The Senate-passed tax bill contained a number of provisions in addition to surtax repeal. Surtax repeal by itself would provide a windfall for wealthy taxpayers; therefore, the Senate added a so-called vanishing exemption proposal to provide adequate relief for middle- and low-income families. The Senate also added a cap on retirement system contributions, and greater personal exemptions.

I am taking a hard look at all of these provisions, based on several criteria. Any tax cut must preserve sufficient state revenue to maintain vital services. A tax cut must be fair, distributing adequate relief to all classes of citizens. And a tax reduction should, if possible, simplify for our taxpayers the process of complying with the Commonwealth's tax laws.

Thank you for your interest in this important area of state policy.

Sincerely,

Michael S. Dukakis

MSD/cab-f

THE COMMONWEALTH OF MASSACHUSETTS
EXECUTIVE DEPARTMENT
STATE HOUSE • BOSTON 02133

MICHAEL S. DUKAKIS
GOVERNOR

November 22, 1985

Mr. Joseph E. Connarton
Deputy City Clerk
City of Cambridge
City Hall
Cambridge, MA 02139

Dear Mr. Connarton:

Thank you for forwarding the resolution adopted by the Cambridge City Council concerning tax reform legislation. As you are probably aware, I have recently concluded that the Commonwealth's fiscal picture is bright enough to warrant some permanent income tax relief. We are hopeful that the Legislature will soon enact a sound and fair tax cut, while enabling us to maintain vital state and local services.

A fiscally prudent tax cut can reinforce the dramatic decline in the cost of state and local government that Massachusetts citizens have enjoyed over the last several years. By fiscal year 1984, the last year for which data are available, our state and local taxes in total represented 11.8% of personal income, placing us exactly at the national average for the first time in many years. Massachusetts is no longer a high tax state, and a tax cut will further strengthen our competitive position.

A tax cut is possible now due to the strength of the state economy and the success of my program to improve the collection and enforcement of state taxes. But we nevertheless must be careful that a tax cut now not lead to a tax increase in a few years--a pattern of fiscal instability that has hampered the economies of a number of other states. To keep us off the fiscal roller coaster, I strongly advocate the creation of a budget stabilization fund, in which some of our present revenue could be held against future contingencies, such as an economic downturn or cuts in federal assistance. Because our local governments face tight fiscal constraints, I have also recommended that the Legislature enact a local aid stabilization fund in order to ensure the adequacy of our local aid program. Legislation to establish such a fund is also before the Legislature, and we hope it can be made part of a tax-cut package.

S-868

Comm. from Governor Michael Dukakis in acknowledgement & appreciation of resolutions adopted by the City Council concerning tax reform legislation.

In City Council,

December 16, 1985

12/16/85

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