

## With “Millionaire Tax,” Massachusetts’ Top Tax Rate Would Compare Well to Top Rates in Other States

By Kurt Wise, Senior Policy Analyst

### Why do we need new tax revenue in Massachusetts?

In order to build an economically and racially just Commonwealth, it is necessary for our state government to collect enough revenue to pay for key investments – ones that will create new opportunities for all our people and allow every community to thrive. These include investments in our transportation and education systems, two of the essential building blocks for individual, community, and statewide economic success.

For example, Massachusetts has a large backlog of repairs we need to make to our roads, public transit systems and schools – problems that will only get worse if we don’t tackle them now. Likewise, investments in affordable childcare, well-resourced K-12 schools, and opportunities for debt-free vocational and higher education will propel our people and our communities forward.

When making these investments, it is especially important that the Commonwealth prioritize the needs of Black, brown and Latinx communities. Due to a centuries-long history of systemic racism, these groups have much lower average household incomes and continue to be excluded from many economic opportunities. This is an injustice we can and must correct.

### Why raise the new revenue from very high-income filers?

As a matter of fairness and economic commonsense, it is important that the much-needed new revenue come from our state’s highest-income households – the same group that has gotten [even richer](#) during the pandemic and [which also is disproportionately white](#). With Massachusetts’s upside down tax system, these households currently pay a [far smaller share](#) of their income in state and local taxes than low- and middle-income households do. Applying a highertax rate to very high incomes would help turn our tax system right side up, while advancing efforts to achieve racial equity in Massachusetts. The targeted, sustained investments

### KEY TAKEAWAYS

- Fair Share would create a top rate of 9% on income above one million dollars per year
- Ten other states have top rates near or above 9 percent
- Several of these states have especially high shares of households with million-plus dollar incomes
- Fair Share would support economic and racial justice in Massachusetts

made possible with the resulting revenue would have a still larger impact on economic and racial equity throughout the Commonwealth.

### How much would the “millionaire tax” raise and how would it work?

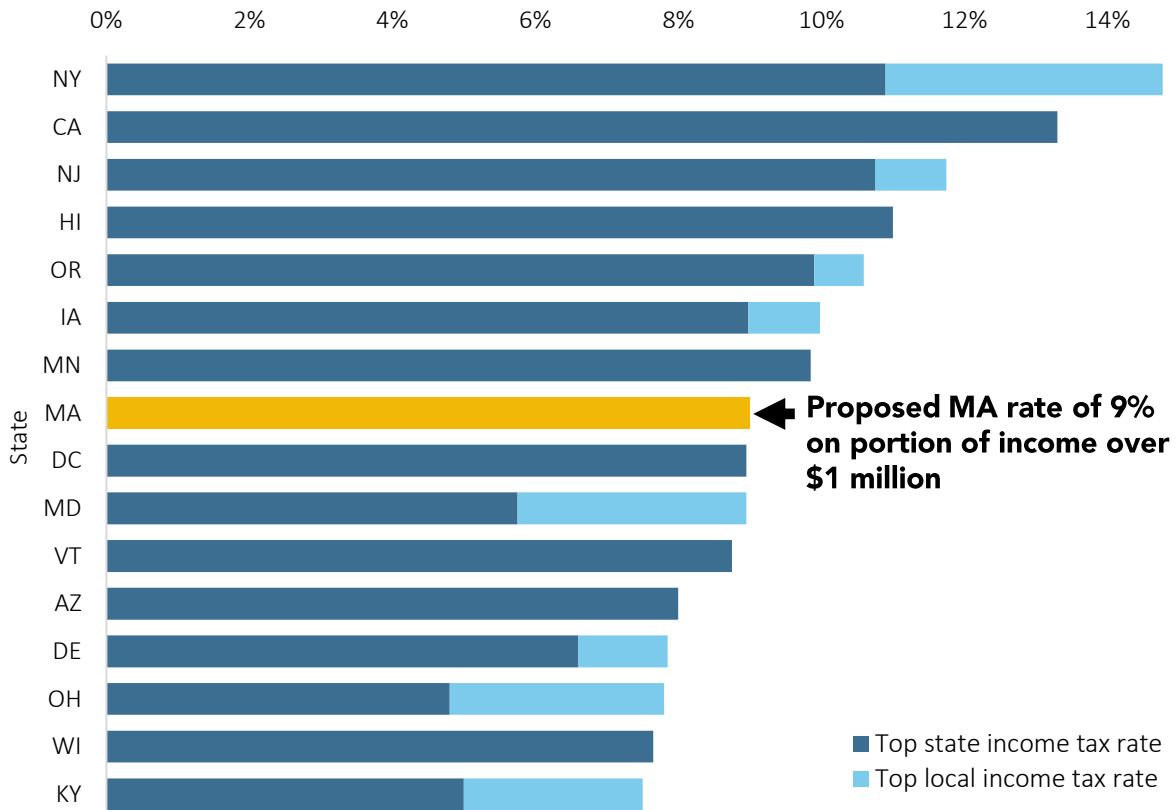
One high-income tax option now on the table -- dubbed the [“Fair Share Amendment”](#) -- would generate at least \$2 billion a year in new, ongoing revenue. If approved by voters in November of 2022, Fair Share would place an additional 4 percent tax on the portion of a filer’s personal income above \$1 million a year. Income below \$1 million would continue to be taxed at the 5 percent rate currently applied to all income in Massachusetts. The result would be a top marginal tax rate in Massachusetts of 9 percent (our 5 percent standard income tax rate + the 4 percent surtax).

### Would Fair Share make Massachusetts an extreme outlier in terms of top tax rates?

The answer is no. While investments funded with Fair Share revenue clearly would benefit communities throughout the Commonwealth, a top rate of 9 percent would compare well with top rates in other states. Nine other states and D.C. already tax high-income filers at top rates very near to or above 9 percent. In several of these states - including Arizona, New York and New Jersey – the top rates shown in the chart below were adopted in just the last few years, in response to statewide, grassroots campaigns. Meanwhile, also in response to a grassroots campaign, the D.C. City Council recently approved raising the top rate to 10.75 percent on income above \$1 million beginning in Tax Year 2022.

## A 9% Top Tax Rate in MA Would Be Comparable to Many Other States

Top personal income tax rates (state + local) for states where top combined rate exceeds 7.5%



Sources: Tax Policy Center & Tax Foundation. Each state's top rate may apply to a different income level, as tax brackets vary among states. See Table 1 for the income thresholds of top tax brackets in each state listed in this chart.

As the chart shows, several states have top statewide tax rates well above 9 percent. Additionally, quite a few states with higher statewide rates also allow cities and/or counties to levy sizeable income taxes that push top, combined state and local tax rates higher still. Massachusetts, however, does not allow city or county income taxes.

Notably, many states apply their top rates at income levels far below \$1 million (see Table 1, below). As a result, a larger share of the income of high-income filers in these states is subject to the state's top rate. With Fair Share in place, Massachusetts filers would pay the 4 percent surtax only on the portion of their income above \$1 million. Income below \$1 million per year would continue to be taxed at the current, 5 percent rate.

### How might Fair Share affect very high-income filers' decisions about where to live?

It is worth noting that a number of the states with the highest tax rates (for example, California, New York, and New Jersey) are among the group of states with the [highest number](#) and [highest](#)

[share](#) of households reporting million-plus dollar incomes. For people familiar with research on the myth of “millionaire tax flight,” this is not surprising.

[The most thorough academic studies](#) show that, overwhelmingly, people with million dollar and higher incomes remain in the places where they have found such remarkable economic success – and where they have built the professional and social networks that help sustain their very high incomes. Higher state and local tax rates factor little into the decisions of most millionaires about where to live. Which, again, is not surprising - after all, one of the prime benefits of having a very high income is being able to afford a very high quality of life, in whichever place you have chosen to build your career and raise your family.

**What’s most important to remember about Fair Share?**

If approved by the voters in November of 2022, the revenue from Fair Share will allow Massachusetts to make sustained, transformative investments of more than \$2 billion a year in education and transportation throughout the state. The way Fair Share is structured – impacting only those filers with very high incomes - likewise will help move the Commonwealth toward greater tax and racial justice.

To learn more about the Fair Share Amendment, visit MassBudget’s [Fair Share homepage](#).

Table 1 - Top Tax Bracket Thresholds in Select States (Combined State and Local Taxes)		
State	Top Tax Bracket Threshold	Total Top Tax Rate
New York *	\$25.0 million	14.78%
California	\$1.2 million	13.30%
New Jersey	\$1.0 million	11.75%
Hawaii	\$400,000	11.00%
Oregon	\$250,000	10.59%
Iowa	\$75,000	9.98%
Minnesota	\$276,000	9.85%
Massachusetts	\$1.0 million (proposed)	9.00% (proposed)
District of Columbia	\$1.0 million	8.95%
Maryland	\$300,000	8.95%
Vermont	\$248,000	8.75%
Arizona	\$500,000	8.00%
Delaware	\$60,000	7.85%

Ohio	\$111,000	6.99%
Wisconsin	\$356,000	7.65%
Kentucky	\$0	7.50%

\* Many states have multiple high-income tax brackets which are taxed at increasingly higher rates as income rises. New York has an unusually high top tax bracket, applying to income above \$25 million. New York also has a \$5.0 – \$25.0 million bracket and a \$2.15 - \$5.0 million bracket. The top combined state and local rates for these brackets are 14.18 percent and 13.53 percent, respectively.