

## Local Options Taxes

Aside from the property tax and motor vehicle excise tax, Massachusetts municipalities have very limited ability to adopt local taxes.<sup>1</sup> This leaves cities and towns in a difficult position because of their dependence on local aid, which is now being cut and because of limitations placed on the property tax by Proposition 2 ½.

In many other states, municipalities have a broader array of revenue options. New York City, for example, places an additional sales tax of 4 percent on most items. Local options taxes are not limited to the sales tax. Around the country, local communities have the option of levying additional taxes on items including gas, income, and the environmental impact of road and construction projects.

In his Emergency Recovery legislation and his FY 2010 budget proposal, Governor Patrick proposes allowing municipalities to have a 1 percent local options tax on meals and hotel occupancy.

### HOW MUCH MONEY COULD BE RAISED THROUGH LOCAL OPTIONS TAXES?

The Massachusetts Division of Local Services estimates that a 1 percent tax on meals would raise \$125 million in revenue, while a 1 percent tax on hotel occupancy would raise \$24.2 million in revenue. It is important to note, however, that these estimates assume that every city and town in the Commonwealth adopts the proposed tax, which is unlikely.

In addition, because some municipalities have many more restaurants and hotels than others, the ability to adopt these taxes would be of great benefit to some communities, but of little or no help to others. If adopted, Governor Patrick's meal and hotel tax proposal would generate more than \$100 per person in towns like Chatham, Nantucket and Provincetown, but less than \$10 per person in cities like Lynn, Fall River and Medford.

### ARE THERE OTHER OPTIONS FOR RAISING LOCAL REVENUE?

Governor Patrick also proposes eliminating a property tax exemption on telecommunications equipment. Recently, the state's Appellate Tax Board ruled that telecommunications poles and wires are subject to the property tax. While this decision is under appeal, if it is upheld telecommunications poles and wires in every city and town would be subject to the property tax, raising \$26 million in revenue. In addition, the Governor is also proposing a change in the law that would subject other telecommunications capital equipment to the property tax, which could bring in an additional \$25 million.

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<sup>1</sup> Municipalities do have the option to tax hotel room occupancy and (if applicable) jet fuel sales.