

# Save Our Communities!



How the Massachusetts budget crisis  
is threatening our communities  
. . . and what we can do about it.

Massachusetts Coalition for Healthy Communities  
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This presentation provides background on the budget crisis and the **fair revenue solutions** that can solve it. We hope this information will help put **fairness** at the center of the discussion.

We also hope this information will help empower ordinary citizens to participate in the critical budget decisions that affect our lives and future. Greater public participation in this process is essential for restoring our democracy and putting Massachusetts back on track towards a more healthy, just, prosperous and democratic future.

These annotated slides were produced by the **Massachusetts Coalition for Healthy Communities**, a nonpartisan, nonprofit organization formed to help citizens protect and improve the social, economic, educational, environmental and democratic foundations of healthy communities. Further information on the issues discussed here can be found at the MCHC website:

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MCHC welcomes comments, support, and volunteers.

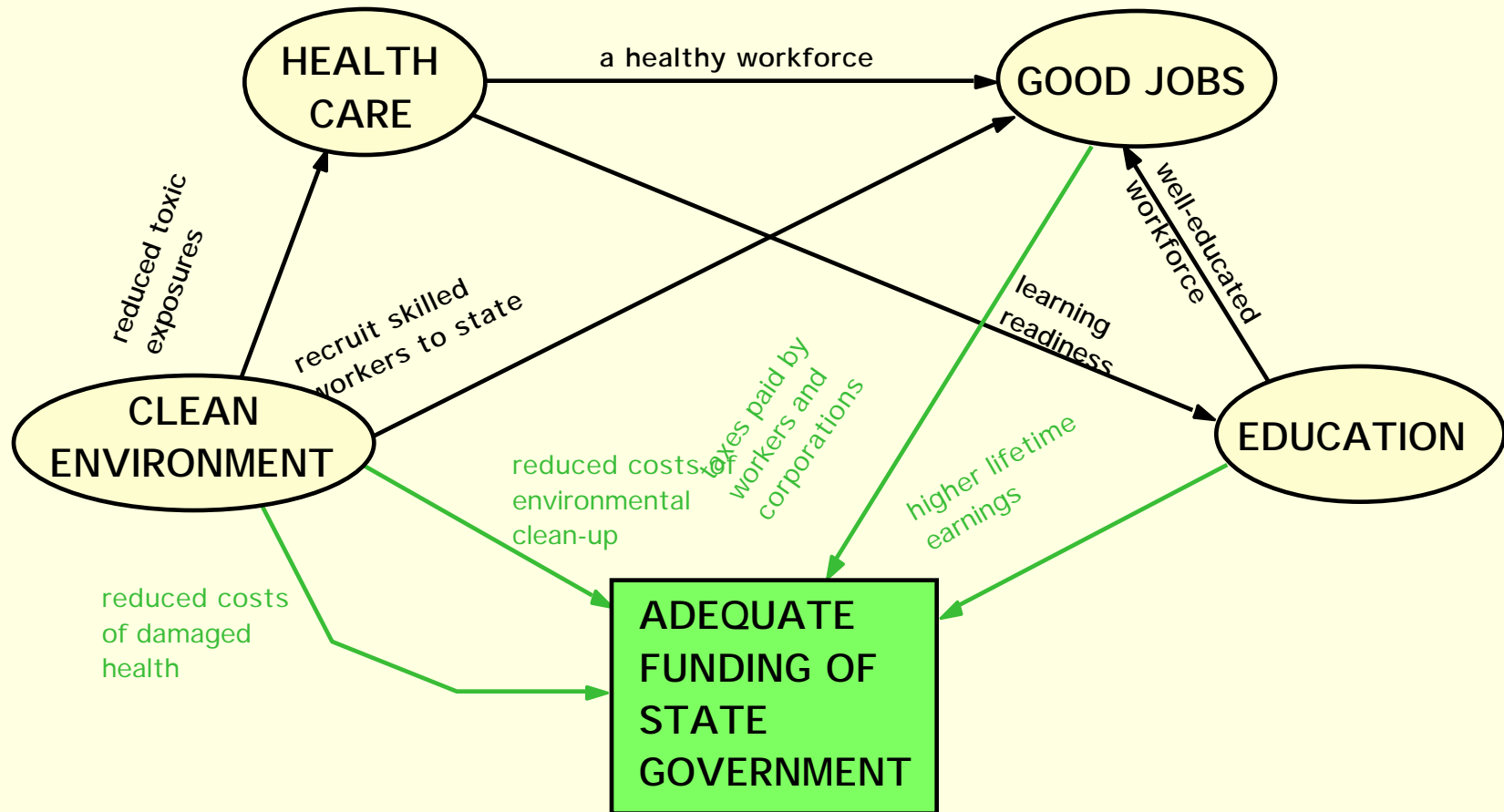
# A healthy community includes:

- health care
- education
- good jobs
- a clean environment
- a social “safety net”
- affordable housing
- freedom from violence
- justice for all
- real democracy

and more .



# Reinforcing Relationships



# Where are the cuts falling?

We are not just cutting "waste". We are destroying people's lives.

## HEALTH

- MassHealth Basic **health insurance**
- State worker health care insurance
- "Healthy Start" **prenatal care** program
- **substance abuse treatment** services
- **tobacco control and smoking cessation**
- Women, Infants & Children (WIC) **nutrition** program
- public health

## EDUCATION

- Early childhood education
- local aid to K-12 education
- **higher education** (UMass, community colleges)
- **libraries** and reference materials
- State funding for the **arts, scholarships**

## SOCIAL SERVICES

- **family stabilization supports** for children at risk of abuse or neglect
- **home care** for frail elders
- residential placements
- Women, Infants & Children (WIC) **nutrition** program
- affordable housing

## JOBS

- Teachers
- Job training
- State employee layoffs

## ENVIRONMENT

- clean air and water
- hazardous waste clean-up
- pollution prevention• **recycling** incentive programs (MRIP)
- state parks



## What we are asking for:

- Healthy Communities
- Fair Taxes
- Real Democracy

- *We need all three.*
- *We must have all to have any.*
- *We have a right to have all three.*



# The Conventional Wisdom

**“The state is broke.”**

**“Now that tax revenues have fallen, we can no longer afford health care, quality public education, environmental protection . . .”**

**“By sharply cutting government programs, we save money.”**

**“Taxes are just too darn high.”**

**“Higher taxes will *cost jobs*.”**

**“Tax breaks for businesses encourages job creation in Massachusetts”**

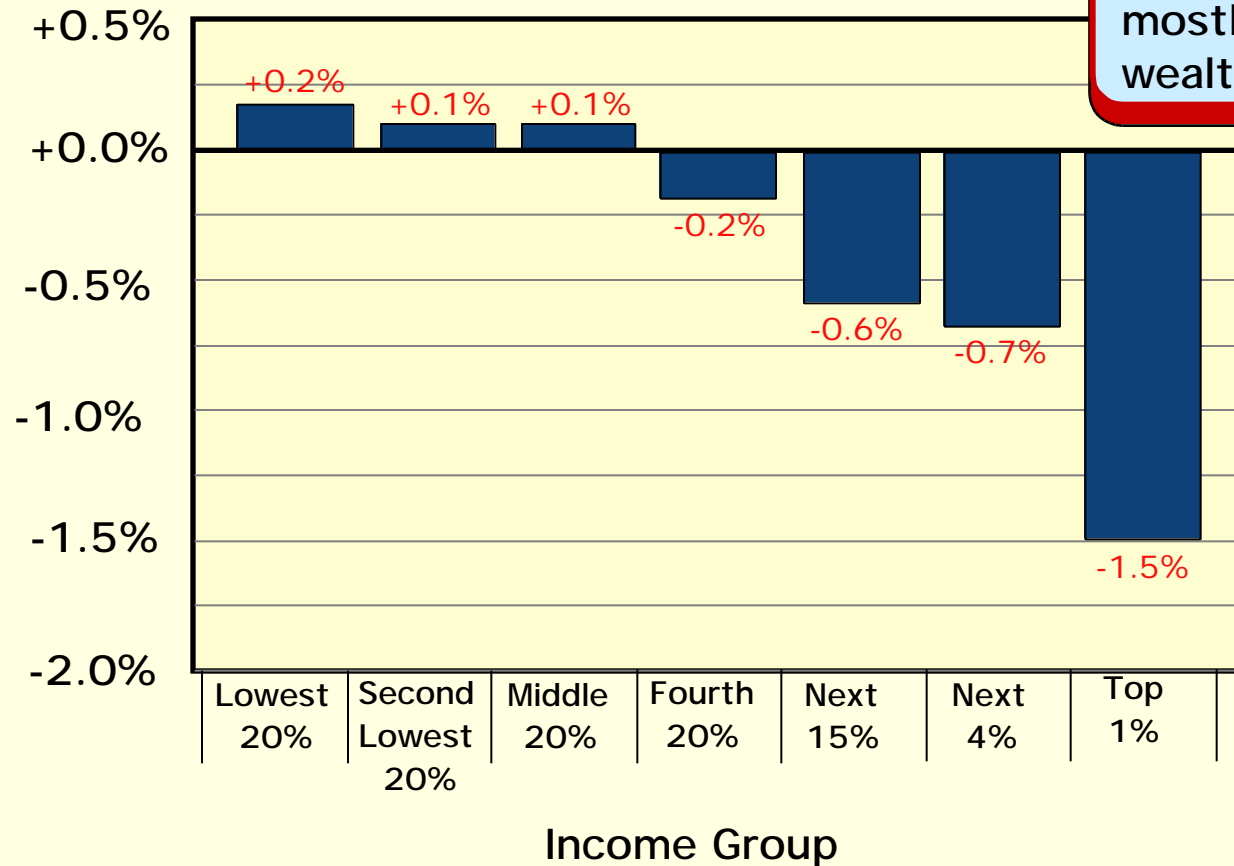
**“In a recession, tax breaks will stimulate the economy and aid recovery.”**

**“No-new-taxes politicians are protecting our pocketbooks.”**

*There's only one thing wrong with the conventional wisdom: It ain't so!*

# Where the Money Went . . .

## Change in Tax Contribution 1989-2000



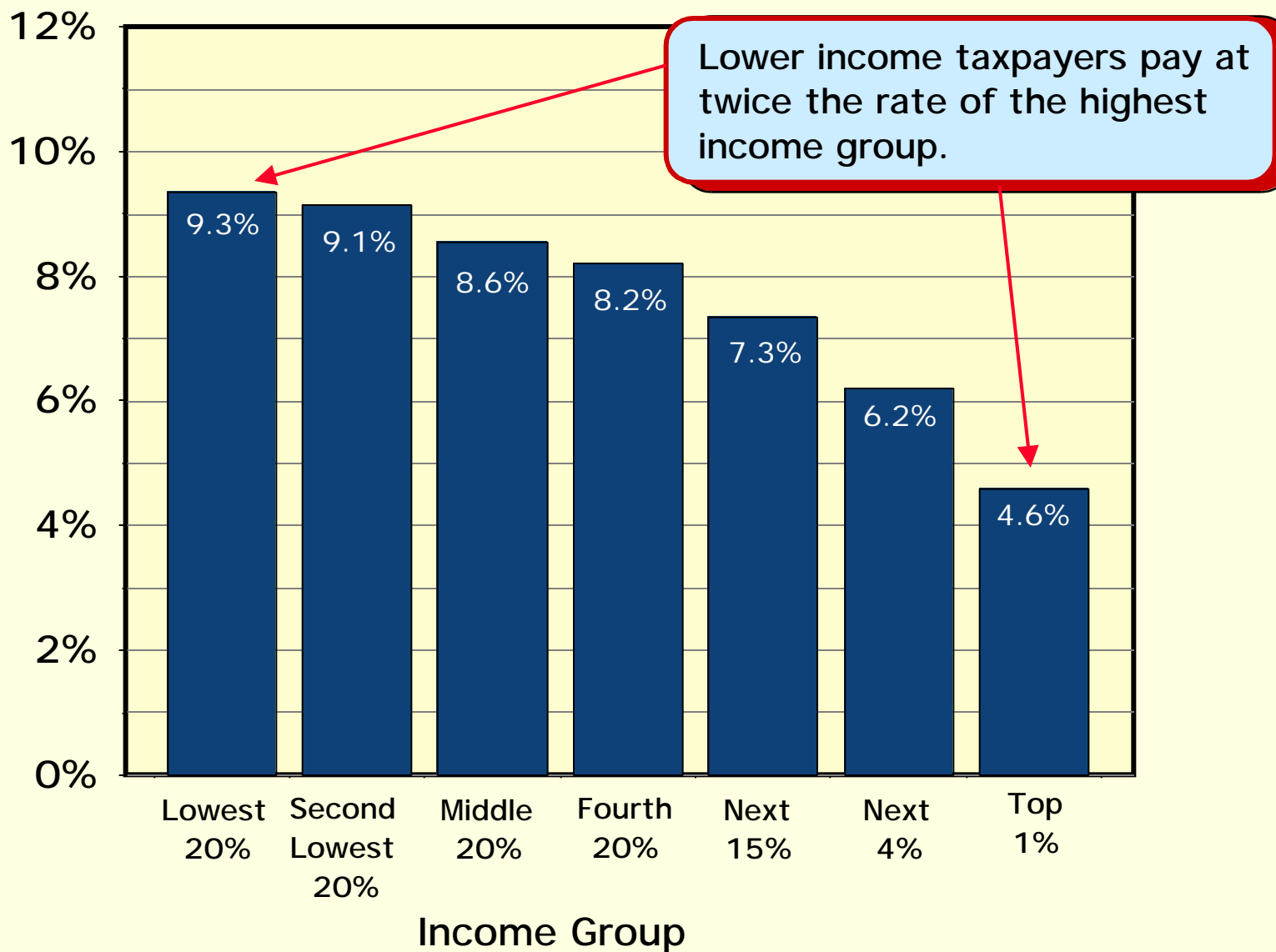
Tax breaks in the 1990's mostly benefited the wealthiest taxpayers.

Ref: "Who Pays? A Distributional Analysis of the Tax Systems in all 50 States, 2nd Edition", Institute on Taxation & Economic Policy, January 2003. Data source: U.S. Department of Census.



## Bottom Line Tax Rates - Massachusetts 2002

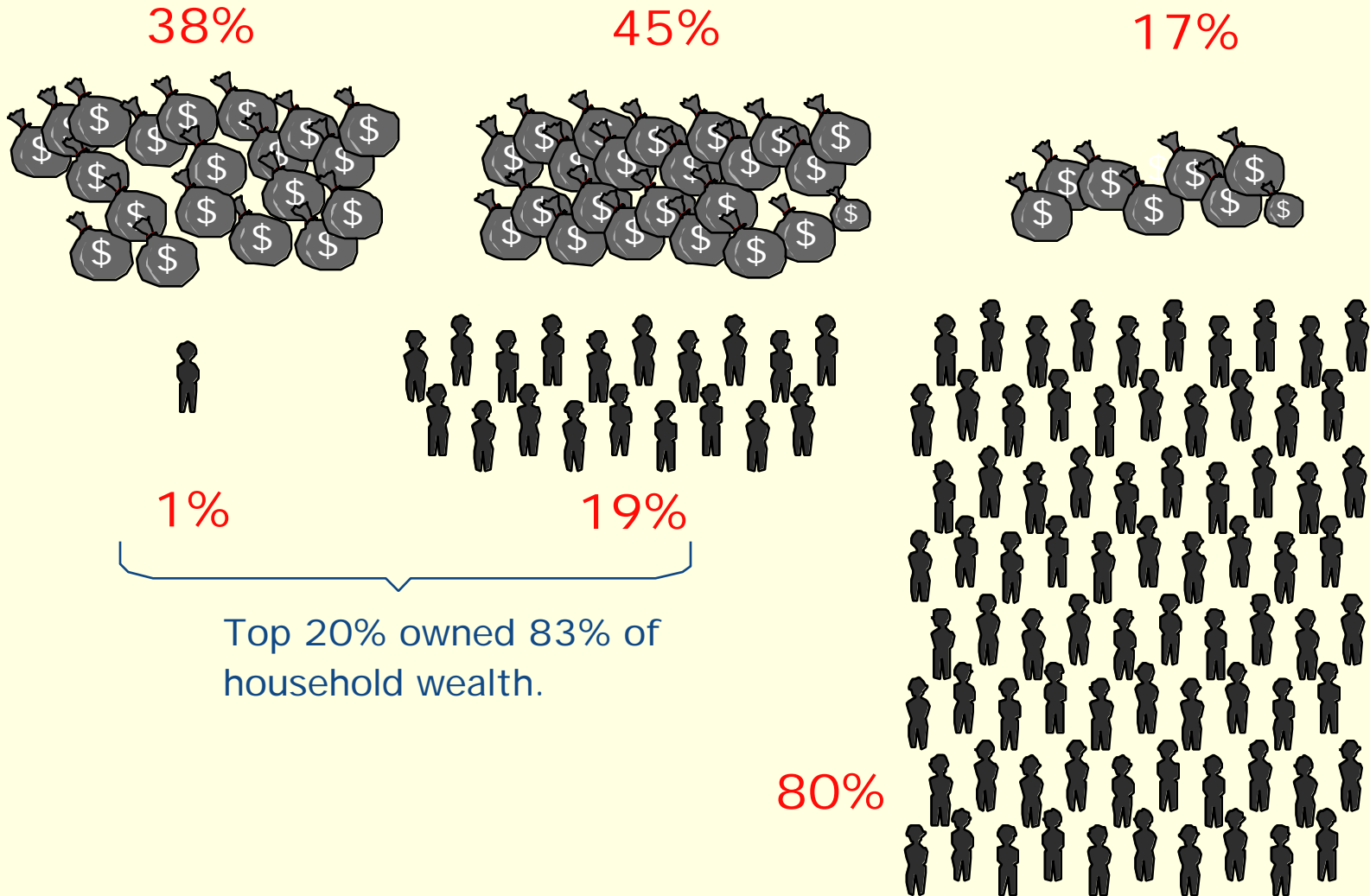
PERCENT INCOME TO TAXES



Ref: "Who Pays? A Distributional Analysis of the Tax Systems in all 50 States, 2nd Edition",  
Institute on Taxation & Economic Policy, January 2003. Data source: U.S. Department of Census.

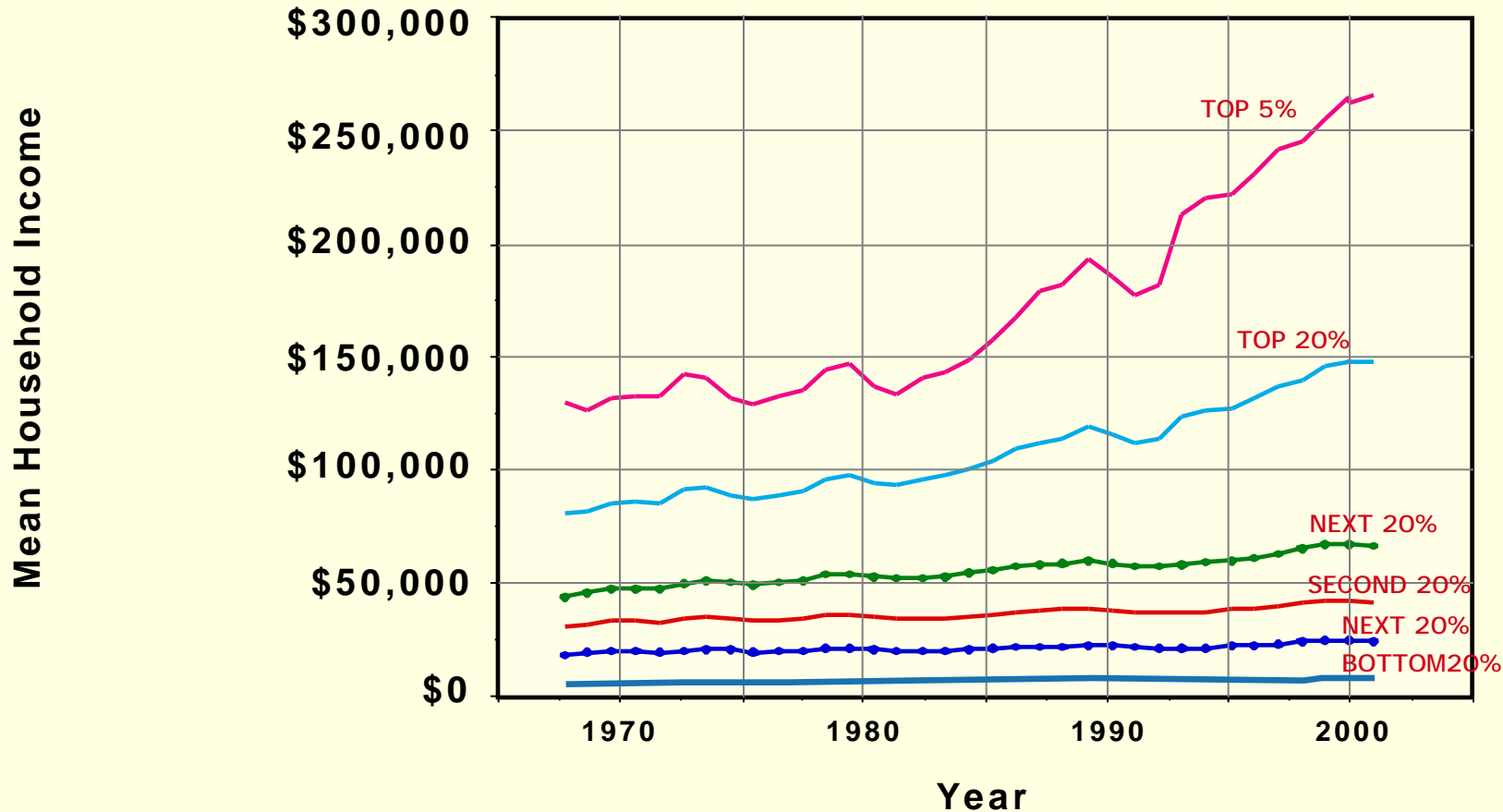


# Household Wealth



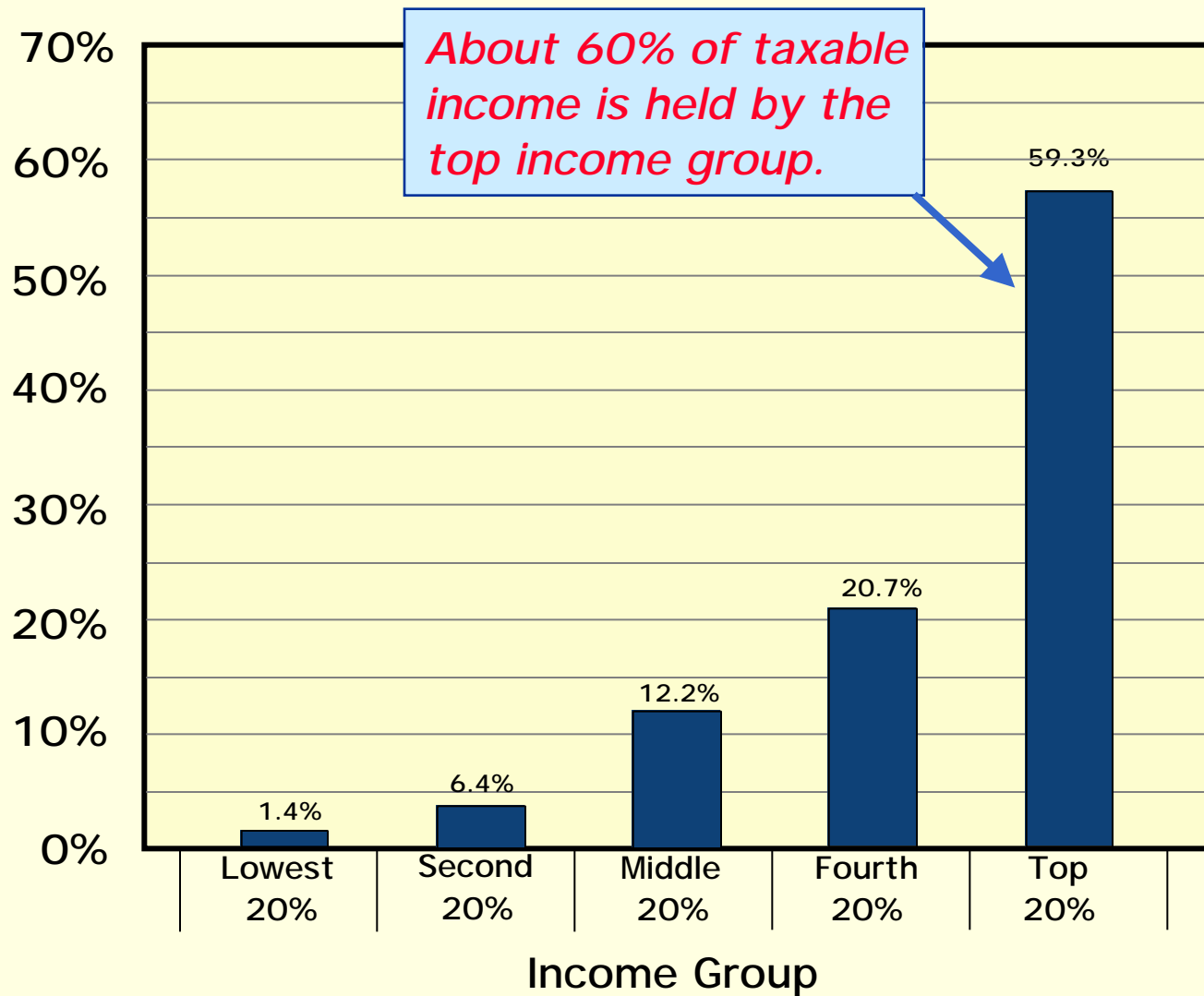
# Household Income Trends

(U.S., constant 2001 dollars)



Source: U.S. Census Bureau, Historical Income Table H-3.  
Income in current and 2001 CPI-U-RS adjusted dollars.

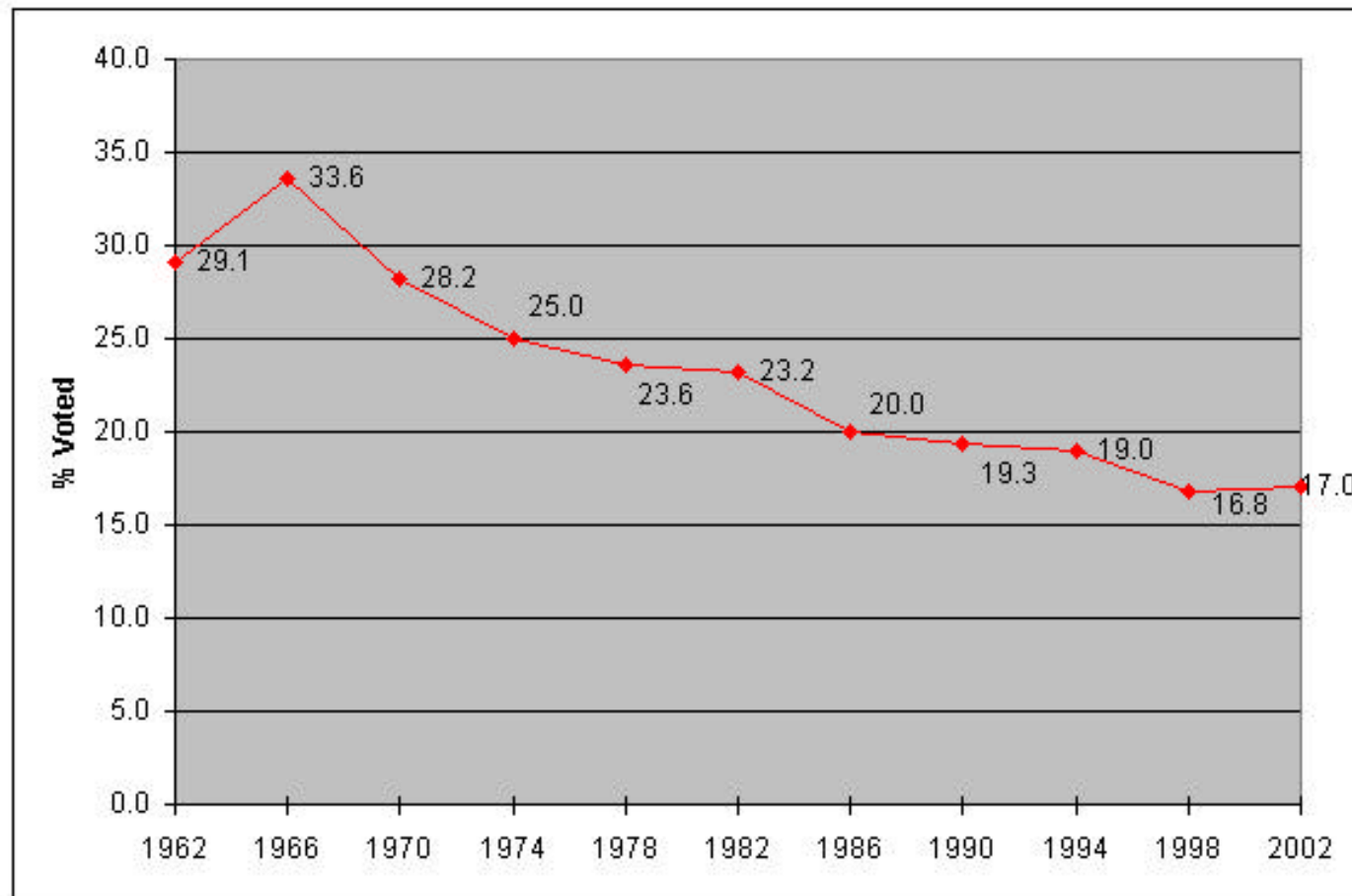
# Taxable Income in Massachusetts



Source: "Massachusetts Statistics of Income - 1996 Individual Tax Returns, Massachusetts Dept. of Revenue, 2000

# Signs of a democracy in decline:

## Voter Turnout - Mid-term Primary Elections



This figure shows the average percentage of the voting age population (VAP) who voted in all the states that held statewide primaries in both major parties in the years 1962 - 2002.

SOURCE: Center for the Study of the American Electorate

*The vitality of our  
democracy is at risk.*

# What is a Good Tax System

## A good tax system:

- provides **adequate revenues** that permit proper funding of vital services
- is **fair and equitable**, not placing undue burdens on people who are under economic stress, not arbitrarily taxing some people more than others
- is **stable**, not failing when we need it most
- is **synergistic** with other social objectives (such as a clean environment, economic growth, public health, etc.)

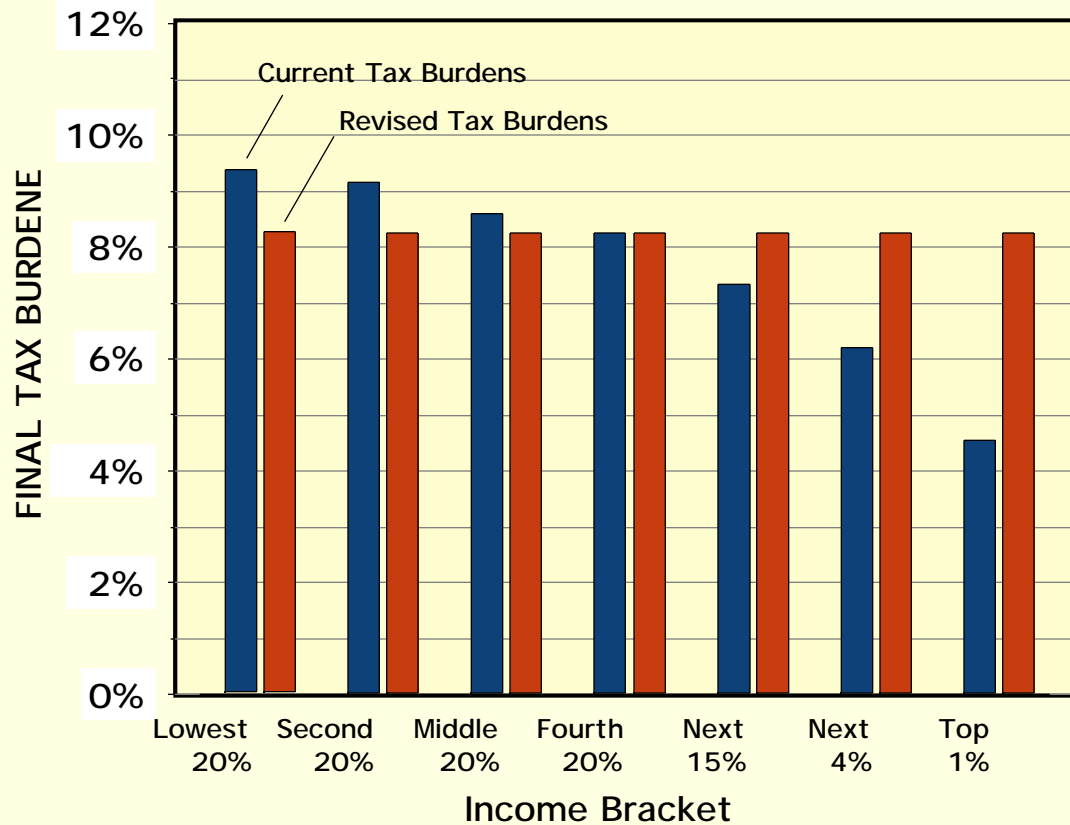
# A Fair Tax Strategy

## STRATEGY:

- Ask all income groups to make the **same** final tax contribution (measures as a percent of income after all deductions are considered)
- *Nobody* contributes more than lower income individuals have been contributing for the past decade.



# A Fair Tax Strategy (8.2% Case)



## RESULT:

- The lower 60% of taxpayers get a tax reduction.
- Revenue increase: \$2.1b.
- Combined with one-time measures, this eliminates all cuts to vital programs.

The solution to the budget crisis is *tax fairness*.

# Revenue from Tax Code Revisions (Examples)

REVENUE (\$M)

0      100      200      300      400      500      600      700

**LOOPHOLE  
CLOSURES**

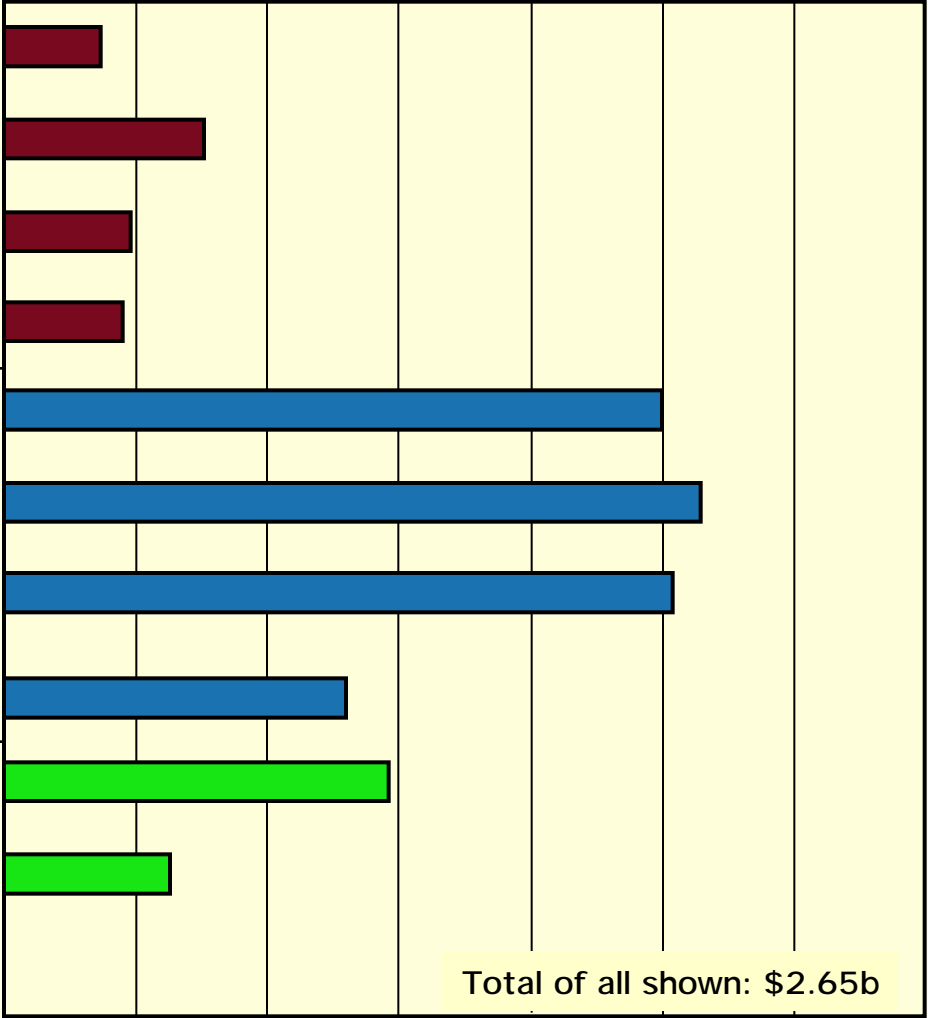
- Raytheon Repeal
- Fidelity Repeal
- Combined Reporting
- Repeal Certain Business  
Excise Tax Exemptions

**FAIRNESS  
TAXES**

- Intangible Property Tax
- Repeal Sales Tax Exemption  
for Selected Services
- Transfer Tax for Real Estate  
at Higher End of Market
- Income tax revision

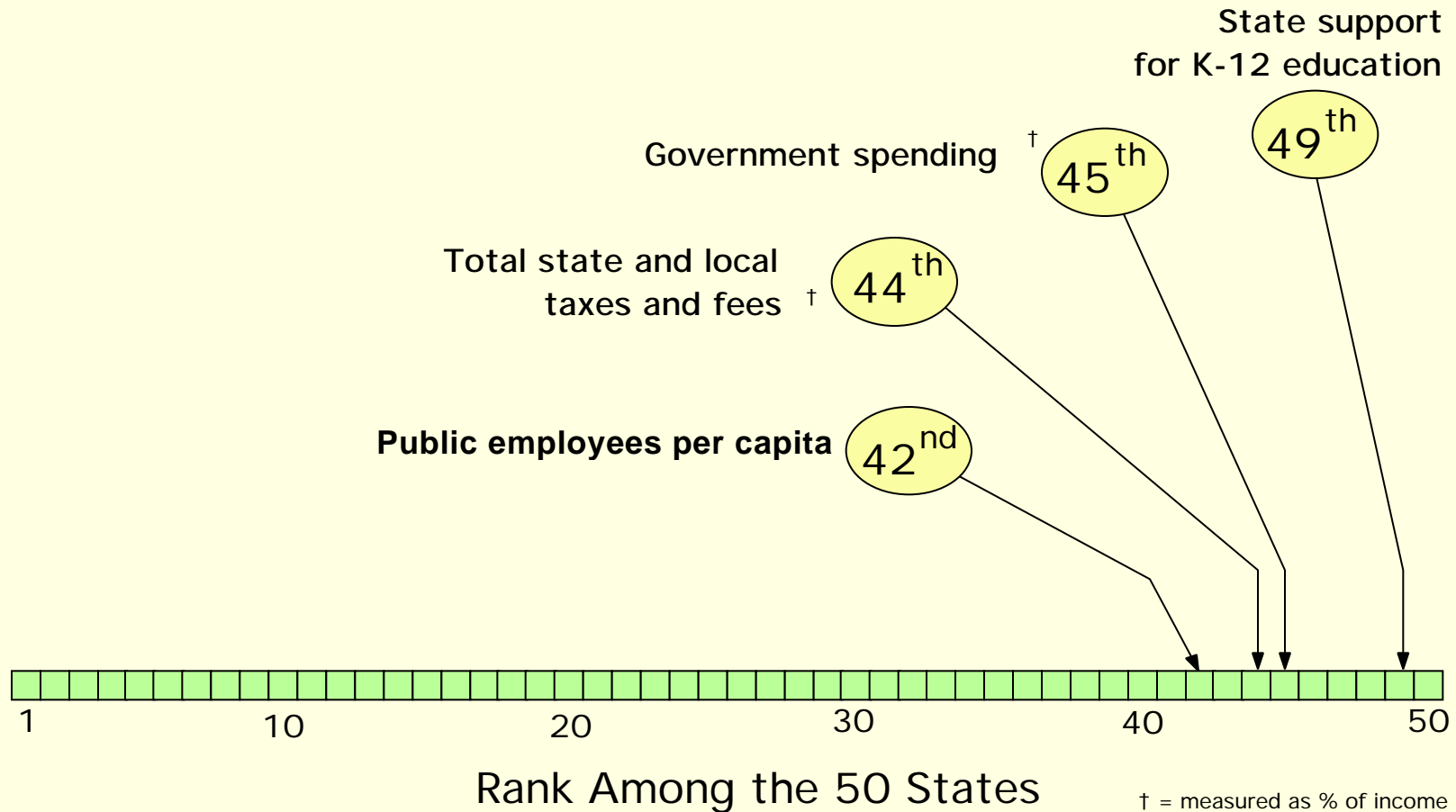
**SMART  
TAXES**

- Tax on Pollution
- Sales Tax:  
Non-renewable electricity



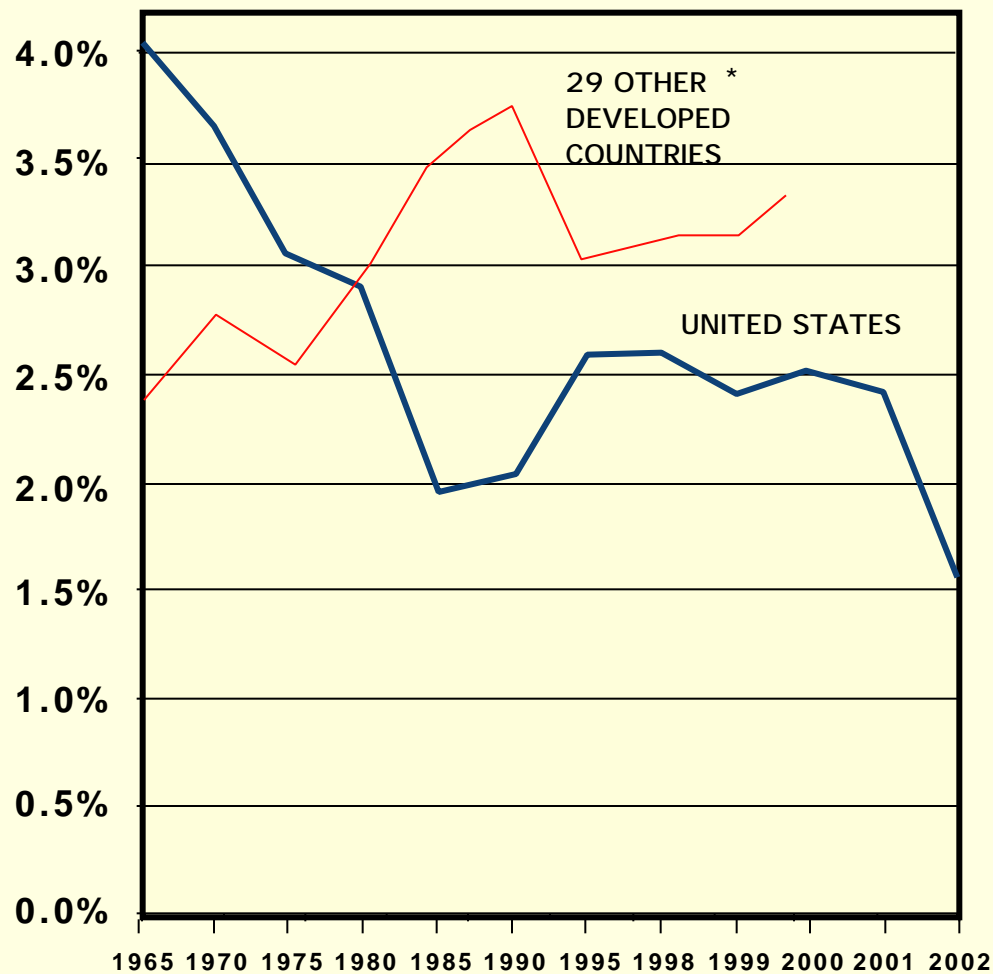
Total of all shown: \$2.65b

# Debunking The High Taxes Myth: Our State Taxes and Spending are Low



Sources: Massachusetts Budget and Policy Center, U.S. Census Bureau

# Corporate Income Taxes as % of GDP



\* This is the average for the other 29 members of the Organization for Economic Cooperation and Development (OECD).

(MCHC.A.03)

Source: Center for Tax Justice

Massachusetts Coalition for Healthy Communities



# Some Final Thoughts

- The prevailing cut-and-suffer approach to the budget is **unwise, unfair, and unnecessary**

*The damage it is doing to all we value is too severe.*

- The best solution to the budget crisis is **tax fairness**.

*When everyone is given a similar bottom-line tax burden, the revenue shortfall can be eliminated.*

- **Citizens** have to provide sustained leadership to get Beacon Hill to change direction.

*The entrenched system on Beacon Hill has evolved to protect the status quo. The impetus for change must come from outside.*



# Save Our Communities!



- Healthy Communities!
- Fair Taxes!
- Real Democracy

## ACKNOWLEDGEMENTS

Much of the data in this publication originated with publicly released material from a number of governmental and nonprofit organizations. MCHC acknowledges and thanks the following organizations in particular who are making valuable contributions to the understanding of the issues before us:

Center for Tax Justice  
Center for the Study of the American Electorate  
Institute on Taxation and Economic Policy  
U.S. Department of the Census  
Massachusetts Budget and Policy Center  
Massachusetts Department of Revenue  
Massachusetts Taxpayers Foundation  
National Conference of State Legislatures

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