



Jon B. Hurst, *Chairman* | Thomas R. Kiley, *Treasurer*

For Immediate Release

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New Beacon Hill Institute Study Puts Revenue Impact Of Proposed Sales Tax Cut at \$998 Million

*Tax Cut Would Disproportionately Help Low Income Residents
While Producing Modest Increase in Dedicated MBTA Funding*

Boston, MA -- The Massachusetts Main Street Fairness Coalition, a coalition of organizations representing over 13,000 small business members, today released a detailed economic study that found a cut in the sales tax from 6.25% to 5% would reduce annual state revenue by \$988 million, while disproportionately helping seniors and low-income families, and result in a modest increase in dedicated revenues for the MBTA. The study is authored by The Beacon Hill Institute for Public Policy.

“By supporting a modest cut in the sales tax and the establishment of a permanent sales tax holiday, voters can give a helping hand to help our small businesses while also making our tax code more fair for seniors and low-income families,” said Jon Hurst, Chairman of the Coalition and President of the Retailers Association of Massachusetts. “When paired with the income surtax question on track for the ballot this fall, the net revenue effect of the combined ballot measures would be an increase in state revenue of billion dollars a year.”

The economic study found that reducing the sales tax to 5% would create over 9,500 new jobs, increase inflation-adjusted disposable income by \$362 million in its first year, and reduce state revenue by \$998 million when increases from other state taxes are taken into consideration, as well as increased local consumer spending. It also found that households with annual incomes of \$25,000 and less would benefit as a result of the proposed sales tax cut 7x more than those with incomes over \$100,000 making the state’s tax code less regressive. The study also found that dedicated revenue from the sales tax to the MBTA would increase by a modest \$6.7 million under the tax cut.

David Tuerck, President of the Institute, commented as follows: “Initiative Petition 17-21 would stimulate retail sales and do so with a minimum loss of tax revenue. It would also reduce income inequality: The fraction of their income saved by households with annual incomes of \$25,000 and less would be seven times the fraction saved by households with incomes of \$100,000 and more. Because of the economic expansion that the tax-cut would bring about, the loss in revenue would be 20% less than that predicted by opponents of the measure. Furthermore, the Initiative poses no threat to MBTA financing. It is hard to imagine a more compelling case for a tax cut.”

“Reducing the sales tax to 5% would prove vastly beneficial to both Massachusetts consumers and small businesses, spurring economic growth and job creation. With some of the highest health care, energy, and labor costs in the nation, a sales tax reduction provides much-needed relief for struggling Main Street shops,” said Christopher Carozzi, NFIB State Director.

The Massachusetts Main Street Fairness Coalition is supporting a ballot question that would reduce the sales tax to 5% from 6.25% and establish an annual two-day sales tax holiday in August each year. Coalition members include small business organizations representing approximately 13,000 employers, including Retailers Association of Massachusetts, National Federation of Independent Business, North Central Massachusetts Chamber, Bristol County Chamber of Commerce, United Chamber of Commerce, Orleans Chamber of Commerce, Nashoba Valley Chamber of Commerce, and the Tri-Town Chamber of Commerce. The Coalition is continuing to grow its’ membership and build support for the measure.

The Main Street Fairness Coalition is currently collecting a final round of 10,792 signatures to be submitted to the Secretary of State by July 4, a final requirement before the measure can be placed before the voters on the November 6, 2018 statewide ballot.

NOTE: Attached is a copy of the BHI study.

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Contact: Jon Hurst
President, Retailers Association of Massachusetts
jhurst@retailersma.org
Phone: 617-523-1900

David G. Tuerck, PhD
President, Beacon Hill Institute
Professor of Economics, Suffolk University
dtuerck@beaconhill.org
Phone: 855-244 4550