

# Massachusetts Budget Crunch: Who Hurts? Who Pays?

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Produced by



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# Workshop Goals

- Learn the importance of the state income tax & the reckless ballot proposal to eliminate it.
- Review the Massachusetts budget, the reasons for budget shortfalls, and the consequences for each of us.
- Learn about recent fair tax victories that closed corporate tax loopholes.
- Explore the effects of tax policies on people at different income levels.
- Understand why tax reform is an important part of a healthy Massachusetts.
- Mobilize to take action to defeat the ballot initiative to eliminate the state income tax.

# Agenda

## **1. Introduction**

## **2. Warm-up**

## **3. State Budget Crisis – What’s Going On?**

- A. Where Does the Money Go?
- B. Where Does the Money Come From?
- C. The Massachusetts Budget Shortfall
- D. Who Hurts from Budget Cuts?
- E. Roots of the Red Ink

## **4. Who Pays?**

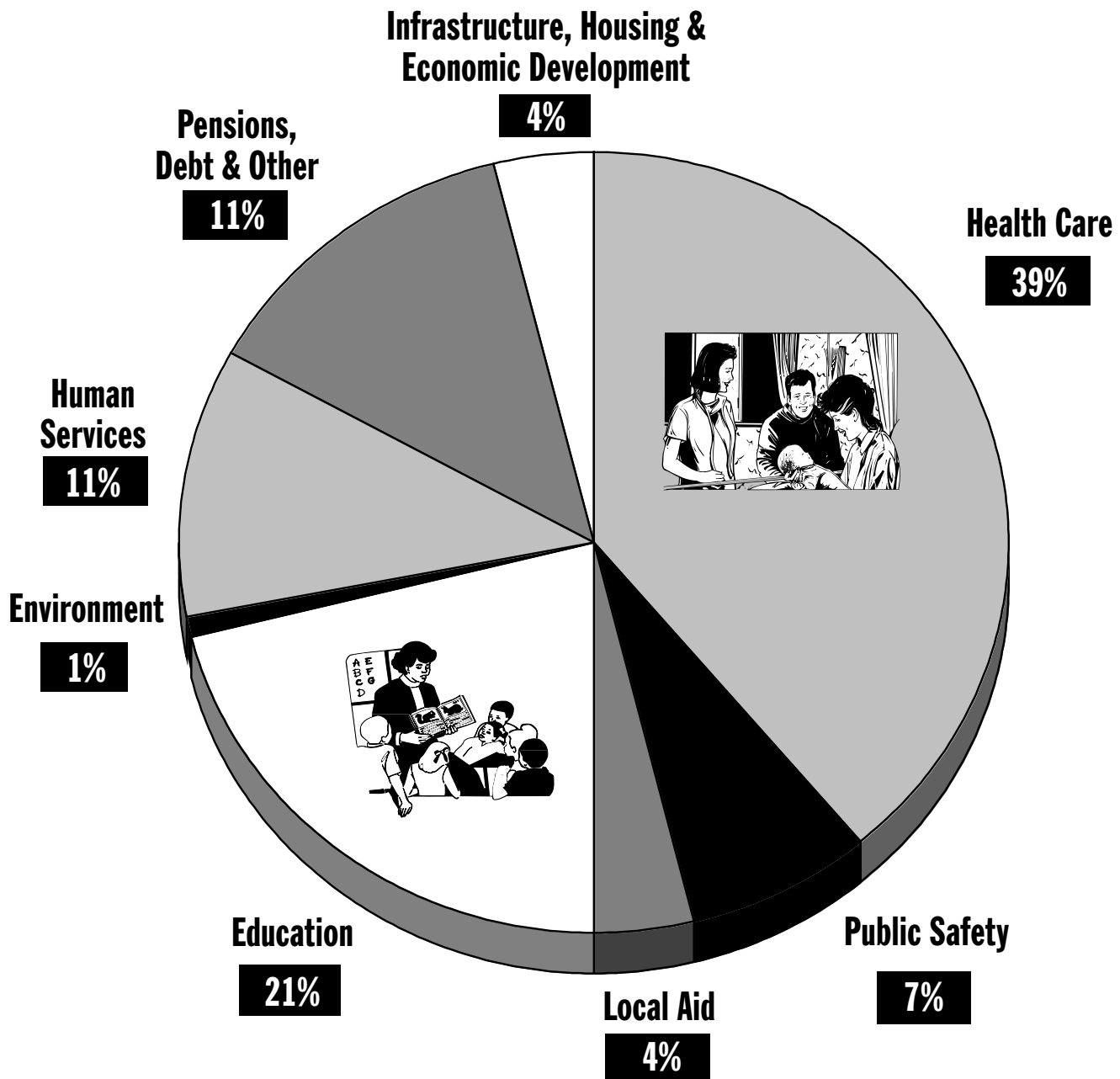
- A. Who were the Big Winners in the Last 20 Years?
- B. Who Shoulders the Massachusetts Tax Burden?
- C. Review of Key Points

## **5. The Vote No on Question I Campaign**

## **6. Taking Action**

## **7. Wrap Up & Evaluation**

# Massachusetts State Budget Where Does the Money Go?



*Fiscal Year 2009 • Total Spending: \$33 billion*

# Massachusetts State Budget

## Where Does the Money Come From?

### Fees, Transfers & Other

14%

Examples:

- Driver's license fees
- Lottery
- College charges

### Federal Reimbursement

21%



### Taxes

65%

#### Personal Income Taxes (38%)

PAY STUB	
Earnings	\$1,386.54
<b>TAXES:</b>	
Fed. Withholding	-154.00
Social Security	-85.96
Medicare	-20.11
Massachusetts Withholding	-62.23
<b>NET PAY</b>	<b>\$1,064.24</b>

#### Sales Taxes (13%)



- Other (2%)
- Banks, Insurance, Utilities (2.5%)
- Gas Tax (2%)
- Corp. Income Taxes (5%)
- Excise Taxes (2%)

*Fiscal Year 2009 • Total Revenue: \$33 billion*

# Who Got Hurt from Recent Budget Cuts?



**Child Care**



**School Programs**



**Dental Care**



**Prescription Drugs**



**Affordable Housing**

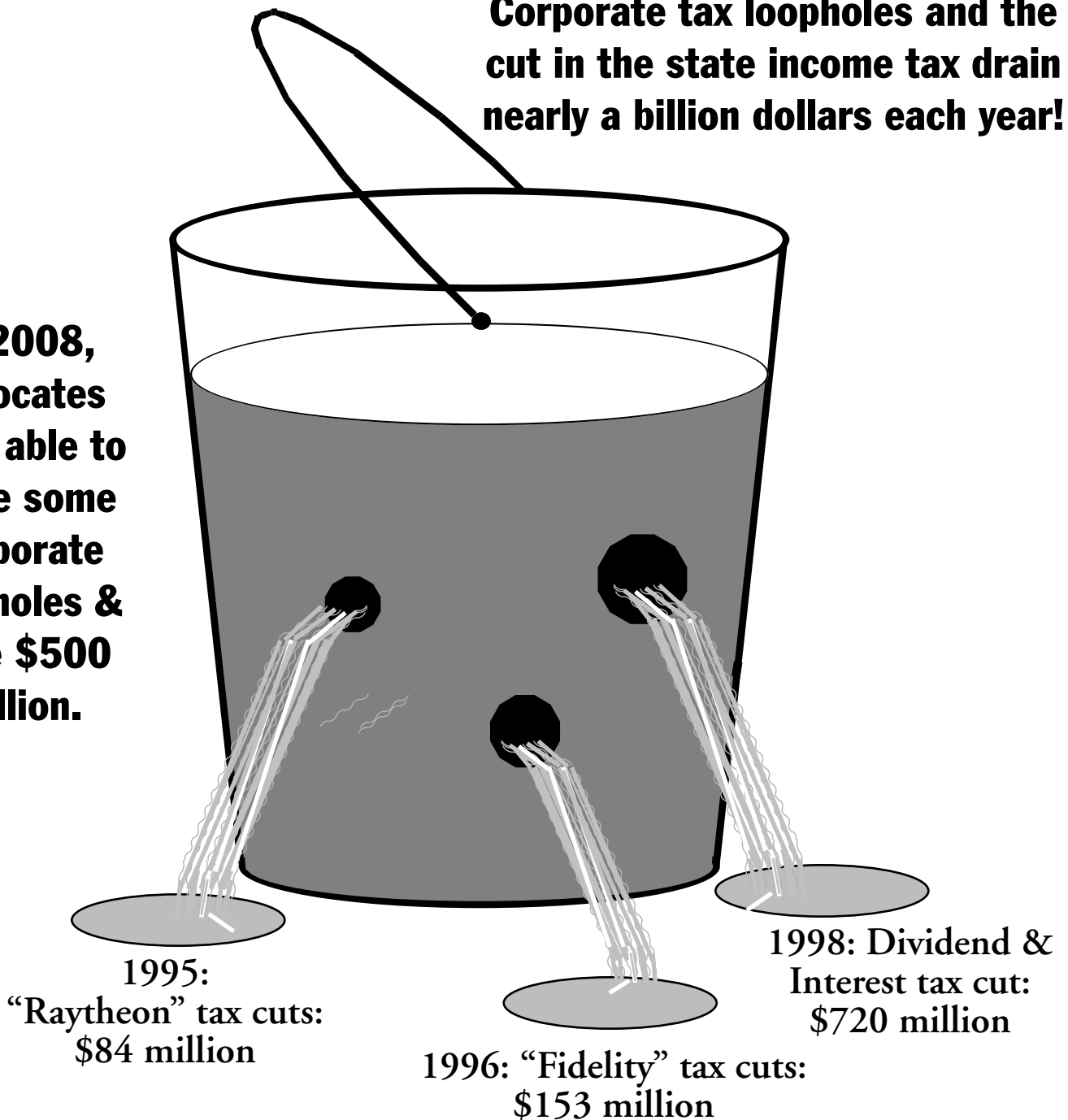


**Layoffs in Depts. of Mental Health, Mental Retardation, and Social Services**

# Where Did the Money Go?

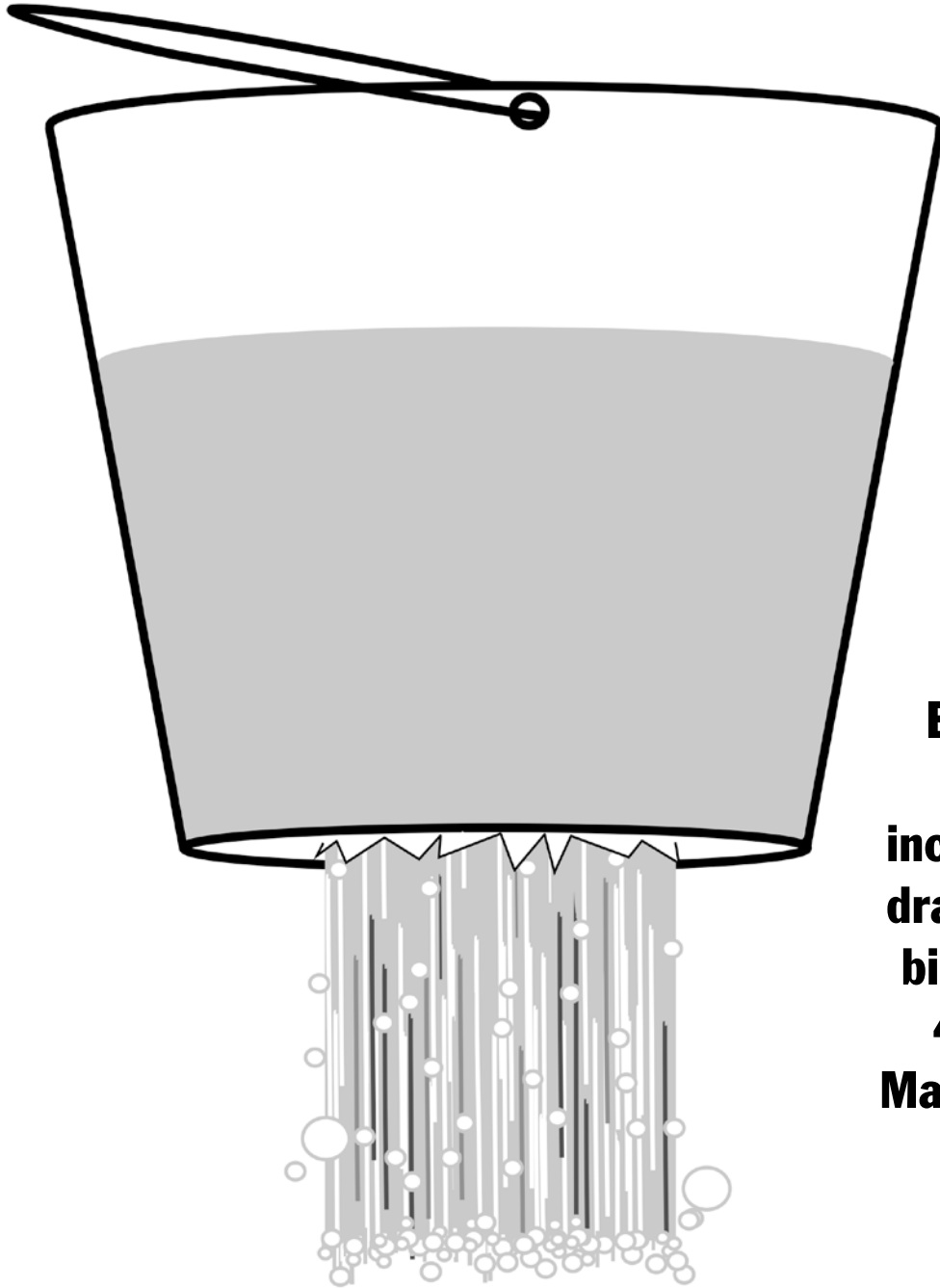
**Corporate tax loopholes and the cut in the state income tax drain nearly a billion dollars each year!**

**In 2008, advocates were able to close some corporate loopholes & save \$500 million.**



Source: Massachusetts Budget & Policy Center

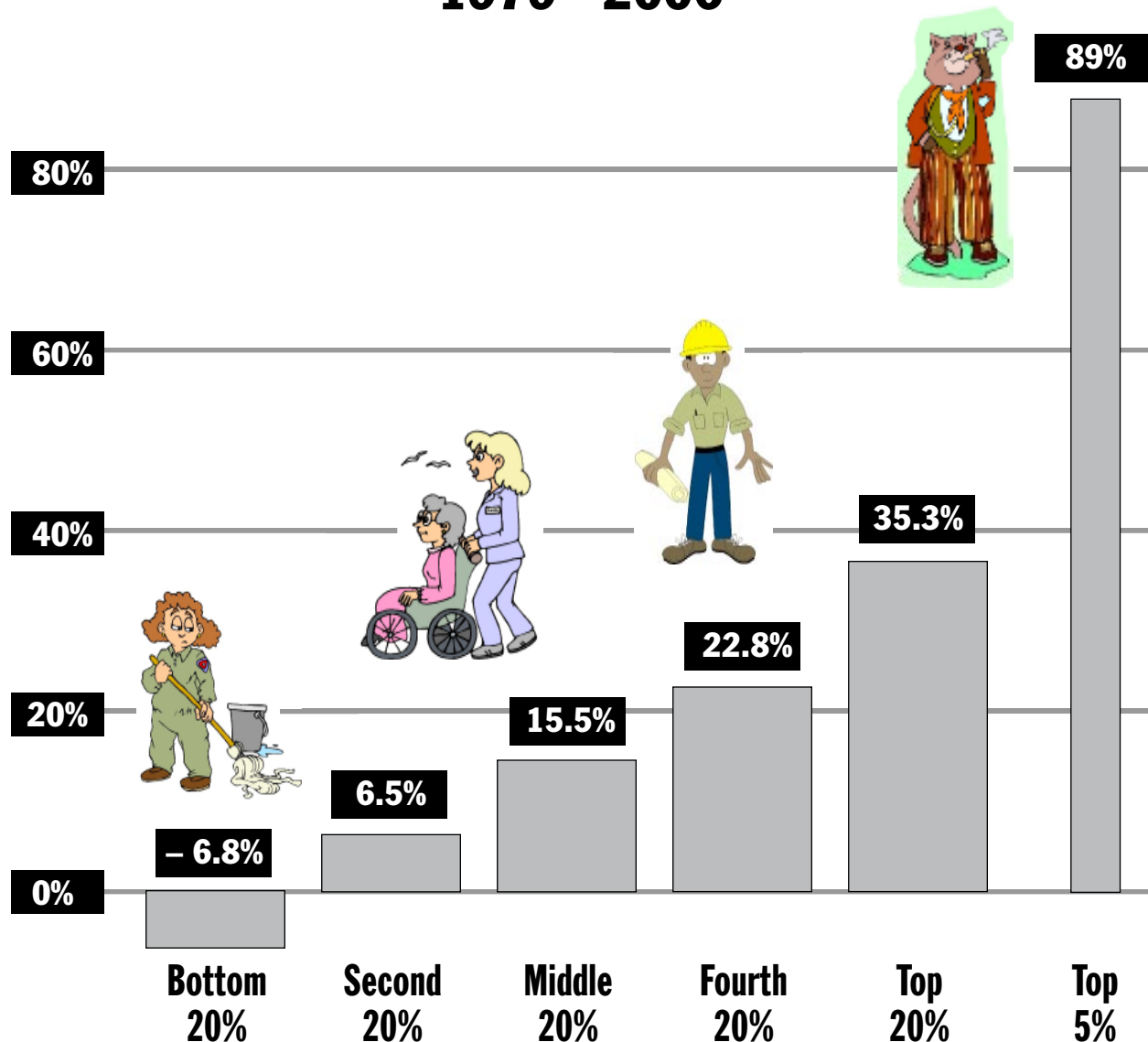
# If Question 1 Passes . . .



**Eliminating  
the state  
income tax will  
drain over \$12  
billion (nearly  
40%) from  
Massachusetts'  
budget!**

# Who were the Winners in the last 25 years?

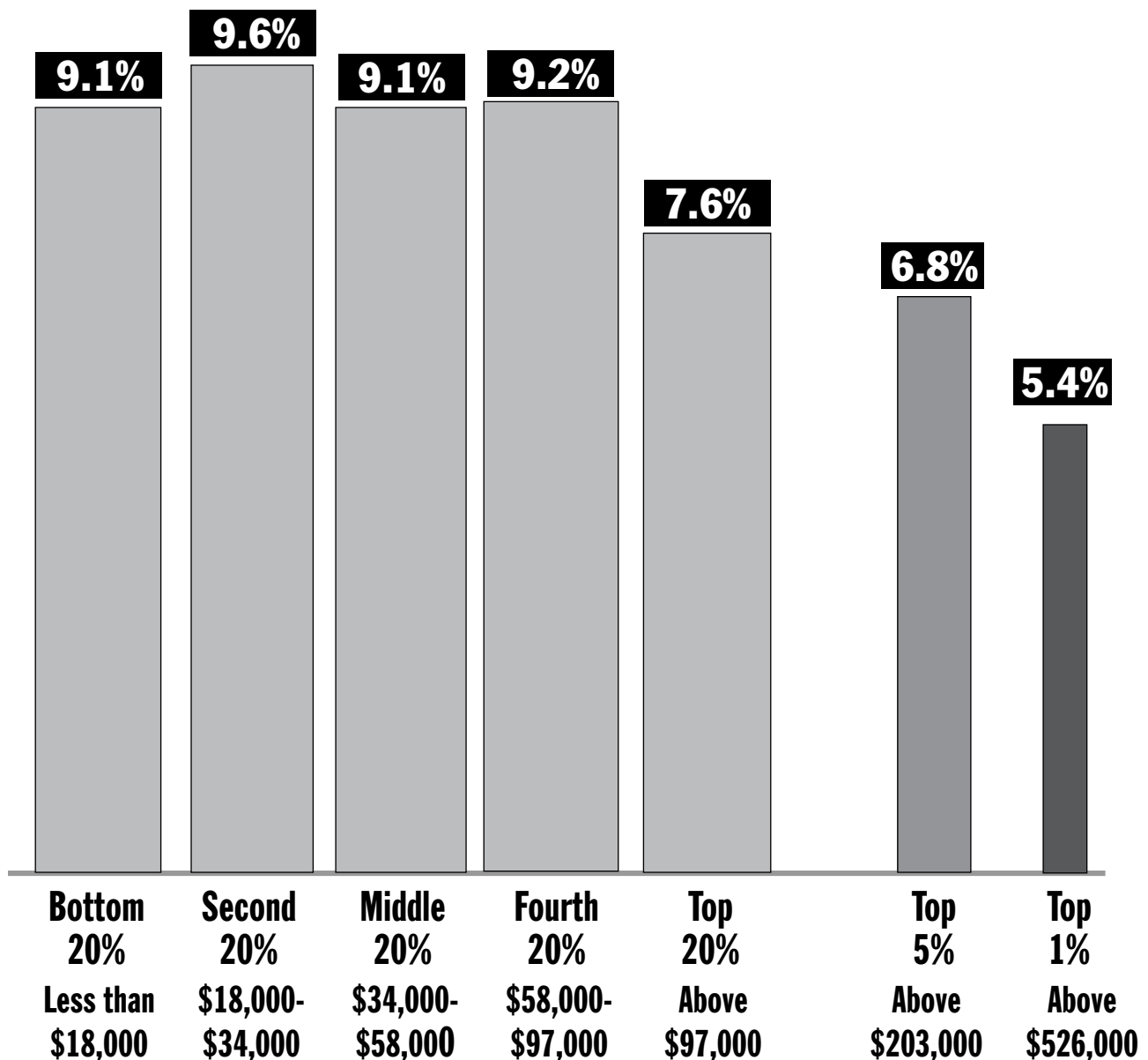
## Change in Median Family Income in Massachusetts 1979 - 2006



Source: UMass-Boston Donahue Institute, *Income Inequality in Massachusetts, 1980-2006* <[www.donahue.umassp.edu/docs/income-inequality](http://www.donahue.umassp.edu/docs/income-inequality)>.

# Who Pays State & Local Taxes?

*Middle and low-income Massachusetts families pay a higher portion of their income in state and local taxes than wealthy families.*

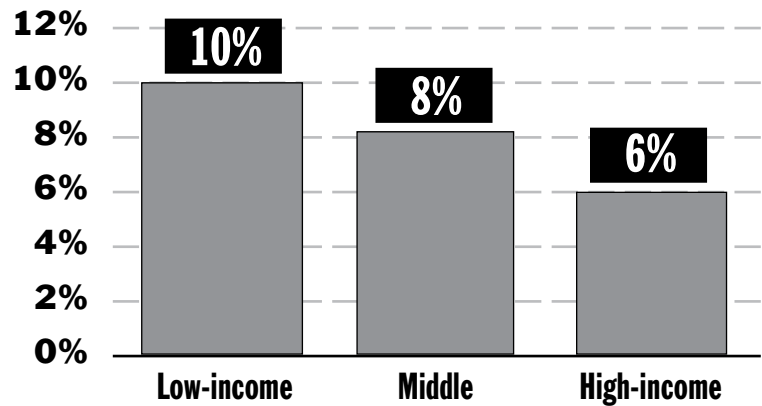


Source: Institute on Taxation and Economic Policy, 2007.

# Types of Tax Systems

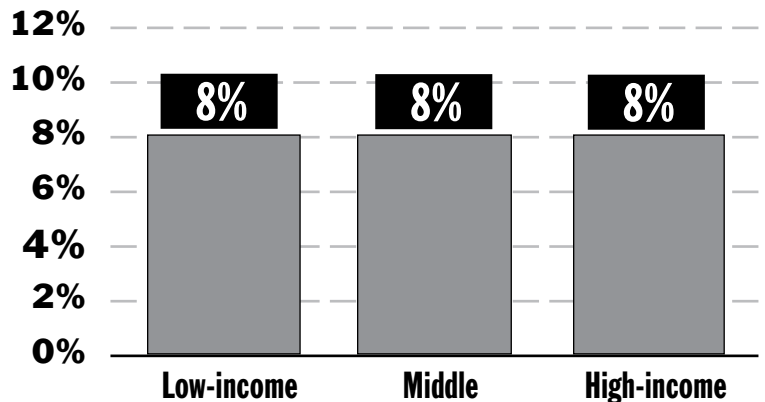
## Regressive

When lower-income people pay a higher percentage of their income in taxes than higher-income people do.



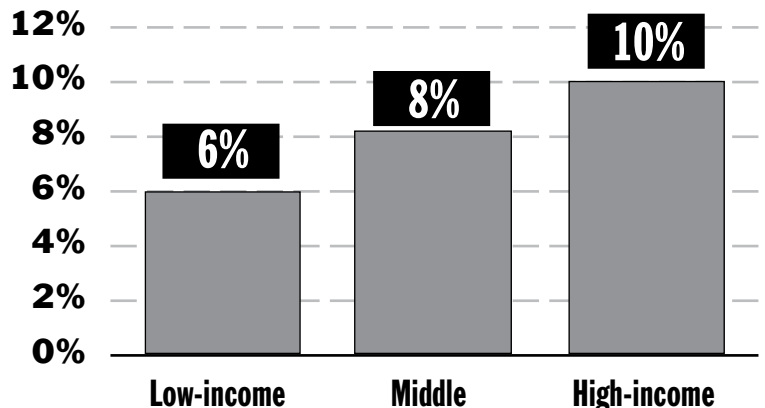
## Flat

When all people pay roughly the same percentage of tax on their income.



## Progressive

When higher-income people pay a higher percentage of their income in taxes than lower-income people do.



# Reviewing the Key Points

- ★ This year Massachusetts will likely have a budget deficit of *at least \$1 billion!* Eliminating the income tax will cause even more *extreme* cuts to education, local aid, health programs, and more, and *cripple state government!*
- ★ Massachusetts loses *over a billion dollars each year* due to tax cuts and corporate loopholes.
- ★ Wealthy people pay a smaller percentage of their income in state and local taxes than do middle and low-income people.
- ★ We must choose: invest in our Commonwealth or see programs and services gutted.

# What Are We Doing?

- ★ Grassroots organizing: going door-to-door, phone calls, reaching out to members & allies
- ★ Public education: training, house parties, 1-1 visits
- ★ Building alliances among nurses, firefighters, teachers, elected officials, community organizations, and all of us who use public services!
- ★ Using the media to get the facts out about Question 1

# What You Can Do

- ★ Vote “No” on Question 1.
- ★ Join groups going door-to-door to involve more people in the campaign.
- ★ Reach out to new supporters through phone banking or community meetings.
- ★ Share what you learned with friends, family, neighbors.
- ★ Write letters to the editor in community newspapers.