

Hello. It looks like you're using an ad blocker that may prevent our website from working properly. To receive the best experience possible, please make sure any blockers are switched off and refresh the page.

If you have any questions or need help you can email us

the state less competitive, but supporters say it will pay for itself and spur growth.

Jan. 18, 2013

Critics contend Gov. Deval Patrick's call to raise the income tax will kill jobs and make the state less competitive, but supporters say it will pay for itself and spur growth.

The far-flung disagreement demonstrates the deep divide Patrick has to bridge if he wants the Legislature to approve his plan to raise the income tax from 5.25 percent to 6.25 percent.

It was tempered, however, by a corresponding proposal to reduce the state sales tax from 6.25 percent to 4.5 percent.

Patrick said Wednesday in his State of the State address that the higher income tax is the best way to raise more than \$1 billion a year to pay for transportation and education improvements.

The governor said the revenue can be used to reduce borrowing, repair and replace aging roads and bridges, expand and improve commuter rail service and provide more funding to regional transit authorities.

He also wants to provide more pre-school education.

But, Frank Conte, a policy analyst at Suffolk University's Beacon Hill Institute, said its study shows the governor's tax hike would cost the state 8,500 jobs and cause thousands of people to move out of Massachusetts.

"I think its clear that the emerging evidence shows taxes hurt economic growth over the long term," he said.

He said economic growth is created by the private sector, not by government

Hello. It looks like you're using an ad blocker that may prevent our website from working properly. To receive the best experience possible, please make sure any blockers are switched off and refresh the page.

If you have any questions or need help you can email us

He said the economy Greater Boston is doing fairly well, but the Northeast area, the South Coast and Western Massachusetts are lagging behind.

Raising taxes will slow the economy even more, he said.

“It will adversely affect economic growth,” he said of a tax hike.

Paul Carney of Massachusetts Fiscal Alliance said a higher tax will make Massachusetts less competitive with other states and give the Bay State the second highest income tax in New England.

But, supporters of the plan said the exact opposite is true.

They said the tax increase will pay for itself by reducing borrowing, creating construction jobs on road and bridge projects and making the state's transportation system more efficient in delivering goods and workers.

“It's a pretty modest investment and it will make life better every day for people in Massachusetts and help the economy,” said Stephanie Pollack, a public policy professor at Northeastern University.

As an example, she said Massachusetts Department of Transportation borrows \$234 million a year for routine operating expenses, such as salaries, plowing roads and mowing the grass on median strips.

Raising taxes would allow those expenses to be paid for with cash and avoid interest costs, she said.

The state will pay out \$1.1 billion in principle and interest next year for past borrowing, about the same amount Patrick wants to raise in taxes, she said.

The state, she said, allows expensive bridges to deteriorate because it lacks the money

Hello. It looks like you're using an ad blocker that may prevent our website from working properly. To receive the best experience possible, please make sure any blockers are switched off and refresh the page.

If you have any questions or need help you can email us

Frame is so bad in Massachusetts that some companies use their own shuttle buses to get employees around, she said.

Randy Albelda, an economist at the University of Massachusetts in Boston, said spending more on infrastructure and education are two of the best investments a government can make in the economy.

She also said raising the revenue from the income tax is the most progressive method.

Higher gasoline taxes hit low- and high-income families equally, whereas a higher income tax takes more from families that can most afford it, including herself, Albelda said.

The liberal Citizens for Tax Justice in Washington, D.C., headed by Attleboro native Robert McIntyre, made the same point.

“Using an income tax increase to make up the revenues makes sense from a fairness stand point,” the group said in a statement.

“Of all the taxes the state levies, it is the most progressive, so the impact won’t hit lower and middle income taxpayers the way a sales tax increase most certainly would. Sales taxes are the most regressive taxes any state levies – they take a significantly bigger bite out of working families’ budgets than wealthy families.”

Yet Craney, Conte and Stergios all said the governor wants to raise taxes by too much for the economy to handle.

They acknowledged that more spending on infrastructure is needed, but not on a scale envisioned by Patrick.

“A tax increase of that magnitude is a really big hit on the economy,” Stergios said.

Craney said a small increase in tolls and car registration fees is a better way to go.

Hello. It looks like you're using an ad blocker that may prevent our website from working properly. To receive the best experience possible, please make sure any blockers are switched off and refresh the page.

If you have any questions or need help you can email us

labor could be used on construction projects.

Conte said the state should lift restrictions on privatizing services, sell the air rights over MBTA property to developers and cancel expansion of commuter rail to places like the South Coast.

“They should give up that dream. The state simply can’t afford it,” he said.

---

Copyright 2013 The Sun Chronicle. Distributed by Newsbank, Inc. All Rights Reserved

Income Tax • Sales Tax • State and Local Taxes

CPA Practice Advisor is registered with the National Association of State Boards of Accountancy (NASBA) as a sponsor of continuing professional education on the National Registry of CPE Sponsors.

© 2024 Firmworks, LLC. All rights reserved