

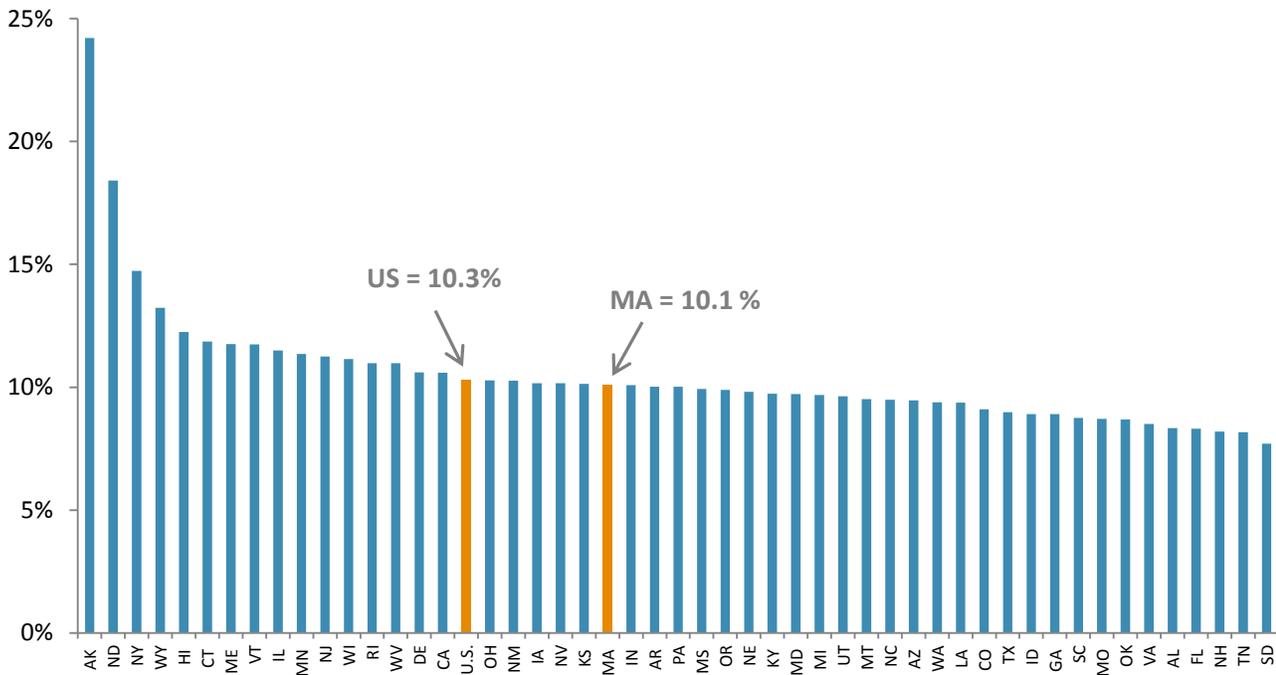
FACTS AT A GLANCE Updated January 13th, 2015

Where Does the Taxachusetts Label Come From?

Overall, the level of taxation in Massachusetts is in the middle of the pack when compared to the rest of the country. Total state and local taxes paid in Massachusetts as a share of total personal income was 10.1 percent in FY 2012 (the most recent year for which national data is available). That places Massachusetts 22nd among the states and below the U.S. average of 10.3 percent (see Figure 1).¹ Taxes, of course, are the primary way that the people of a state fund education, infrastructure, safety net protections, and other public services. With taxes in Massachusetts in the middle of the pack nationally, why do we sometimes hear the name "Taxachusetts" applied to our state? The answer has to do with history rather than current reality.

Figure 1. Massachusetts Taxes below the US Average, 2012

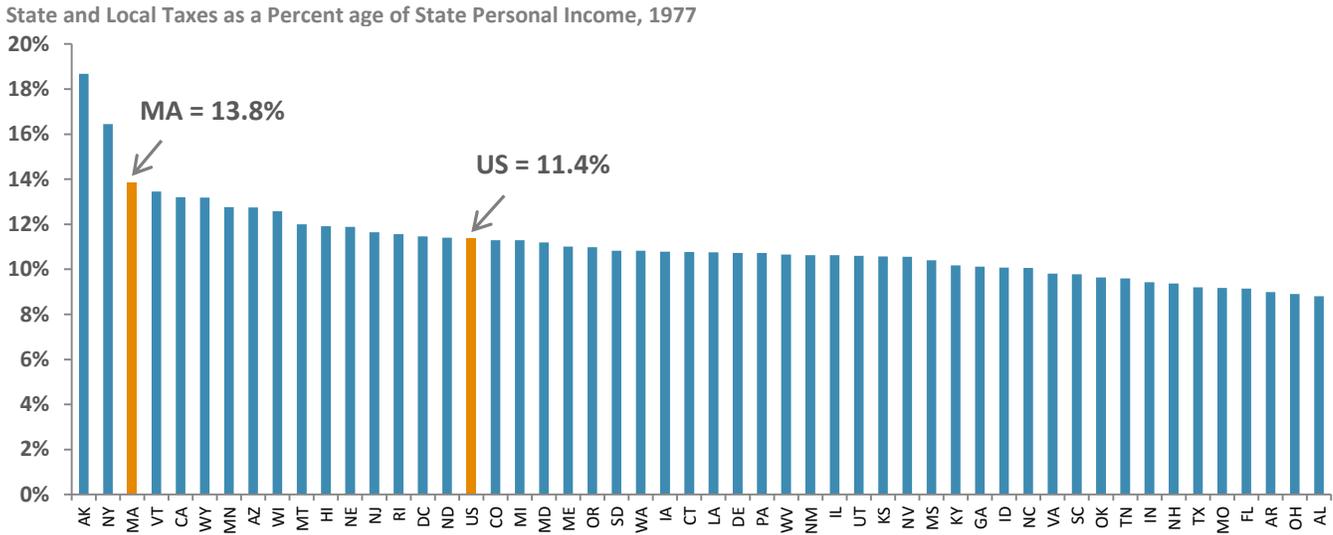
State and Local Taxes as a Percent of State Personal Income, FY 2012



The Taxachusetts label is a legacy of the 1970s - and at that time the label had a basis in reality. In FY 1977, Massachusetts was a relatively high-tax state, as Figure 2 shows (see below). In fact, taxes as a share of income were higher in Massachusetts at that point than in all but two other states.

¹ See *MassBudget*, "Facts At a Glance: Massachusetts Ranks in Middle for Taxes in FY 2012", available at: http://www.massbudget.org/report_window.php?loc=Factsheet_MA_TaxRank.html

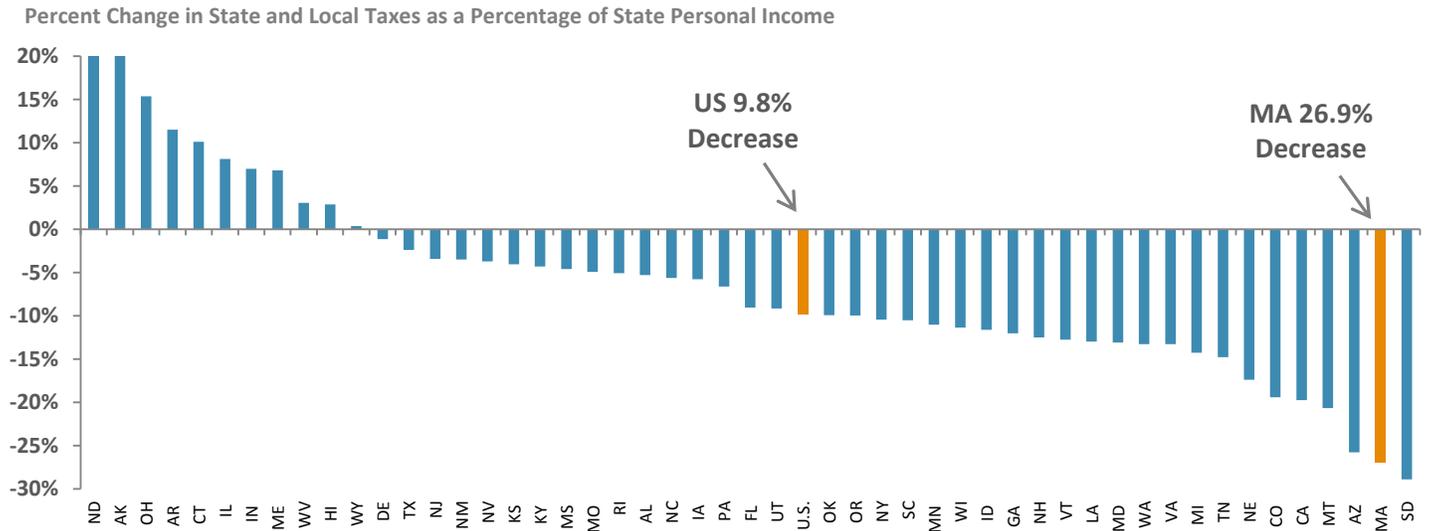
Figure 2. Massachusetts Taxes among the Highest in US, 1977



Source: US Census Bureau (tax data), US Bureau of Economic Analysis (income data)

Since the late 1970s, tax policy in the Commonwealth has changed dramatically. The approval of Proposition 2 1/2 in 1980 reduced property taxes, and then, particularly in the late 1990s, the Commonwealth reduced state taxes – primarily the income tax – significantly.² As a result, between 1977 and 2012, Massachusetts reduced taxes more than all but one other state, as Figure 3 shows.

Figure 3. Massachusetts Reduced Taxes More than All but One Other State, 1977-2012



* The change in North Dakota's taxes as a share of personal income (at 61.4%) and Alaska's (at 29.6%) exceed the scale of this graph.

² See *MassBudget*, "Income Tax Cuts and the Budget Deficit in Massachusetts", available at: http://massbudget.org/report_window.php?loc=tax_cuts_factsheet.html