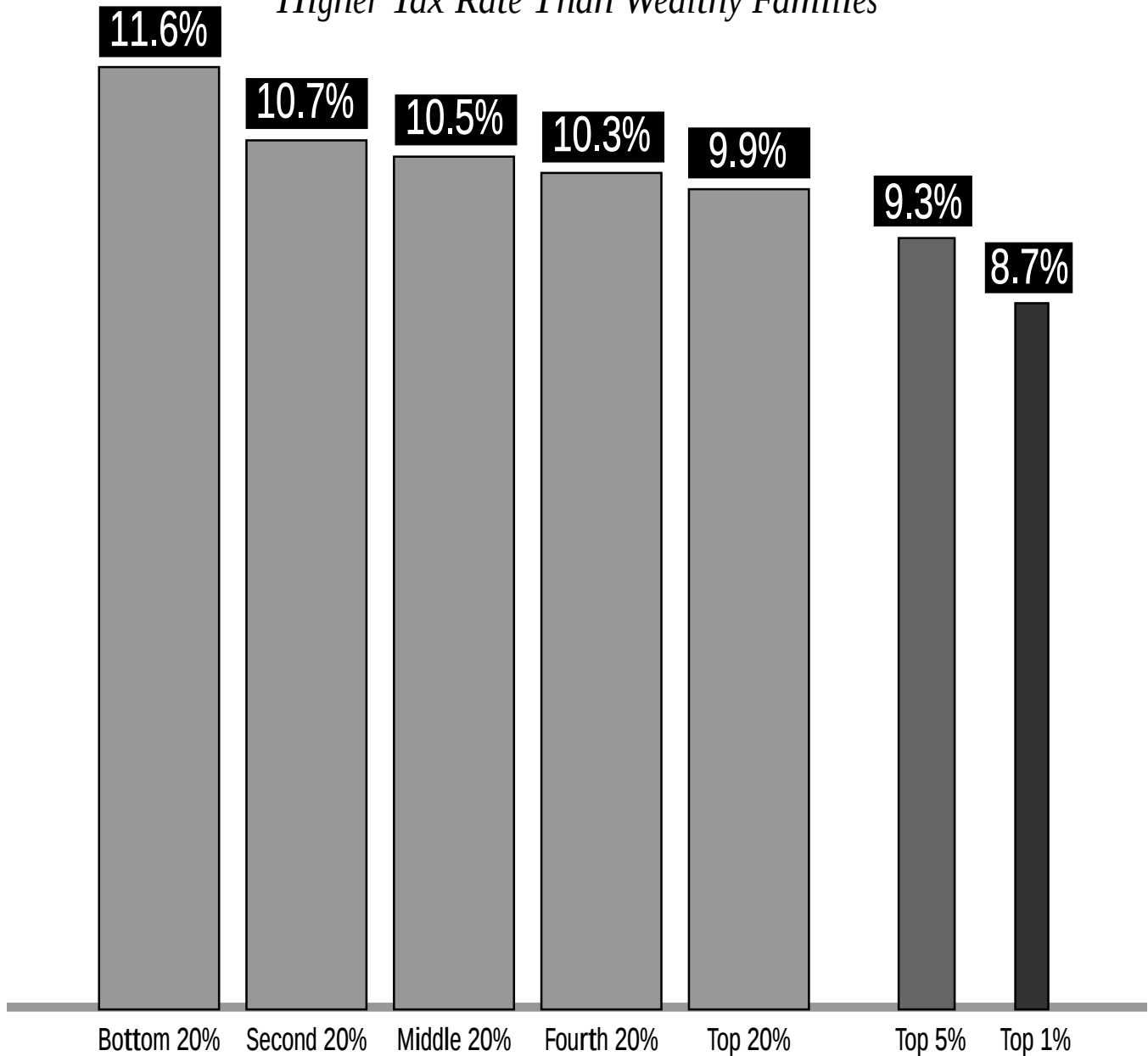
Middle- and Low-Income Massachusetts Families Didn't Share in the 1990s Boom



Source: Center on Budget and Policy Priorities and Economic Policy Institute, *Pulling Apart, A State-By-State Analysis of Income Trends*, Jan. 18, 2000. Researchers used three-year averages to enlarge the sample size, resulting in more valid data.

Percent of Income Paid in Massachusetts State and Local Taxes

Middle and Low-Income Massachusetts Families Have a Higher Tax Rate Than Wealthy Families



Source: Institute on Taxation and Economic Policy

Types of Tax Structures

Regressive Taxation

When less well-off people pay a **higher** percentage of their income (or wealth) in tax than more well-off people.

Progressive Taxation

When less well-off people pay a **lower** percentage of their income (or wealth) in tax than more well-off people.

Flat Tax

When all people pay **the same** percentage of tax on their income or wealth.

Reviewing the Key Points

- ★ Massive **budget shortfall**.
- ★ In the 1990s, Massachusetts gave billions of dollars to wealthy people and corporations in **tax cuts**.
- ★ **Wealthy still pay smaller percent of income in state and local taxes** than do middle and low-income people.

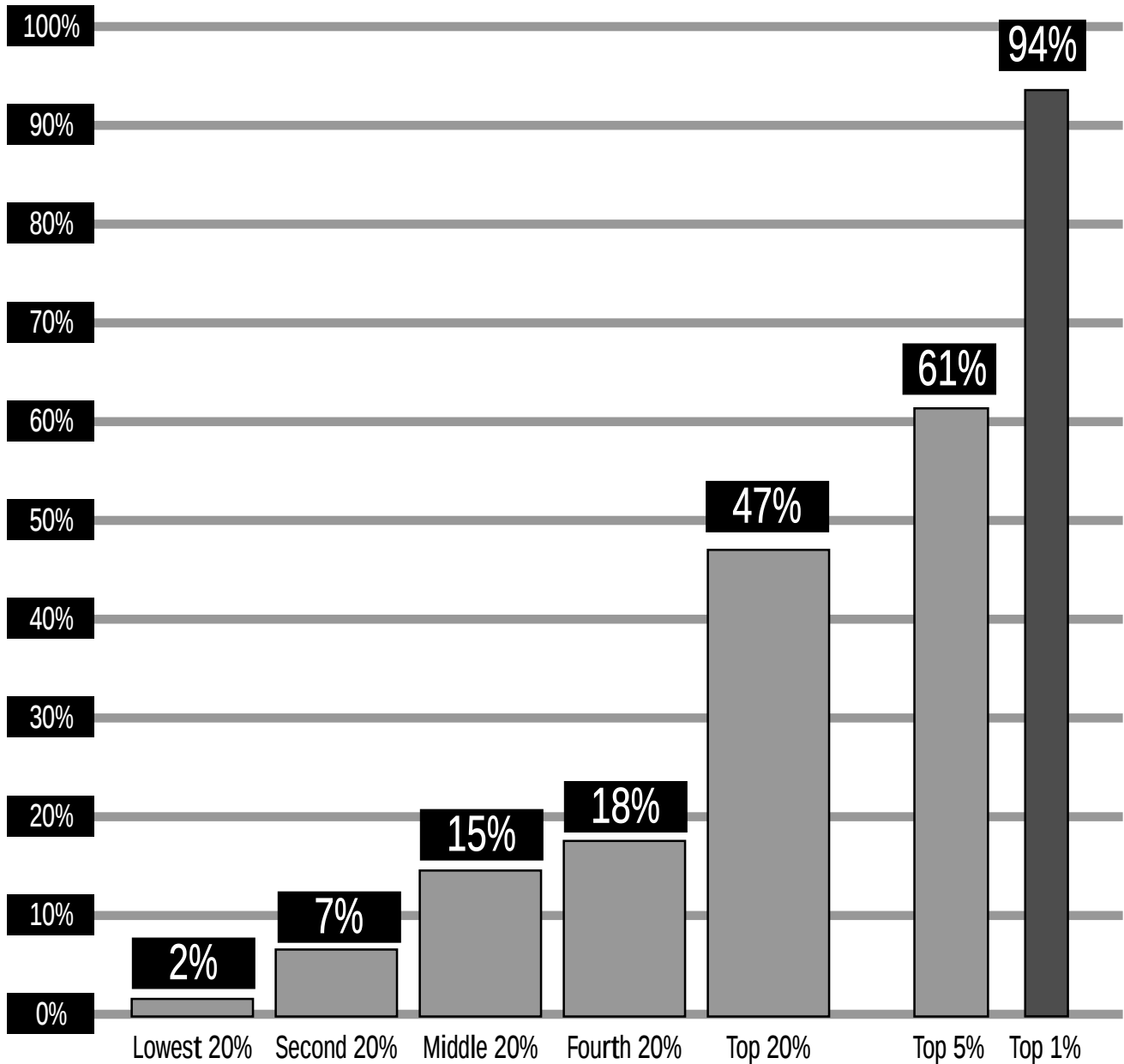
What's On the Menu for Making Up the Budget Shortfall?

Menu

Item	Value in millions of dollars	
	in 2003	in 2004
Delay Income Tax Rollback		
Freeze rate at 5.3% instead of lowering it to 5%	\$238	\$497
★ Tax Capital Gains the Same As Wages★		
Tax all capital gains at 5%	\$355	\$290
Raise Gasoline Tax 10 Cents a Gallon ...	\$280	\$280
Cut Personal Exemption in Half	\$400	\$400
Raise Cigarette Tax 50 Cents a Pack		
Funds would go to health care programs	\$150	\$130
New 5% Tax on Alcoholic Beverages	\$56	\$57
Total	\$1.48 billion	\$1.65 billion

Who Has Income from Capital Gains?

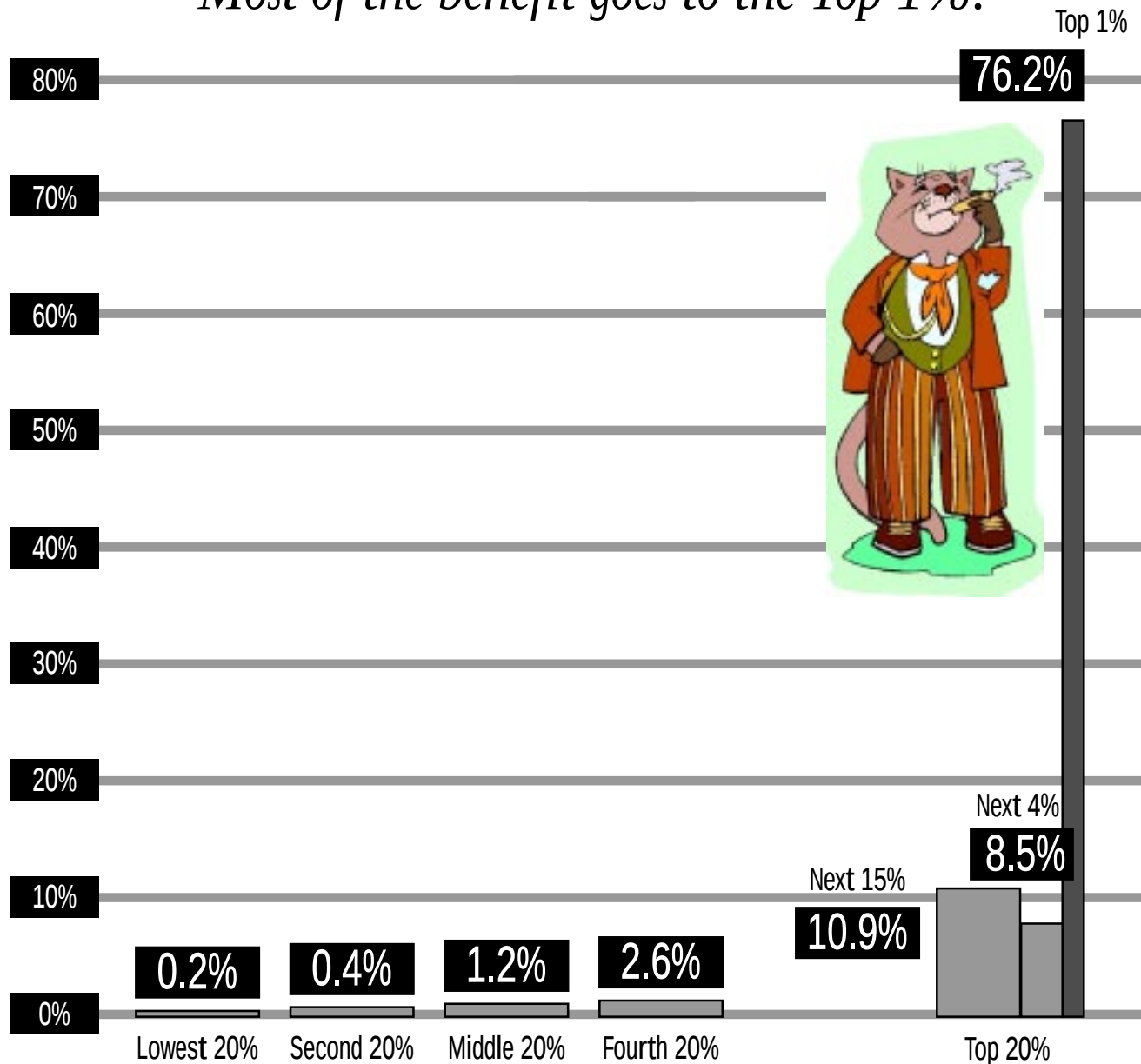
Share of Each Income Group with Capital Gains Income in Massachusetts



Source: Institute on Taxation and Economic Policy.

How are the Benefits of the Massachusetts Capital Gains Tax Break Distributed?

Most of the benefit goes to the Top 1%.



Source: Institute on Taxation and Economic Policy.

What's Fair?



The Red Sox Owners

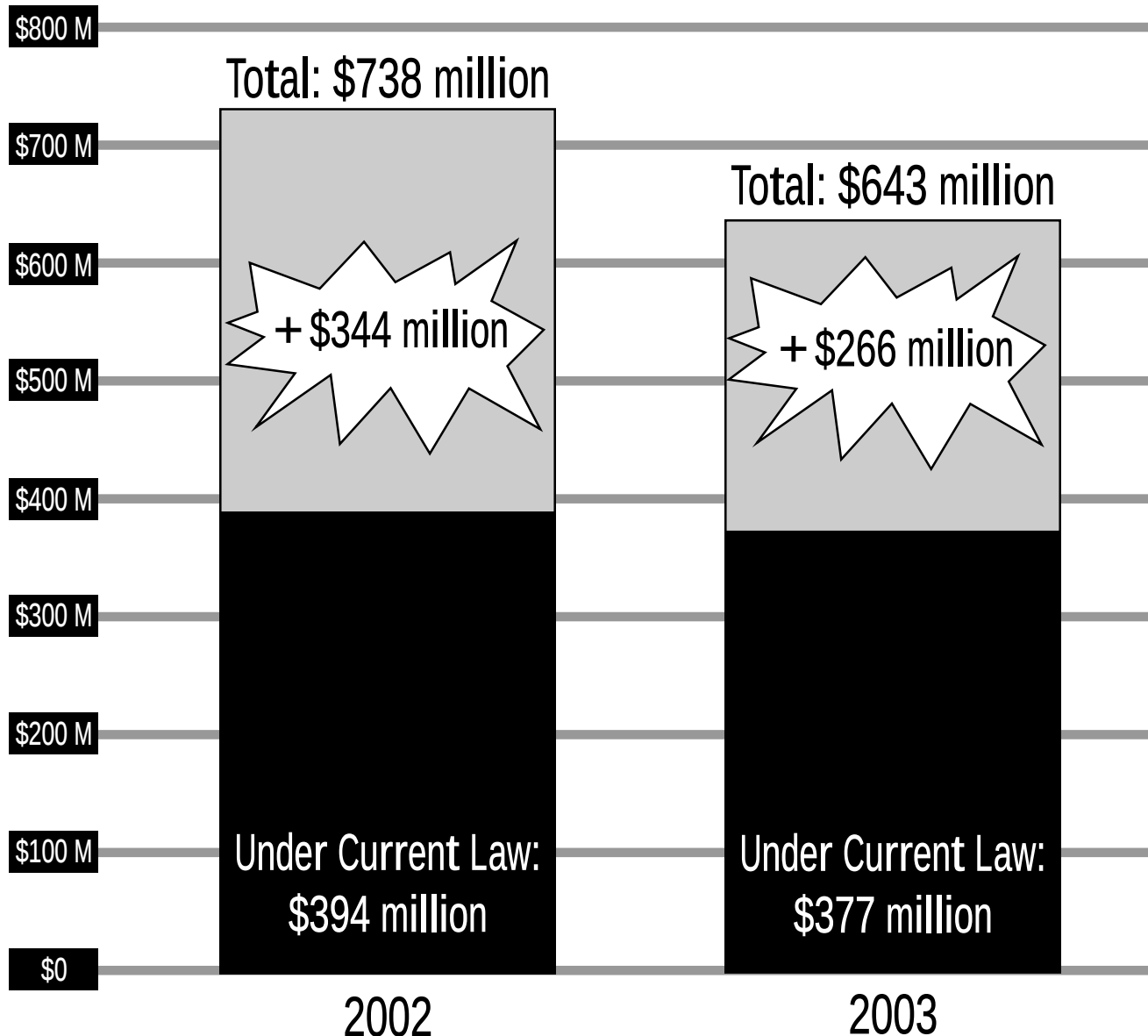
will pay *no state taxes* on the sale – over \$200 million in income.



Laid-off Workers

will pay state income tax on unemployment benefits.

How Much Money Could We Raise If We Taxed Capital Gains the Same as Wages?



Source: Tax Equity Alliance for Massachusetts.

What Is the “Stop the Cuts!” Campaign Doing?

- ★ **Grassroots organizing**
- ★ **Lobbying legislators**
- ★ **Public education:
workshops**
- ★ **“Your Tax Cuts at Work”
Sticker Campaign**

What You Can Do

- ★ **Join the “Stop the Cuts!” Coalition**
- ★ **Call and write your legislators**
- ★ **Be sure to include the message “Raise Revenue!” when advocating for your issue**
- ★ **Become a workshop trainer**
- ★ **Write letters to the editor**