

Andre Burns: Fair taxation one budget fix

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EASTHAMPTON - The middle class is disappearing in America.

We hear it over and over again. Instead of watching helplessly while it slips away, a few brave members of the state Legislature, lead sponsors state Sen. Sonia Chang-Diaz and Rep. Jim O'Day, have filed "An Act to Invest in our Communities." State Rep. Ellen Story has signed on as a co-sponsor. If adopted, this bill would address three things critical to restoring the middle class and the overall health of our economy: 1) the state's budget shortfall; 2) inequity of our tax system; 3) provide modest relief to the lower and middle classes.

Here's how. By raising the state income tax from current 5.3 percent to 5.95 percent, while at the same time increasing the standard personal exemption amount from the \$4,400 (single) and \$8,800 (married) to \$7,900 (single) and \$15,800 (married). Anyone making under \$62,600 would see a slight reduction, while those making over that amount would see a slight increase, with a greater increase (1.2 percent) on people making \$580,000 or more.

Why should people at the top pay a larger percentage? According to the Institute on Taxation and Economic Policy, they actually don't. Lower income people, on average, pay between 9.4 and 9.7 of their income in combined state and local taxes. People in the top 1 percent pay, on average, 6 percent of their income towards these same taxes.

With the proposed legislation, tax liabilities would drop around 9.2 percent for lower-income people, while the highest income earners would see 7.2 percent of their income going to taxes. This is still a smaller percentage.

The legislation would set the tax rate on investment income (short- and long-term capital gains, dividends and interest income) at 8.95 percent, up from the 5.3 percent. This provision would include an exemption for low- and middle-income seniors and disabled residents and leaves in place the lower rate of 3 percent on capital gains investments made in smaller companies and held for more than three years.

Our state budget shortfall is about \$2 billion and these changes would generate an estimated \$1.2 billion # a sizable chunk of the money we need to narrow the gap.

Why does this matter to me as a City Council member of a small city like Easthampton? Our mayor works tirelessly to balance the budget with less and less revenue, while struggling to maintain basic services. We do a lot with a little. The creative way the Fire Department got a new brush truck, saving the city lots of money, is one of many examples.

We certainly cannot continue to provide services and any kind of quality of life for our residents if these deep cuts in state aid continue.

One of the solutions to hold down costs, municipal control of health insurance plan design, was the topic of last month's column. I sat through an absolutely riveting (I mean it) 7 ½ hour public hearing in which both sides pleaded their cases convincingly.

Besides my admiration for the committee's endurance (the co-chair is state Rep. John Scibak) I left thinking it wasn't really going to be the answer to the problem. While entering into the state's Group Insurance Commission could help control costs somewhat, just by the virtue of having more people in the pool and spreading out the risks, health insurance costs are estimated to rise by more than we will save.

Also, without seriously addressing why health care is so expensive (and going through the legislative process of capping CEO pay or better yet, going to a single-payer system with an emphasis on wellness and prevention programs), we will be back in a few years for another round of half-measures.

Making the tax system more equitable, by contrast, attacks the issue at a systemic level.

Max Page, a professor at the University of Massachusetts Amherst, was on the revenue committee for the Massachusetts Teachers Association and helped craft "An Act to Invest in our Communities," along with groups seeking to shape a more progressive tax system for years.

Sen. Stan Rosenberg has filed a bill seeking a constitutional amendment that would make a more progressive tax system possible, but changing the state constitution is a slow process. "Our system does not allow for different rates," explains Page, "so within the current legal framework, this is a very good bill."

Instead of asking the middle and working classes to give more, we must ask the upper class and wealthy investors to pay their fair share. "We hear a lot about shared sacrifice. Where is the shared sacrifice for the wealthy?" asks Page.

Until recently, lawmakers have been skittish about raising taxes, letting conservatives and tea partiers control the debate. But Wisconsin (and other states where worker benefits have been targeted as the way to save money) has pushed the working class into high gear. The bill is benefiting from this momentum, but faces stiff challenges.

The argument against raising taxes on the wealthy is that somehow it is punishing success. The fact is that they have had lots of help, in the form of a favorable tax system, along the road to success.

Let's give that help to the majority of the residents in the Commonwealth.

Let's fight for the middle class and do the right thing for the state in the bargain.

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