



## **FAIR SHARE AMENDMENT FAQs**

### **What is the Fair Share Amendment?**

This citizen's initiative proposal would allow voters at the November 2018 ballot to approve a constitutional amendment that would raise almost \$2 billion a year for transportation and public education by creating an additional tax of 4 percentage points on annual income above one million dollars.

### **What does the Fair Share Amendment do?**

The proposed amendment would create an additional tax of 4 percentage points only on annual income above \$1 million. The new revenue raised by this tax could only be spent on much-needed investments in transportation and public education. To ensure that the tax continues to apply only to the highest income residents, who have the ability to pay more, the \$1 million threshold would be adjusted each year to reflect cost-of-living increases.

### **Why do we need it?**

The best way to help working families, support local communities, and build a stronger Massachusetts economy is to make sure that we have quality public schools for our children, affordable public higher education, and a transportation system that allows people get to school or work, lets customers get to businesses, and helps everyone fulfill their daily tasks. To make critical investments in these essential areas, this amendment would dedicate almost \$2 billion a year to public schools, public colleges and universities, roads, bridges, and public transportation.

### **Is it constitutional to dedicate funds?**

Yes. The constitution is binding on the legislature. Dedicating the revenues from this amendment in the text of the constitution ensures that the money must be spent on those important goals, where the voters want it to go.

In fact, we already dedicate revenue in the constitution. Article 104 of the constitution already dedicates revenue from the gas tax and other sources to the transportation needs of the Commonwealth. The legislature exercises its constitutional prerogative to determine what specific programs and projects that revenue gets spent on, within the authorized range of purposes. Article 104 was passed by initiative petition. Its wording is similar in many ways to the amendment before us today. It has been repeatedly upheld by the courts.

The Fair Share Amendment properly dedicates funding to the general purposes of transportation and public education. It is the Legislature's job to then make specific appropriations, like buying new Green Line trains, expanding pre-K programs, maintaining bridges, reducing tuition at public colleges and universities, etc.

### **Isn't this just another attempt to create a graduated income tax?**

This is not a graduated income tax by anyone's honest definition. It is a relatively small increase for the very wealthiest individuals in our state who will pay an additional fixed amount only on their income above \$1 million. The constitutional amendment would not change the Constitution's prohibition on the Legislature setting multiple tax brackets. Setting multiple tax brackets would still require another constitutional amendment, with a 4 year process and multiple veto points.

## Who won't pay?

As it stands now, everyone in Massachusetts pays the same 5.1 percent, no matter how much you earn. Ninety-nine percent of us won't pay a penny more, but we will all benefit from investments in transportation and public education that contribute to economic growth.

## Who will pay?

Anyone with an annual income of over \$1 million dollars would pay an additional 4 percentage points only on the portion of their annual income above \$1 million. For example, if an individual's annual income is \$1.1 million, they would pay an additional \$4,000. If their annual income is \$5 million, they would pay an additional \$160,000.

## How much revenue would be raised?

The midpoint of the DOR estimate for 2019, when the new tax would take effect, is \$1.9 billion. That's about \$1.7 billion in today's dollars.

## How would we compare to other states?

Several other high-income states similar to Massachusetts already tax their highest income residents at about the same rates being proposed in Massachusetts: New York (8.82%), New Jersey (8.97%), Vermont (8.95%), Minnesota (9.85%), Oregon (9.9%), and California (13.3%).

There have been numerous economic studies of the effects in those other states and they have not found the negative consequences that opponents predict. On the contrary, these investments help create better economic opportunities for our residents and a transportation infrastructure that works, all of which will help attract more businesses to the state. More than 70 Massachusetts economists signed a [statement](#) supporting the Fair Share Amendment because it will improve our economy and create greater opportunities.

## Would millionaires move to other states to avoid this tax?

Research shows that high-income people move to be near family and jobs, or to places with cheaper housing markets or warmer weather, not to save a few percentage points on their taxes. Multiple studies have found that when states such as New Jersey, Oregon, and Maryland raised the rate on their top tax brackets, there was no major change in the number of high-income filers who moved to other states.

While a small number of retired people do migrate for tax purposes, studies have found that high income people who are working in the state are very unlikely to leave the state in response to tax changes – partly because someone earning over a million dollars usually has a particular job that they can't keep if they leave the state.

A Massachusetts Budget and Policy [analysis](#) of the latest research on the effects of state income tax rates on millionaire migration estimated that Massachusetts would lose \$8.2 million in direct annual tax revenue due to millionaires leaving the state, but gain \$1.9 billion from the higher tax rate on income over \$1 million, for a net of approximately \$1.89 billion.

## How would this affect business who file as S-Corps?

The Fair Share Amendment makes no changes to the basic structure of the tax code. Whether a person's income is from salaries, stocks, bonds or an S-Corp is irrelevant to the current or proposed tax rate. If they have a taxable income of more than \$1 million in a single year, they'll pay a little more-just 4 extra percentage points on anything over a million.