

Plain Talk: Talking to Your Friends and Neighbors About the Personal Income Tax Repeal

Insider Budget Briefing
Wednesday, May 21, 2008

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Massachusetts

What Makes a Healthy Community?



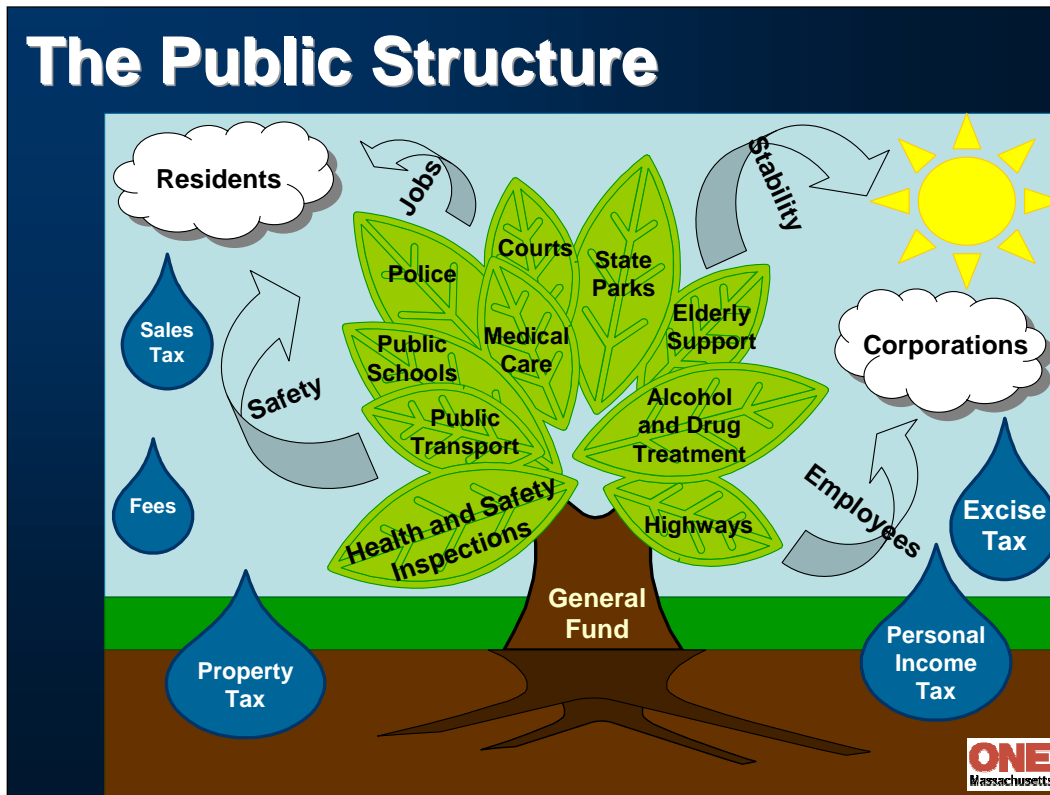
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Why do you live in your community?

When looking to purchase a home, what do people look for?

Okay Great. Let's look a little more closely at two or three of those factors.

1. Let's start with Schools [or some other factor]. Who pays for schools? Where does that funding come from?
 - Local? [Ask for examples: School committee budget – from property taxes, fees – athletic, busing, etc.]
 - State? [Ask for examples: Local Aid, State-run programs, etc.]
 - Federal? [Ask for examples]
2. Someone said transportation. What all is included in that, and who pays for it?
 - Local?
 - State?
 - Federal?



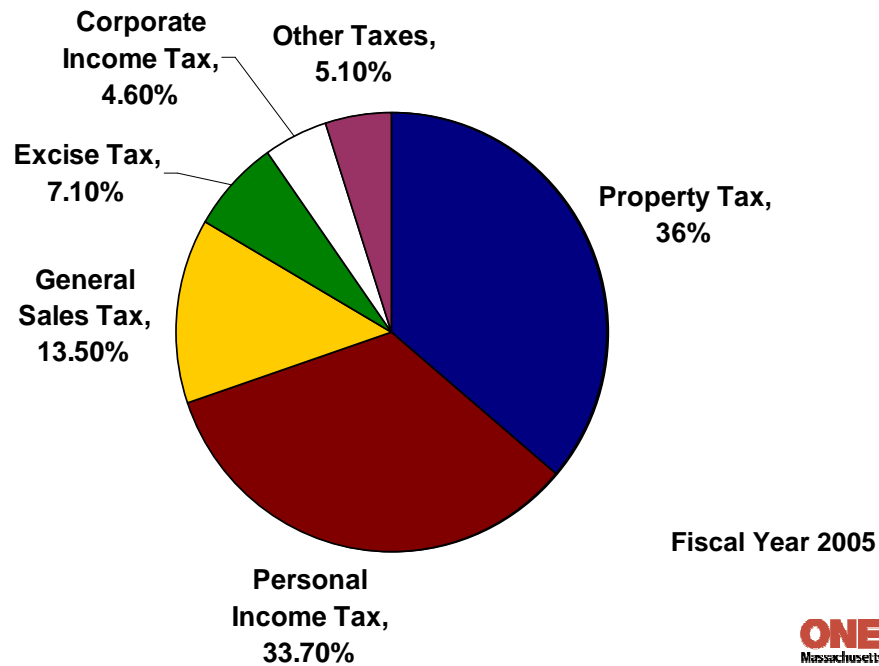
Revenue and budget decisions have positive and negative affects on the health of our entire state. Here, interactions of public money and services are seen as one Massachusetts ecosystem.

Obviously, this image is a bit simplified. Some revenues coming from the tax base (residents and corporations) are earmarked into specific budgets, but the majority of these revenues DO go into a general fund.

Note that the leaves on this tree – services like public schools and the courts – are not there just for those citizens who choose to take advantage of them. [Click] Public structures improve our community as a whole, contributing to public safety and economic stability. Many families, for example, do not have any children in our public school system, but those schools are building a productive, educated workforce that will attract new businesses, ultimately boosting state revenues quality of life for all citizens in our state!

Sometimes, some of our public structures aren't always looking so healthy. Services may be under-funded, or even cut. Like in nature, this system is in a delicate balance – with services tied to revenues coming from both private citizens and corporations.

State and Local Tax Revenues



Let's take a closer look at those state and local tax revenues. What do you think the biggest sources of state and local tax revenues are?

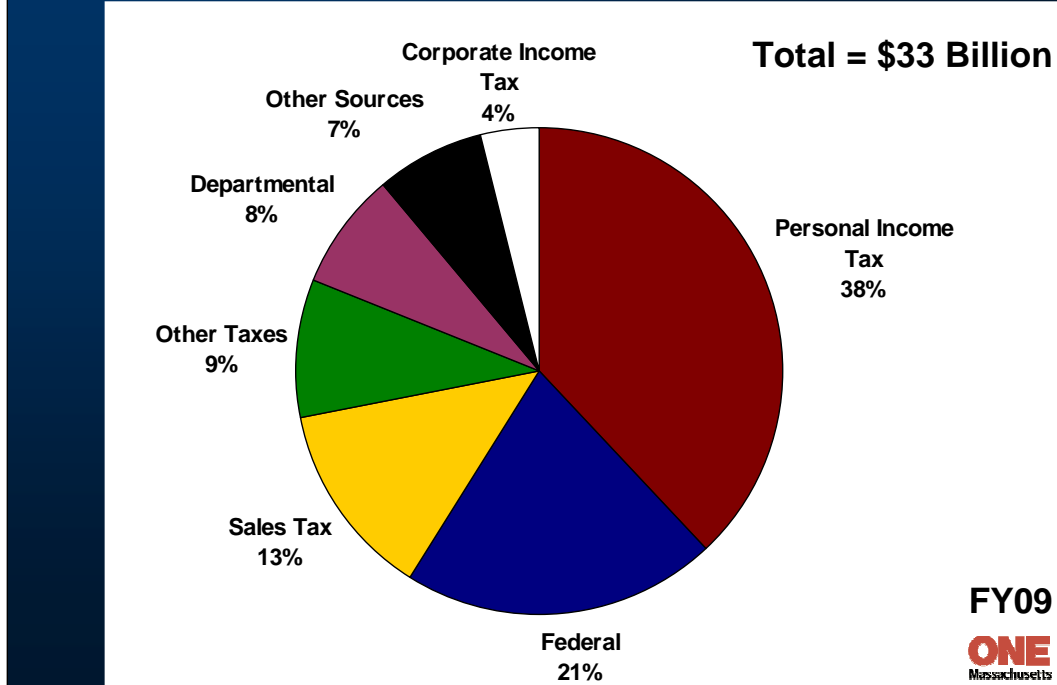
[Ask for suggestions]

[Click] As you can see, the bulk of the state and local taxes in Massachusetts are in the form of Property and Personal Income Taxes, with each making up over a third of total revenues.

This chart is from 2005, and includes only state and local tax revenues. Surely, if you include other forms of revenues, the effect of eliminating the personal income tax will be less devastating.

{Chart from the Massachusetts Budget and Policy Center – 2005}

State Revenue Sources



Here we see all of the revenue sources that make up our newest state budget. Revenues from the personal income tax raise more than 12 Billion dollars every year, funding **nearly 40% of the state budget**.

Bringing Revenue Cuts Home

Monthly Costs	One Adult	One Adult, One Preschooler	One Adult, One Preschooler, One Schoolage	Two Adults, One Preschooler, One Schoolage
Housing	\$ 1111	\$ 1304	\$ 1304	\$ 1304
Child Care	\$ 0	\$ 1003	\$ 1490	\$ 1490
Food	\$ 231	\$ 349	\$ 522	\$ 718
Transportation	\$ 71	\$ 71	\$ 71	\$ 142
Health Care	\$ 131	\$ 326	\$ 343	\$ 387
Miscellaneous	\$ 154	\$ 305	\$ 373	\$ 404
Taxes	\$ 458	\$ 925	\$ 1009	\$ 996
Earned Income Tax Credit (-)	\$ 0	\$ 0	\$ 0	\$ 0
Child Care Tax Credit (-)	\$ 0	\$ -50	\$ -100	\$ -100
Child Tax Credit (-)	\$ 0	\$ -83	\$ -167	\$ -167
Self-Sufficiency Wage				
Hourly	\$ 12.25	\$ 23.58	\$ 27.53	\$ 14.70 per adult
Monthly	\$ 2,156	\$ 4,150	\$ 4,844	\$ 5,175
Annually	\$ 25,874	\$ 49,797	\$ 58,133	\$ 62,095



But what does that really mean?

Let's bring it down to a scale that we deal with on a day to day basis – family budgeting.

The 2006 Family Economic Self-Sufficiency Standard*, estimates how much income various types of families in Massachusetts would need to meet their basic needs.

* Done by the Crittenton Women's Union:

<http://www.liveworkthrive.org/docs/fess2006/2006%20FESS%20Boston.pdf>

Bringing Revenue Cuts Home

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What would you do if your family lost 40% of its income?



To give you a starting-point, here is an estimate of how much a four-person Boston family needed for basic needs in 2006.

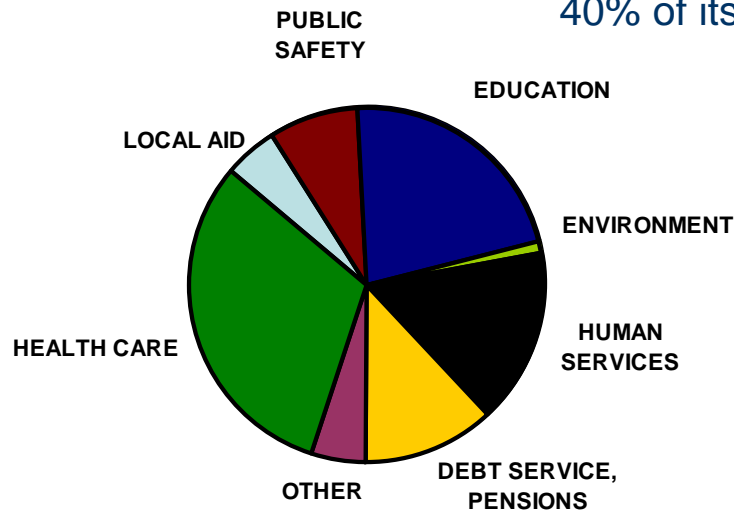
If your family lost 40% of its income, what would you do? [Wait for answers]

Where would you make cuts?

How would you increase your income?

Bringing Revenue Cuts Home

What would we do if
our state lost
40% of its income?



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Now imagine how your community would deal with a loss of nearly 40% of its revenue.

Imagine if the 12 Billion dollars in Personal Income Tax were taken out of this revenue package:

- Eliminating **ALL community colleges and higher education** programs would eliminate Five Billion dollars.
- Eliminating ALL ...

In reality all of the funding from all of these programs would not end up being cut. The state would have to look for other forms of revenues, including additional increases in local property taxes.

These are the types of conversations we need to be having with our friends and neighbors!

{Chart from the Massachusetts Budget and Policy Center – 2007}

So What Do I Say?

Polling-Tested Messages



The Coalition for Our Communities is currently polling active Massachusetts voters. Several messages have been resonating with these voters.

{Additional findings will be released on June 6, 2008}

Ballot Question Importance

- Support *for income tax repeal* is currently over 40%.
- This is a vote to change a LAW,
not to send a MESSAGE.



It may seem obvious from our discussion today that losing 40% of Massachusetts' revenues would greatly affect our state's budget.

It is also important to keep in mind that:

- Defeating this ballot question is not a sure thing... far from it. Six years ago, a similar question was defeated by a surprisingly narrow margin – 45% of Massachusetts voters voted to repeal of the income tax.
- Those in favor of this measure may attempt to market this ballot question as a way to let the Massachusetts government know they are unhappy about any number of issues. In fact, it is a legal change that would reduce the personal income tax by nearly half by January 1, 2009, and eliminate it altogether by 2010.

If members of your community want to send a message, there are many ways to do that – a good first step being to contact their state representative or senator.

[Find your rep or senator at <http://www.wheredoivotema.com>]

Ballot Question Consequences

Damage to state economy:

- State Schools
- Health Care
- Safe Roads and Bridges

Decreased Attractiveness to New Business

Reduction in Local Aid:

- Public Schools
- Fire, Police, Emergency Medical Services

Increased Reliance on Property Taxes



Remember to be clear about just what is at stake – 40% of our state budget – the funding for the very public structures that educate our children, keep our air and water clean, and keep our communities safe and vibrant. Safe and vibrant communities, in turn, attract new residents and businesses.

Also, in order to avoid drastic cuts in “necessary services,” communities *will* turn to alternative revenue sources – including increased property taxes. This is where it gets a little touchy... [Click to next slide]

Conversation Pitfalls

Do NOT debate Tax Policy

- Avoid Debating:
 - Tax Fairness Theories
 - Extent of waste, mismanagement



It is easy to get muddled by the technicalities of the many types of local and state tax policies. Some *are* more fair than others, but remember that you **do not** need to be an expert in each tax and its potential loopholes to know that a 40% reduction in state revenues will have a drastic effect on our public structures!

It is equally ineffective to get drawn into a debate about any perceived waste or mismanagement currently occurring within state or local governments. *Do not* deliberately bring these into your conversations. If the people you are talking to *do* bring up waste and mismanagement, which they may, be clear that while there *are* ways to address these issues, including increased accountability and transparency. Slashing revenues by 40%, however, *will not* clear up these issues.

One rebuttal may be: “Do you believe that 12 Billion Dollars - **40%** of our budget - is waste? [If yes:] Do you trust that **ONLY that 40%** will be cut?” Again, this is *not* the messaging that is found to be most effective – we do not want to *build* on any mistrust your community may already have for the budget process.

Breakout Session

Practice the Message



Any questions? [Have participants break into small groups to practice talking about these issues.]

[Take a break in the middle of the allotted time to ask:]

- What are you finding complicated / difficult to explain?
- What do you find easiest to explain / make relevant to others?

[Address concerns, and have small groups continue discussion, leaving 5-10 minutes for wrap-up.]