

News Release

For Immediate Release

October 23, 1997

MTF REPORT ON STATE TAXES: INCOME TAXES HIGHER, SALES TAXES LOWER THAN U.S. AVERAGE

Massachusetts ranks higher than the national average for personal income, corporate income and property tax burdens, and lower than average for sales and excise taxes and non-tax revenues, according to a report released today by the Massachusetts Taxpayers Foundation.

The report -- [Interstate Tax Comparisons: Where Does Massachusetts Stand?](#) -- also concludes that the Commonwealth's overall burden of state and local taxes varies widely depending on the measure used. Measured per capita, the state ranked sixth in total taxes; measured as a share of personal income, the state ranked 26th. For total revenues, which include non-tax revenues as well as taxes, Massachusetts ranked ninth per capita and 39th relative to income.

1994 Summary of Massachusetts' Tax Burdens

	Amount	Percent of U.S. Average	Rank
Own-Source Revenues			
State Personal Income (per \$1,000)	\$148	94%	39
<i>Per Capita</i>	\$3,815	112%	9
Total Taxes			
Personal Income	\$110	98%	26
<i>Per Capita</i>	\$2,835	118%	6
Personal Income			
Personal Income	\$37	159%	4
<i>Per Capita</i>	\$942	190%	3
Corporate Income			
Personal Income	\$7	135%	7
<i>Per Capita</i>	\$176	162%	6
Property			
Personal Income	\$38	108%	19
<i>Per Capita</i>	\$985	130%	10
Sales			
Personal Income	\$15	56%	44
<i>Per Capita</i>	\$381	67%	42
Excises			
Personal Income	\$8	62%	47
<i>Per Capita</i>	\$214	75%	40
Non-Tax Revenues (Fees & Charges)			
Personal Income	\$38	82%	45
<i>Per Capita</i>	\$980	98%	27

"Massachusetts' relative tax burden has on balance shown modest improvement in recent years," said MTF President Michael J. Widmer. "Nevertheless, both our personal and corporate income taxes remain among the highest in the nation."

The report uses the two most common measures for comparing tax and revenue burdens -- per capita to adjust for the population differences of states, and per \$1,000 of state personal income to adjust

for differences in wealth. Figures are based on 1994 data, the most recent year for which both tax and non-tax revenue data are available for all states.

The study, one of a series produced by the Foundation comparing the Commonwealth's taxes and business costs with other states, concludes that Massachusetts has among the highest personal income tax burdens and lowest sales tax burdens in the nation.

Massachusetts' personal income taxes ranked near the top of the nation in 1994. On a per capita basis, the state placed third nationally, almost twice the U.S. average, but a slight drop from the number one ranking of 1991. On the basis of income, Massachusetts placed fourth, down from second in 1991, but still 60 percent above the U.S. average.

When only state (and not local) personal income taxes are considered, Massachusetts had the highest personal income taxes in the country on a per capita basis and the second highest on the basis of income. Massachusetts moved ahead of both New York and Maryland in the rankings because these two states collect sizable personal income taxes at the local level, while Massachusetts collects none.

In contrast, the Commonwealth had one of the lowest sales tax burdens in the U.S. by both measures -- 42nd per capita and 44th relative to income, compared to 37th per capita and 42nd based on income in 1991.

Corporate income taxes in the state were well above the national average in 1994 on both a per capita and personal income basis, ranking the Bay State sixth and seventh respectively. Massachusetts' property tax burden was tenth highest per capita and 19th highest based on income, holding steady across both measures since 1987, following a dramatic drop in the years after passage of Proposition 2 1/2.

Massachusetts' ranking on excise taxes was also well below the national average in 1994, putting the state 47th on the basis of income and 40th per capita. For non-tax revenues, primarily in the form of fees and charges, Massachusetts ranked 45th on the basis of income and 27th per capita.

The Commonwealth's total taxes per \$1,000 of personal income are now below the U.S. average, compared with 1981 when the state ranked above the norm. Taxes have fallen from 11 percent above the national average in 1981 to two percent below in 1994, while the state's rank has dropped from sixth to 26th. On the other hand, measured per capita, Massachusetts' tax burden has ranked between fourth and sixth since 1981, although it dropped from 33 percent above the U.S. average in 1981 to 18 percent above in 1994.

The Massachusetts Taxpayers Foundation is an independent, nonprofit organization which conducts research on state and local taxes, spending and the economy. Founded 65 years ago, MTF ranks among the largest and most effective organizations of its kind in the country.

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