



LEAGUE OF WOMEN VOTERS OF MASSACHUSETTS

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In Support of S.17

A proposal for a legislative amendment to the Constitution allowing for a graduated income tax

Testimony submitted to the Joint Committee on Revenue

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The Commonwealth needs to collect sufficient income to support the level of services citizens demand. We are coming out of a severe recession during which revenue from all sources was insufficient to avoid cuts to services. Now, as the economy improves, there is support for broad changes to the funding of governmental programs.

In 1915 when the 44th Amendment to the state's Constitution was passed, the federal income tax was only 2 years old, had seven brackets and a top rate of 7% on incomes over \$500,000. Since then the federal tax has had as many as 55 brackets and rates ranging from 1% to 91%, while our state income tax has had a single rate.

The income tax is a major source of the Commonwealth's revenue, representing more than a third of the state budget. This revenue is not earmarked for specific purposes but supports statewide public works, K-12 education, higher education, Medicaid and social services. A fixed rate income tax is regressive, representing a burden for taxpayers whose incomes barely cover basic expenses, but not imposing a burden for taxpayers with large discretionary incomes.

The growing income and wealth disparity between the top 1% and the bottom 90% of the population has been gaining public attention. Wealth concentrated in the hands of a few is wealth that is not being spent in the state economy to stimulate growth and create jobs.

The Governor has proposed a FY2014 budget with significant changes to the mix of income tax, sales tax and other revenue. The time is right to address issues of fairness and equity in our tax code. The time is right to strengthen the tax base and provide for future growth and stability of revenues.

The League of Women Votes of Massachusetts supports:

- a state and local tax structure that will have an equitable impact on taxpayers and adequately support state services with consideration of the effect on the state and local economies
- greater reliance on state-collected taxes to reduce the burden on the property tax
- an income tax with a graduated rate applied to income from all sources.

A graduated income tax would raise sufficient revenue, provide tax relief for lower and middle income families and allow for greater flexibility in our overall tax structure. The scale of rates can be developed so as to be revenue neutral, or to raise either more or less revenue from the income tax. Control over the rate scale rests with the Legislature.

The League of Women Voters of Massachusetts strongly urges you to support this bill.