



# CENTER ON BUDGET AND POLICY PRIORITIES

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## MASSACHUSETTS

Most states have structural weaknesses in their tax systems that put them at risk of experiencing gaps between revenues and necessary expenditures in coming years. The Center evaluated each state's likelihood of facing a structural deficit by determining how many of ten "risk factors" applied to each state. Massachusetts is rated as having a significant risk of a structural deficit based on its score of six on the risk scale for structural deficits.



- During 1994-2000, Massachusetts reduced its personal and corporate income taxes. This is problematic since income taxes provide stronger growth over the long term than sales and excise taxes. More importantly, the magnitude of the cuts left Massachusetts' revenues at a level below that needed to maintain services.
- Massachusetts' sales tax covers less household services than the average state.
- In Massachusetts, corporate income taxes as a share of total taxes declined by 7.6 percentage points from 1989-2002, surpassing the US average decline of 4.1 percentage points.
- Massachusetts income tax preferences for its seniors exceed the US average. Massachusetts also provides preferences to seniors in its property tax, regardless of their income level.
- Massachusetts' income tax has a flat rate making it a less progressive tax. An individual earning \$30,000 in Massachusetts pays income tax at the same rate as someone earning \$300,000.
- Massachusetts has a statutory revenue limit and a limit on the growth of local property tax revenue.
- Lastly, although this paper did not categorize Massachusetts as having unusually high spending needs, it does face some spending pressure from the number of students with special needs.