

Beacon Hill Byline by Mary Rogeness

October 5, 1997

It's Time to Cut Our Taxes

At first it seemed like an impossible goal. Could Massachusetts government continue to function if the income tax rate was cut? After all, we have just climbed out of a budget-breaking recession. Nonetheless, the idea of a tax cut has moved from "pie in the sky" to a real possibility in the past few months. Here is a summary of that progression.

Massachusetts opened the decade of the 90s in extreme fiscal crisis. The budget was in a deficit, and the state was borrowing money to meet operating expenses. Taxes had been going up every year and there was still not enough money to pay the bills. The Weld-Cellucci administration then arrived on the scene. With the legislature's help they reined in budget-busting expenses and cut the cost of government. From the MBTA account to the cost of borrowing money, every account was examined.

The budget was immediately balanced, and after the second year a structural balance became the norm for Massachusetts. Accounts that had been stressed during the first budget cycle were increased while the accountants kept a sharp eye on the integrity of the bottom line. Throughout these years the legislature continued to approve regular tax cuts. Sales tax on services, income tax surcharge, capital gains taxes; all were reduced or eliminated.

While the state improved its fiscal management, the economy gained strength as well. Each year's budget is established after economists determine how much revenue is likely to be collected by the Department of Revenue. In a time of economic expansion, revenues surpass those expectations, and that has been our experience for the past several years. The legislature planned for such a surplus by establishing a "rainy day" fund. That fund was filled to statutory limit of \$500 million last year.

This year the limit was raised to \$800 million, but the state surplus will again top off the rainy day fund and leave additional excess revenue. We have taken care of some overdue state expenditures that were deferred, and money remains. The economy continues to thrive, and revenues are likely to continue to surpass expectations.

The income tax rate was raised to its present 5.95% in the late 80s, and voters were told that the increase was temporarily necessary to meet a crisis. Governmental belt tightening and a healthy economy in the 90s have combined to end that crisis. Governor Cellucci has introduced legislation to return the tax rate to 5%. Citizens for Limited Taxation, the sponsors of Proposition 2 1/2, are circulating a petition to put the same tax cut on the ballot in the November, 1998 election. Voters will certainly be heard from next year if the legislature does not act to restore the income tax rate for Massachusetts Taxpayers.

All of those circumstances send the message that it is time to cut the taxes!