DEMOCRATIC STATE COMMITTEE Chet Atkins, Chairman
11 Beacon Street • Suite 317 • Boston • Massachusetts 02108 • (617) 367-4760

PROPOSITION 2 1/2 AND TAX REFORM

(AMEND SECTON II, #6 to read as follows:

1. increase and revise local aid---

Our cities and towns face a shortfall of more than $550 million in revenues in Fiscal Year 1982 because of the cap mandated by Proposition 2 1/2. An inflation rate of roughly 12% and the severe cuts by the Reagan Administration in federal aid are further blows to local budgets. Our municipalities need immediate assistance. Therefore, the Democratic Party supports:

* returning to the cities and towns a greater percentage of the revenues collected by the state

* reform of the local aid formula to assure that state aid distribution to each community factors in that community's relative losses under Proposition 2 1/2

* a rejection of level funding of the state budget as a simplistic notion which would simply replace the local meat ax of Proposition 2 1/2 with a state ax. $100 million can be applied to the local aid fund.

* progressive and comprehensive tax reform to generate new revenues

2. tax reform to generate new revenues---

Individual consumers and taxpayers cannot continue to bear the impact of Proposition 2 1/2 and inflation alone. Business must bear its fair share, too. While individual property owners in Massachusetts carry the nation's highest property tax burden, the share of the total tax mix borne by business is roughly 20% less than the business share in those 17 states in most direct competition with Massachusetts. Between 1957 and 1977, taxes on businesses in Massachusetts have actually decreased from 33.6% to 23.6% of the total state and local taxes, a shift that was the third largest in the country. Therefore, to spread the tax burden equitably and to generate new revenues, we propose:

* an end to loopholes for commercial banks where businesses deposit their money so that they must pay a tax of 1/8 of 1% of their assets, the same as that paid by savings banks on the savings deposits of ordinary people.

* a tax on computer software sales and services.

* a gross receipts tax of 2% excise on the sales of major oil companies within Massachusetts payable from corporate profits with safeguards (as attempted in Connecticut) against a passthrough to consumers.

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* reform of current accounting and auditing loopholes and practices which allow multistate and multinational corporations to evade their Massachusetts income tax liabilities

* closing the following loopholes in the sales tax:

  -investment brokers and security counseling
  -accounting and auditing services
  -surveying services
  -engineering services
  -architectural services
  -legal services
  -public relations services
  -management and consulting services
  -advertising agency services
  -hotel and motel services
  -collection agency services
  -funeral services
  -photographic studio services
  -miscellaneous personal services

3. increasing local options---

Permit cities and towns the legal option of levying a series of taxes whereby revenues can be generated from sources other than the property tax.

4. a continuing effort to deliver public services efficiently---

The choice is not between lower taxes or more services. Rather, the choice must be to strive for fairer taxes and the more efficient delivery of basic services. Therefore, the Democratic Party endorses such ideas as a tax expenditures budget to highlight the revenues foregone because of certain tax exemption programs and a streamlined system for tax collection. We endorse a periodic review and evaluation of all tax exemptions and regulatory commissions. Where there is inequity or waste or inefficient overregulation, these must be removed.

5. a continuing commitment to progressive rather than regressive modes of taxation--Finally, we affirm the Democratic Party's traditional support for a progressive graduated income tax as the best long-term alternative to our present overreliance on the regressive property and sales taxes.

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Efforts to respond to the real message of Proposition 2 1/2 must begin now. We need not wait for the first municipality to go bankrupt or for some tragic tale of lost lives and property. The Governor and the Legislature in cooperation with municipal officials, employee organizations, citizens groups, the business

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community and other concerned residents and taxpayers x of this Commonwealth should begin to act now to forestall the impending fiscal chaos.

Presented by:

--Massachusetts State Labor Council, AFL-CIO
(Arthur Osborne, Paul Quirk)

--City of Boston delegates
(David Rosenbloom)

--Northampton Democratic City Committee
(John Lawlor)

--Williamstown Democratic Town Committee
(Paul LaPlante)

--Massachusetts Teachers Association
(Carol Coherty)

--Progressive Caucus
(MarDee Xifaras)

--Delegate from Windsor
(Peter Menard)

14. S-223

Comm. from the Democratic State Committee
relative to Prop 2½ and tax reform.

In City Council,

April 27, 1981

4/27/81
-Placed on File-