



Taxes in Massachusetts: How They Are Used, How They Compare to Other States

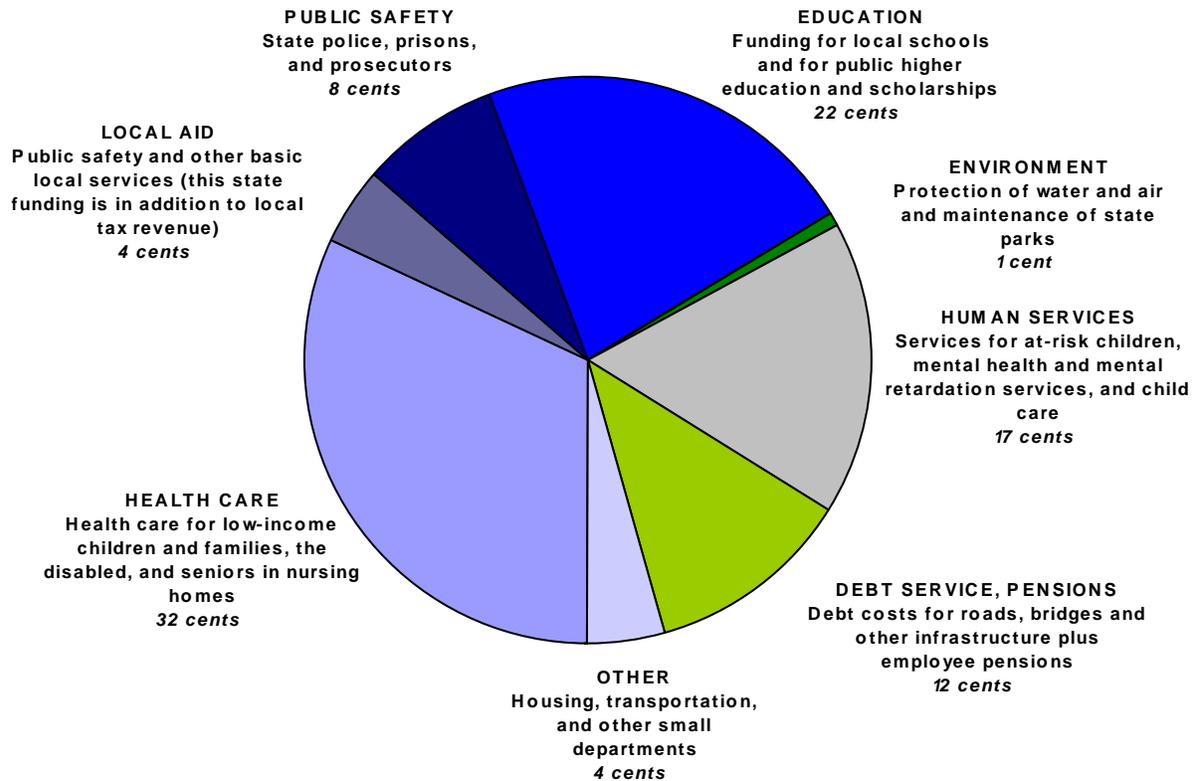
Tax filing season inevitably brings with it many questions. Some are technical in nature and relate to eligibility for certain deductions or credits, but others are broader in scope. For instance, people may wonder: what do we use public resources to accomplish and how do taxes in Massachusetts compare to other states?

Taxes in Massachusetts are used to support services that people count on every day. The chart below shows how state revenue is allocated to achieve public goals: to provide schools for Massachusetts children; to protect healthcare security; to enhance public safety in local communities; to support services for at-risk children and people with mental disabilities and other challenges; to build the roads, bridges, and other infrastructure that keep the Commonwealth's economy moving; and to protect the environment and maintain the parks and playgrounds that families and children enjoy. The data below reflect total spending, which is financed both from state sources like taxes, fees, and assessments and from federal funding. Because the Massachusetts' Medicaid program receives significant federal funding, the net state cost for healthcare is significantly less than the share indicated by the chart below. The brief descriptions describe just some examples for each category.

FY 2006 Budgeted Spending

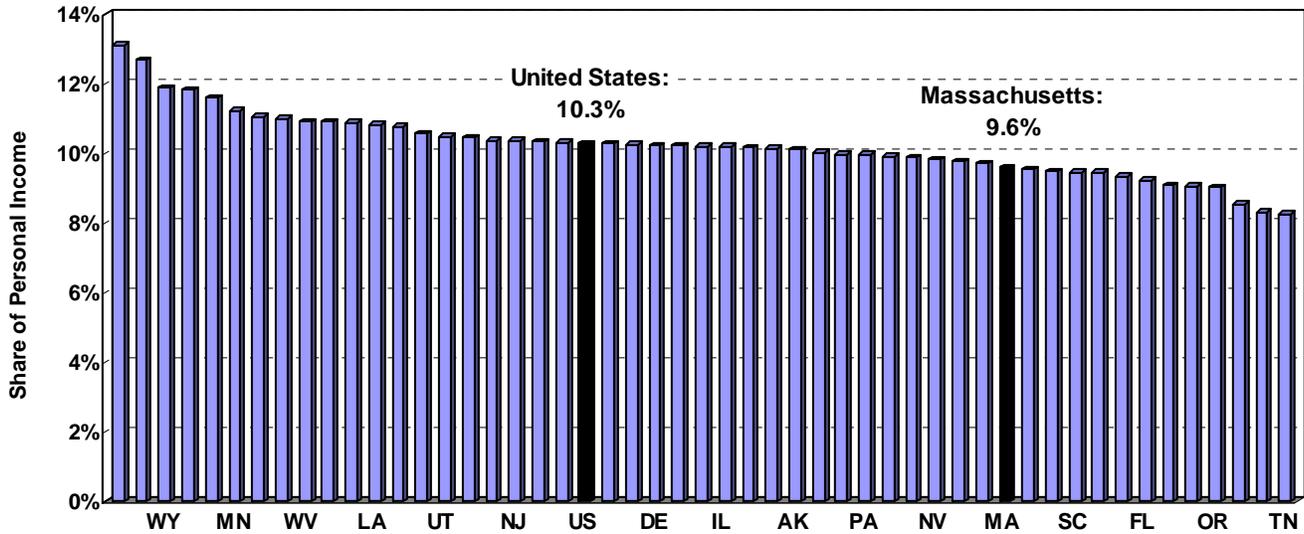
Total budget: \$26.09 billion

Spending by category expressed as a share of each dollar spent



State and local taxes in Massachusetts are lower than in most states. Data from the U.S. Census Bureau show that total state and local taxes in Massachusetts amounted to 9.6 percent of personal income in fiscal year 2002 (the latest year for which such information is available for all fifty states). This level of taxes left Massachusetts 38th out of the 50 states (i.e. only 12 states had a smaller state and local tax burden).

Total State and Local Tax Revenue, FY 2002



State and local taxes in Massachusetts have fallen over time and have fallen more than in most states. Data from the U.S. Census Bureau show that at no point since FY 1978 have state and local taxes in Massachusetts, measured as a share of personal income, been lower than in FY 2002. Moreover, between FY 1998 and FY 2002, state and local taxes, as a share of personal income, fell 13 percent in Massachusetts, a steeper drop than in all but four states.

Change in Total Tax Revenue, FY 1998 - FY 2002

percentage change in taxes as a share of personal income

