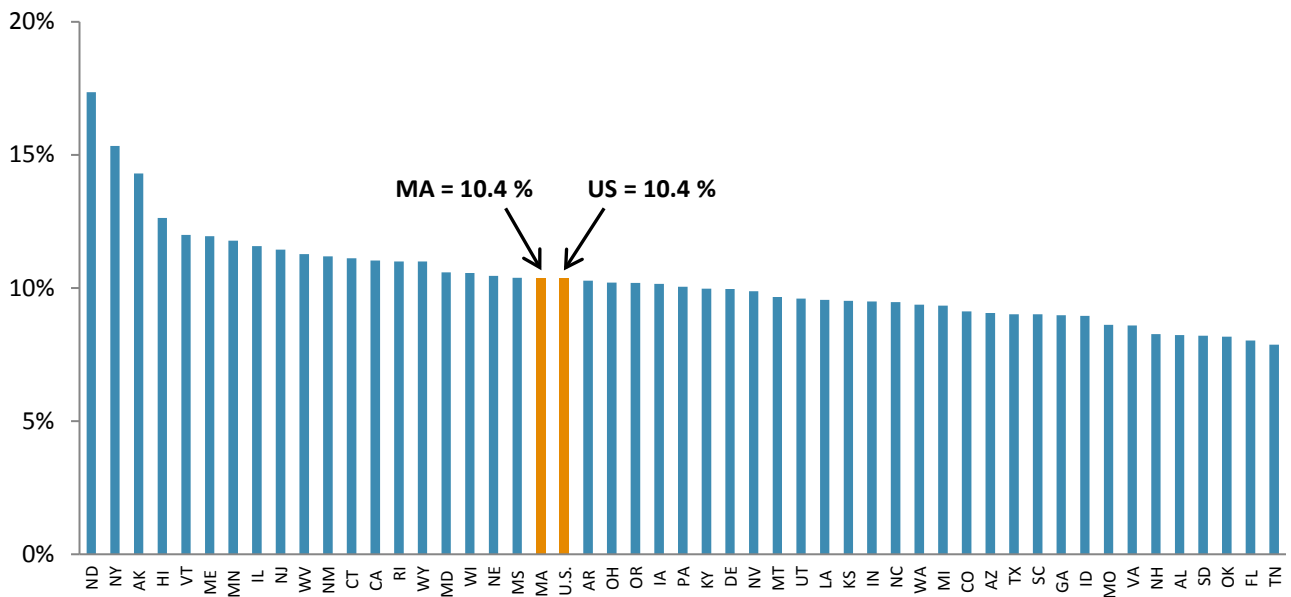


## Where Does the Taxachusetts Label Come From?

Overall, the level of taxation in Massachusetts is near the middle of the pack when compared to the rest of the country. Total state and local taxes paid in Massachusetts as a share of total personal income was 10.4 percent in FY 2014 (the most recent year for which national data is available). That places Massachusetts 20<sup>th</sup> among the states and at the U.S. average of 10.4 percent (see chart below).<sup>i</sup> Taxes, of course, are the primary way that the people of a state fund education, transportation, public safety, safety net protections, and other public services. With taxes in Massachusetts at the US average and in the middle of the pack among states, why do we sometimes hear the name "Taxachusetts" applied to our state? The answer has to do with history rather than current reality.

### MA Is Average for State and Local Taxes, Ranks near Middle, FY 2014

State and local taxes as a percent of state personal income, FY 2014

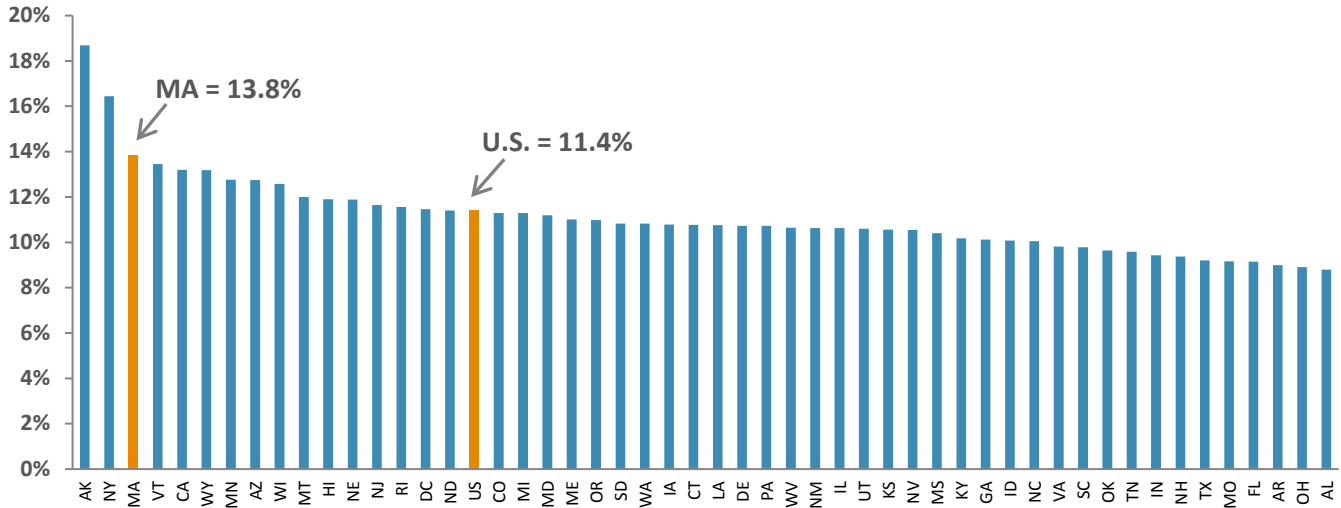


Source: U.S. Census Bureau (tax data), U.S. Bureau of Economic Analysis (income data)

The Taxachusetts label is a legacy of the 1970s - and at that time the label had a basis in reality. In FY 1977, Massachusetts was a relatively high-tax state, as the chart below shows. In fact, taxes as a share of income were higher in Massachusetts at that point than in all but two other states.

## Massachusetts Taxes among the Highest in U.S., 1977

State and Local Taxes as a Percentage of State Personal Income, 1977

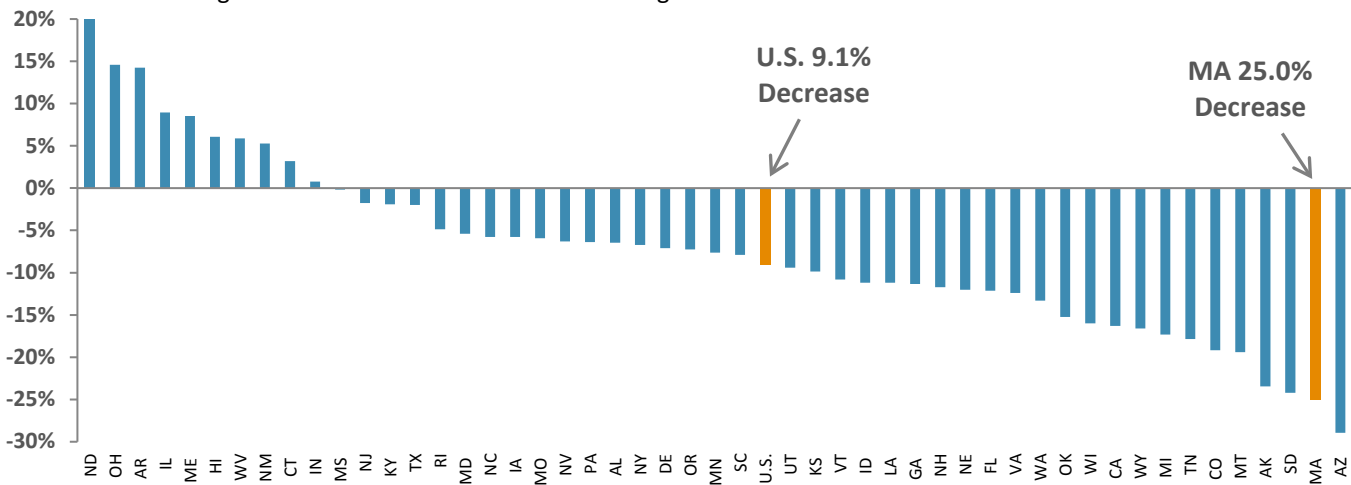


Source: U.S. Census Bureau (tax data), U.S. Bureau of Economic Analysis (income data)

Since the late 1970s, tax policy in the Commonwealth has changed dramatically. The approval of Proposition 2 1/2 in 1980 reduced property taxes, and then, particularly in the late 1990s, the Commonwealth reduced state taxes – primarily the income tax – significantly.<sup>ii</sup> As a result, between 1977 and 2014, Massachusetts reduced taxes more than all but one other state, as the following figure shows.

## MA Reduced Taxes More than All but One Other State, 1977-2014

Percent Change in State and Local Taxes as a Percentage of State Personal Income



Source: U.S. Census Bureau (tax data), U.S. Bureau of Economic Analysis (income data)

\*The change in North Dakota's taxes as a share of personal income (at 52.2%) exceeds the scale of this graph.

<sup>i</sup> See *MassBudget*, “Facts At a Glance: Massachusetts Ranks in Middle for Taxes in FY 2014”, available at: [http://www.massbudget.org/report\\_window.php?loc=Factsheet\\_MA\\_TaxRank.html](http://www.massbudget.org/report_window.php?loc=Factsheet_MA_TaxRank.html)

<sup>ii</sup> See *MassBudget*, “Income Tax Cuts and the Budget Deficit in Massachusetts”, available at: [http://massbudget.org/report\\_window.php?loc=tax\\_cuts\\_factsheet.html](http://massbudget.org/report_window.php?loc=tax_cuts_factsheet.html)