

Beacon Hill Byline by Mary Rogeness

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## **The Budget is Back**

The Massachusetts Budget marathon has begun! Last week Governor Patrick filed his first annual budget, setting the pace for the race. The budget came after several other bills raising new money to cover some of the costs.

Here is our fiscal situation as March begins.

First, the money bills. The governor proposed last month that that local governments be allowed to add meals and lodging taxes, with 25% of their revenue going to the state. Next he looked at business to pay an additional \$500 million a year to the state. Their tax increase would begin next January, halfway through the state's budget year, so \$290 million would go into state coffers.

Next, the budget itself. The governor proposes to spend \$26.7 billion to operate state government. That is a 4% increase over last year's budget.

This week's Byline will focus on the money bills and their effects. Next time I'll deal with the specifics of the new budget.

The governor promised his restaurant tax during the campaign, and he's keeping that commitment. However, restaurant owners are particularly concerned about losing customers if their community levies the tax and nearby towns reject it. Before the bill was filed, leaders in both branches of the legislature said they would not support tax increases.

Municipalities would also be authorized to tax telephone service providers for their property, removing the traditional tax-exempt treatment of the phone company.

Two other proposals in the municipal bill could provide significant savings for municipalities. They would give municipalities the option of joining the state health insurance plan and the state pension system. If local pension funds perform significantly below the state system, they would be taken over the state system. Both ideas seem sound. Health insurance costs decrease as the insured population increases, and a large well-managed pension system can provide higher returns than a small one.

The new business taxes were not campaign pledges, and their treatment by the legislature may succeed or fail on whether they continue to carry the governor's designation of "loophole closures" or become known by the common name, "taxes."

I endorse Governor Patrick's placing economic development as a priority for his administration, while believing that this proposal runs counter to that endeavor. I am wary of any proposal that adds to business costs in our state without reductions to balance them out. Corporate taxes are only part of the picture. Regulation, personal property taxes, mandates; all are factors that affect a company's bottom line. One possible cost-saving proposal would be a reduction on our highest- in-the-nation unemployment taxes. That alone could save employers millions of dollars without costing the treasury anything at all.

The governor uses a set of data that ranks Massachusetts' corporate taxes 47<sup>th</sup> in the nation. If that ranking correctly assessed our overall business costs, we would have new enterprises moving into Massachusetts every day. Given the opposite reality that companies, jobs and people are leaving our state, the tax seems counterproductive.

Next time I will attempt to analyze the 210-page budget. As you can see, the legislature has a busy time ahead. I welcome your comments and suggestions concerning the budget and the tax proposals, which have already been discussed on television and in the newspapers. Send to [mary.rogeness@state.ma.us](mailto:mary.rogeness@state.ma.us).