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For Immediate Release

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Representative Kane opposes graduated income tax amendment to the Massachusetts Constitution

BOSTON – State Representative Hannah Kane, R-Shrewsbury, recently opposed a proposed Constitutional amendment that would implement a graduated tax on incomes over \$1 million.

Meeting in a joint Constitutional Convention on June 9, the House and Senate approved the Fair Share Amendment, more commonly known as the “Millionaires Tax,” by a vote of 159-41. The proposal – which was initially approved by the House and Senate on a vote of 147-48 at the June 12, 2019 Constitutional Convention – will now go before voters on the November 2022 state election ballot.

While personal income in Massachusetts is currently taxed at a uniform rate of 5%, the proposed amendment would assess an additional 4% surtax on income in excess of \$1 million, beginning in 2023, if the measure is approved by Massachusetts’ voters next year. Language contained in the amendment requires the \$1 million income level to be adjusted annually to reflect any increases in the cost of living using the same method that applies to federal income tax brackets.

Representative Kane questioned the need to raise taxes at a time when tax revenues are coming in well over projections and the state is receiving a significant influx of federal aid, most notably \$5.3 billion from the American Rescue Plan Act (ARPA). May state tax revenues totaled \$4.002 billion, which is \$2.264 billion (or 130.3%) more than collections from May of 2020 and \$2.109 billion (or 111.4%) more than was projected to be collected last month.

Proponents claim the surtax will generate \$2 billion annually to provide funding for education and transportation, which will be subject to appropriation by the Legislature. Representative Kane questioned the accuracy of that figure and said she also has concerns about whether the money will actually be used to increase funding in these two key policy areas.

Representative Kane pointed to a new study released on June 8 by the Beacon Hill Institute that projects slightly more than \$1.2 billion in revenues will be generated by the surtax in its first year and only \$1.5 billion by 2027. The study warns that passage of the surtax will drive high-income households to other states and will result in a loss of jobs, investment, and disposable income.

The Beacon Hill Institute study also accuses advocates of attempting to “perpetrate a fraud on voters” by claiming “the revenue derived from the surtax will fund education and transportation.” The report argues that the proposal lacks sufficient safeguards because “there is nothing in the amendment ... that prevents legislators from diverting some of the (funding) already applied to education and transportation to other purposes and thus undermining the intent of the amendment.”

Members of the House Republican Caucus previously recognized this problem and offered an amendment during the 2019 Constitutional Convention requiring that any revenues generated by the surtax be used “in addition to and not in lieu of funds” that are already being appropriated for education and transportation, but it failed on a vote of 40-156. Representative Kane noted that the process governing proposed changes to the Constitution allows for amendments only at the initial voting stage, and not on the second vote required during a subsequent legislative session to advance the question to the ballot.

A report released by the Pioneer Institute on April 1 also warned that, “Despite its purported goal of taxing only the uber-rich, the graduated income tax would fail to protect people of more modest means from over-taxation on one-time windfalls” including those who sell a home or business.

Representative Kane expressed concerns about the Legislature’s ability to rescind the surtax if it does not work out as planned, since any repeal effort could not appear on the state ballot until November of 2026 at the earliest. She also noted that the amendment calls for the new revenues to be used “for quality public education and affordable public colleges and universities,” but does not define a “quality” or “affordable” education, potentially leaving the state vulnerable to costly future litigation.

A similar “Millionaires Tax” proposal was filed as a citizens’ petition and approved by the Legislature in both the 2015-2016 and 2017-2018 legislative sessions, but did not advance to the ballot after the Supreme Judicial Court ruled it violated the Massachusetts Constitution by seeking to combine two unrelated topics on the same ballot question. The latest proposal originated in the Legislature, and is not subject to the same restrictions as a citizens’ petition.

Massachusetts voters have previously rejected five graduated income tax ballot proposals, in 1962, 1968, 1972, 1976 and 1994. The 1994 ballot initiative was defeated by a margin of more than 2-1, with 65% opposed and only 28% in favor.

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