



The Beacon Hill Institute for
Public Policy Research

News Release

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Embargoed until:
Tuesday, June 8, 2021
10:30 a.m.

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BHI study shows proposed “Millionaire’s Tax” is harmful to state’s economy: Lost households, jobs, investment and disposal income

(Medway, MA) – A new study by the Beacon Hill Institute finds that the proposed “millionaire’s tax” headed for Massachusetts ballot in 2022 will likely harm the state’s economy with the loss of jobs, investment and disposable income. The study, based on the Institute’s State Tax Analysis Modeling Program (STAMP) also found that the state would lose high-income households to other states.

House Bill 86 (H.B. 86) would amend the Massachusetts constitution by imposing a 4 percent surtax on income over \$1 million. Several studies have warned of its effects but few have identified the economic losses in detail by using a tax model.

Overall, the proposed surtax would decrease the demand for labor services and the quantity of labor services supplied. It would further increase the cost of obtaining capital services by reducing the after-tax profits that owners could plan on receiving from investments in their business. These effects would further manifest themselves as a reduction in private sector jobs, in disposable income, and in state gross domestic product. In 2023, for example, more than 4,000 families would leave the Bay State with employment dipping by nearly 9,000 jobs. Workers will have less disposable income (-\$963 million) and the state’s gross domestic product would shrink by \$431 million.

“To make a fully informed decision, voters should understand what the tax changes embedded in the law will mean in terms of costs to the state’s economy,” notes David G. Tuerck, President of the Institute and a co-author of the report. “Supporters of the millionaire’s tax ignore the reality that high-income taxpayers adjust their work effort and their decisions to save and invest, particularly when they are more willing to move.”

Because taxpayers respond to tax law changes, the state will collect less than the \$2 billion estimate by supporters. BHI estimates the Commonwealth will only collect \$1.2 billion. The study also questions, given legislative priorities, whether the “earmarked” money outlined in the ballot question for education and transportation will actually be dedicated to such purposes.

The full report is available at www.beaconhill.org.