Education
Transportation
Libraries, Parks and Recreation
Public Safety
Clean Air and Safe Drinking Water
Prisons and the Courts
Health Care and Public Health
What Percent of our Income Funds these Programs?

Total Personal Income in Massachusetts
Taxes as Percent of Personal Income, 2011

State and Local Taxes 10.4%
Mass. Taxes are About Average, 2011

State and local taxes as % of state personal income

US 10.6%
MA 10.4%
Why We are Called “Taxachusetts”

Fiscal Year 1977

State and local taxes as % of state personal income

MA 13.8%

US 11.4%

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Democracy.
MA Taxes Among Largest Declines: 1977-2011

Percent change in state and local taxes as % of state personal income
Note: North Dakota (35.5%) and Alaska (21.6%) exceed the scale of this graph.

US 7.3% Decrease
MA 25.0% Decrease
Before 1998, state tax revenues were roughly 6.3% of personal income.

Values measured as a percentage of personal income.

Source: Tax cut cost estimates from Mass. DOR
Before 1998, state tax revenues were roughly 6.3% of personal income.

Source: Tax cut cost estimates from Mass. DOR
Before 1998, state tax revenues were roughly 6.3% of personal income.

Tax Cuts

Income Tax Rate
- $1.55 billion

Values measured as a percentage of personal income.

Source: Tax cut cost estimates from Mass. DOR
Before 1998, state tax revenues were roughly 6.3% of personal income.

**Tax Cuts**

- **Income Tax Rate**
  - -$1.55 billion

- **Dividends & Interest**
  - -$850 million

Values measured as a percentage of personal income.  
Source: Tax cut cost estimates from Mass. DOR
Before 1998, state tax revenues were roughly 6.3% of personal income.

**Tax Cuts**

- **Income Tax Rate**
  - -$1.55 billion

- **Dividends & Interest**
  - -$850 million

- **Personal Exemption**
  - -$550 million

Values measured as a percentage of personal income.  

Source: Tax cut cost estimates from Mass. DOR
Three income tax changes cost nearly $3 billion per year

Before 1998, state tax revenues were roughly 6.3% of personal income.

Tax Cuts

Since 2003, state tax revenues have been closer to 5.3%

- Income Tax Rate: -$1.55 billion
- Dividends & Interest: -$850 million
- Personal Exemption: -$550 million

Values measured as a percentage of personal income.

Source: Tax cut cost estimates from Mass. DOR

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Tax Cuts Have Affected Services
Chapter 70 Education Aid

Billions, Inflation Adjusted

4.4% decrease since FY01

Includes ARRA funding; Adjusted using the inflation factor identified in Chapter 70.
Local Aid

Billions, Inflation Adjusted

44% decrease since FY01
Early Education and Care

29% decrease since FY01

Millions, Inflation Adjusted

FY01 FY02 FY03 FY04 FY05 FY06 FY07 FY08 FY09 FY10 FY11 FY12 FY13 FY14
Higher Education

Billions, Inflation Adjusted

25% decrease since FY01
Public Health

22% decrease since FY01
Human Services

Essentially level since FY01
Mental Health

12% decrease since FY01
Some costs shifted
Environment and Recreation

Millions, Inflation Adjusted

35% decrease since FY01
A Tax System Should Be . . .

Adequate

Stable

Simple/Efficient

Fair
The Sales Tax is Regressive

% personal income paid in sales tax, 2012

Source: Institute for Taxation and Economic Policy.
Why the Sales Tax is Regressive

Average Income & Average Spending, U.S. 2008

The Property Tax is Regressive

% personal income paid in property tax, 2012

- Less than $21,000: 5%
- $21-$43,000: 3%
- $43-$69,000: 3%
- $69-$114,000: 3%
- $114-$246,000: 2%
- $246-$708,000: 1%
- $708,000 or more: 1%

Source: Institute for Taxation and Economic Policy.
The Income Tax is Progressive

% personal income paid in income tax, 2012

Income Range: Lowest 20%, Second 20%, Middle 20%, Fourth 20%, Next 15%, Next 4%, Top 1%

Source: Institute for Taxation and Economic Policy.
State and Local Taxes are Regressive

% personal income paid in state and local taxes, 2012

<table>
<thead>
<tr>
<th>Income Range</th>
<th>Lowest 20%</th>
<th>Second 20%</th>
<th>Middle 20%</th>
<th>Fourth 20%</th>
<th>Next 15%</th>
<th>Next 4%</th>
<th>Top 1%</th>
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<tbody>
<tr>
<td>Less than $21,000</td>
<td>9%</td>
<td>7%</td>
<td>6%</td>
<td>5%</td>
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</tbody>
</table>

Source: Institute for Taxation and Economic Policy.
Investing in a strong state economy
No Clear Relationship Between Tax Levels & Wages, 2012

State & Local Taxes as a Share of State Personal Income

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Strong Relationship Between Education and Wages, 2012

Median Hourly Wage vs. Percent of Workforce with Bachelor's Degree

- States are represented by markers with their respective initials:
  - AK, AL, AZ, AR, CA, CO, CT, DE, FL, GA, HI, ID, IL, IN, IA, KS, KY, LA, ME, MD, MA, MI, MN, MS, MO, MT, NE, NV, NH, NJ, NM, NY, NC, ND, OH, OK, OR, PA, RI, SC, SD, TN, TX, UT, VT, VA, WA, WV, WI, WY

- The graph shows a strong positive correlation, indicating that higher education is associated with higher wages.

- The Massachusetts data point (MA) is highlighted, showing a particularly strong relationship.

- Source: MassBudget Information Participation Democracy
Individual Wages Increase with Level of Education

Median hourly wage in Massachusetts by educational level, 2010

- High school: $14.81
- Some college: $15.86
- Bachelor's or higher: $27.16
Weak Relationship Between Education and Wages 30 Years Ago, 1979

- Median Hourly Wage (inflation adjusted, 2012 $)
- Percent of Workforce with Bachelor's Degree

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Tools to Learn More

- Massachusetts Budget and Policy Center: [www.massbudget.org](http://www.massbudget.org)
- MassBudget Online Budget Browser: [http://browser.massbudget.org](http://browser.massbudget.org)
- Commonwealth of Massachusetts Budget: [www.mass.gov/budget](http://www.mass.gov/budget)
children.massbudget.org

MassBudget’s Children’s Budget

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