



Information About Massachusetts Question 1

Question 1 would impose giant tax increases in Massachusetts – damaging our economy, threatening small business owners, and resulting in even more lost jobs and people leaving Massachusetts.

This November, Massachusetts voters will vote on Question 1, an Amendment to the State Constitution that would drastically change the structure of income taxes in the Commonwealth. If passed, it would be one of the state's highest tax increases in history and **immediately impose an 80% tax increase** on tens of thousands of small business owners, large employers, and retirees. And, it would give politicians a blank check to spend billions of taxpayer dollars however they want, with no accountability.

► Imposes one of the largest tax hikes in Massachusetts history

If approved, Question 1 would immediately raise taxes on incomes of \$1 million or more from the current 5% up to 9%.
This is an 80% tax increase!

► Removes a constitutional taxpayer protection and opens the door to more income tax increases on all taxpayers



The Massachusetts Constitution includes a protection that requires the state income tax rate to be the same for all taxpayers, which is currently at 5%. This constitutional protection makes it difficult for the Legislature to increase income tax rates because any rate increase affects all Massachusetts taxpayers (i.e., all voters).

Since 1962, voters have decisively rejected five different ballot questions that aimed to remove this taxpayer protection by margins of at least 2-1. Now, proponents of Question 1 are at it again, threatening to undo this important constitutional protection and to create a precedent for the Legislature to divide taxpayers into groups in order to tax them at different rates.

If voters remove this taxpayer protection from our Constitution, a dangerous precedent will be set and the door will be wide open for politicians to create additional tax brackets and higher rates, eventually targeting middle class workers and families.

Because this precedent would be locked into our Constitution, passage of another constitutional amendment will be required to repeal or fix it when things turn out badly.

► Gives politicians a blank check, with no accountability

It provides no guarantee that the new money from this huge tax increase would actually increase spending on education and transportation, despite claims by its proponents.

Question 1's text plainly states that its funds are "subject to appropriation." And make no mistake—this language was intentional. In 2019, Beacon Hill politicians rejected two amendments that would have required the new tax revenues to be used to *increase* funding for education and transportation. Instead, under this language, politicians could legally use the appropriations process to divert existing dollars away from education and transportation—and use them instead for pet projects— while funding for education and transportation could remain the same or even decrease.

In fact, the Attorney General stated in 2018 that the language used in Question 1 would allow "the Legislature to choose to reduce funding in [education and transportation] from other sources and replace it with the new surtax revenue."

"...there's tremendous uncertainty about how the money...would actually be used, because it would still be subject to legislative appropriation and could end up displacing—rather than increasing—planned spending on education, roads, bridges, and transit."

Tufts University Center for State Policy Analysis study, January 1, 2022.

► Taxes the nest eggs of homeowners, retirees, and small businesses

Question 1 is also deceptive because it is not uniquely a tax on people currently earning an income of a million dollars annually.

Unlike federal taxes on personal income, Question 1 would apply to one-time gains—such as those from selling a business or home. So, the nest eggs of many small business owners and longtime homeowners whose retirement depends on their investments would be taxed if Question 1 is passed.

In fact, over half of Massachusetts' million-dollar filers will do so for the first and final time because of these one-time events. Many seniors and small business owners—few of which would be considered “millionaires”—that have owned their homes or businesses for many years and are relying on their investments to help fund their retirement will be pushed into the highest bracket, nearly doubling their taxes even if their yearly earned income is low.

► Damages our economic recovery and further pushes small businesses into poor financial conditions at the worst possible time



According to CNBC, Massachusetts already ranks 49th in the country in the cost of doing business. Question 1 would increase taxes on tens of thousands of small business owners, discourage investments in our communities' small businesses and make it difficult for recovering businesses to hire back workers. While some big corporations may have resources and techniques to avoid the increased taxes forced by Question 1, small business owners will be left reeling from an unprecedented new financial hit.

The claimed revenue gains of Question 1's higher taxes would be outweighed by the loss of job-creating entrepreneurs and businesses relocating to other states. Even before the onset of the Covid-19 pandemic, Massachusetts was losing \$1 billion annually due largely to residents moving to low tax states such as New Hampshire or Florida. Last year, in fact, Massachusetts reached a five year high for residents moving to other states. And, with new work-from-home flexibility, Massachusetts is among seven states with the highest rate of outmigration. If the

ballot question is approved, even more people, businesses, and jobs will leave.

As we continue to navigate the COVID-19 pandemic, and deal with inflation and supply chain difficulties, we must support our local economy and small businesses. Massachusetts should work to be a place where local businesses can thrive – not passing huge tax hikes that will badly hurt small businesses and result in even more lost jobs, at the worst possible time.

► Claims to solve a budget problem... that does not even exist – Massachusetts has a giant budget surplus and historic revenue growth



Proponents of Question 1 would have Massachusetts residents believe that some of our most important spending priorities are falling behind. However, in Fiscal Year 2021, the State collected \$5 billion more from residents, workers, and businesses than it had projected, and the State still has an additional \$4.8 billion in unspent federal COVID-19 relief funding, leading to a giant budget surplus.

“[W]hy should voters in the 2022 statewide elections approve that ballot question... when the state’s awash in cash?”

Boston Herald, October 9, 2021.

It makes no sense to raise taxes on tens of thousands of small business owners and retirees when our Commonwealth's government and politicians have giant surpluses and tax revenues coming in well over projections.

Massachusetts already spends more annually per student than nearly every other state in the country at over \$17,000 per pupil, and our students proudly rank third in the nation in standardized test scores. On infrastructure, state politicians have shown themselves to be reckless and inefficient with existing infrastructure funds, leading to the Massachusetts highway system ranking 47th nationally in cost-effectiveness.

Before raising taxes and penalizing small business owners, large employers and retirees, politicians should learn to be more efficient with existing funding from taxpayer dollars.

Join our growing **Coalition to Stop the Tax Hike Amendment**

Massachusetts small businesses, veterans, retirees, civic and community organizations are coming together to form a statewide coalition informing voters about the damaging consequences of Question 1. To learn more and join our coalition, please email us at info@NoQuestion1.com

Paid for by the Coalition to Stop the Tax Hike Amendment