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Representative Hannah E. Kane  
Commonwealth of Massachusetts**

*For Immediate Release*

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## **Representative Kane opposes 2018 ballot proposal to create a graduated state income tax**

**BOSTON** –State Representative Hannah Kane (R-Shrewsbury), voted again to oppose placing a graduated state income tax plan on the 2018 state ballot.

Citing concerns about its Constitutionality, uncertainty over how the money raised will actually be spent, and the long-term impact the tax change will have on the state’s economy, Representative Kane voted against the “Millionaire Tax” proposal, which was approved on a 134-55 vote during a joint session of the House and Senate.

“I believe that this proposal is misleading and starts us down a dangerous path. Given that the Massachusetts Constitution prohibits the specific appropriation of funds, this graduated income tax, while in theory is being earmarked for transportation and education, will in reality likely not be given exclusively to these causes” stated Representative Hannah Kane. “Additionally, Massachusetts taxpayers have made it clear on five separate occasions that they are opposed to implementing a graduated income tax. In order to support our small business owners and to ensure a thriving state economy with continued low unemployment rates, I have opposed implementing a hefty additional tax burden and remain committed to examining our current spending practices and ensure more effective and efficient use of the funds currently available.”

The tax measure, which requires the support of at least 50 legislators in two successive legislative sessions, received initial approval during last year’s Constitutional Convention, where it passed on a vote of 135-57. With last week’s vote, the question will now advance to the November 2018 state ballot.

Massachusetts currently assesses all residents’ personal income at a uniform “flat tax” rate of 5.1 percent, and capital gains at a 12 percent rate. The ballot proposal would amend the state Constitution by creating a two-tier tax system imposing an additional 4 percent surtax on all income in excess of \$1 million beginning January 1, 2019, with the revenues set aside for education and transportation. The Department of Revenue estimates the surtax will generate approximately \$1.9 billion in its first year.

Although the state Constitution explicitly prohibits any amendment that “makes a specific appropriation of money,” the ballot proposal attempts to circumvent this restriction by designating the money as “subject to appropriation” by the Legislature. All revenues collected through the surtax will be placed in the General Fund, where it will be up to the Legislature to determine how the money will be allocated.

During last year’s Constitutional Convention, the House Republican Caucus tried unsuccessfully to amend the proposal to ensure that any funds raised through the surtax will be used “in addition to” and not “in lieu of” money currently being spent on education and transportation. Because the ballot proposal was not subject to further amendment this year, Representative Kane expressed concern that there are no protections in place to guarantee education and transportation will actually see any net increase in funding.

Leading business groups have labelled the tax proposal as anticompetitive, saying it will have a detrimental impact on small businesses and job creation, with the Massachusetts High Technology Council warning it “could cause irreparable harm to the state’s innovation economy.” Several of the state’s major business groups – including the Massachusetts Taxpayers Foundation (MTF), Associated Industries of Massachusetts, and the Massachusetts Competitive Partnership – are now considering a legal challenge.

In an analysis of the ballot question released on June 12, MTF indicated it is “unlikely” the full \$1.9 billion in new tax revenue will ever materialize, due to two key factors: the ability of many of the state’s top earners to relocate to avoid the surtax; and the volatility of capital gains taxes, which are being counted on to provide about \$500 million of the new tax revenues. MTF noted that capital gains tax collections dropped by \$670 million in 2002, and by \$1.65 billion during the last recession in 2008.

Between 1962 and 1994, Massachusetts voters rejected a total of five graduated income tax ballot proposals. The most recent ballot initiative, in 1994, was defeated by a margin of more than 2-1.

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