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Kaeding: Mr. Taxachusetts earns an 'F'

Deval Patrick drops in ranking of governors on fiscal policies

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By Nicole Kaeding

Gov. Deval Patrick's tax-and-spend approach to governance is dragging down Massachusetts' economic recovery and scaring off new and dynamic businesses to other parts of the country.

The Great Recession ended in 2009, but its effects are still being felt within state budgets. To close the gap between higher spending and lower-than-expected government revenues, governors took varying approaches. Some, like North Carolina Gov. Pat McCrory, cut spending and cut taxes to breathe new life into their economies. Patrick, on the other hand, hampered Massachusetts' competitiveness by raising taxes and expanding the government even faster.

The Cato Institute's 12th biennial edition of its "Fiscal Policy Report Card on America's Governors" assigns grades of "A" to "F" to the governors based on their efforts to restrain government. Patrick received an "F" in this report card, down from a "C" in 2012.

What sparked the large drop in Patrick's rating? His desire to dramatically increase taxes on Massachusetts families and businesses.

From the time he took office in 2007, Patrick has shown a penchant for higher levels of revenue, but in 2012, he hiked taxes considerably. Every year, he has called for more and more in tax revenue. In 2012 he proposed sales taxes on candy and soda, and higher taxes on cigarettes, and corporations.

In 2013 he signed into law numerous tax increases. He raised taxes on corporations and utilities. The cigarette tax was increased by $1 per pack. He increased the gasoline tax by 3 cents per gallon (henceforth to be indexed to inflation unless voters repeal that provision in November). He also expanded the sales tax to include software purchases, intensifying the tax burden unnecessarily on businesses in the commonwealth. Fortunately, this tax increase was repealed by the Legislature this year.

Also in 2013, he proposed an income tax increase, which would have raised the rate from 5.25 percent to 6.25 percent causing individuals and families to cough up more of their hard-earned dollars to government. The plan would have reduced the sales tax, which is a positive step, but overall would have increased the tax burden by $1.9 billion overall.

Massachusetts already had one of the highest state-local tax burdens in the country. Patrick's plan would have pushed the envelope even further.

Luckily for Massachusetts taxpayers, the income tax hike did not pass. But that didn't stop Patrick from proposing higher taxes again. In 2014, for the third year in a row, Patrick called for sales taxes on candy and soda.

These decisions matter. Much attention is paid to the federal corporate income tax which collected $274 billion in 2013. According to Ernst & Young, state and local taxes cost businesses $671 billion in 2013. The burden of state business taxation dwarfs federal taxation.

Additionally, Massachusetts is subject to ever-growing interstate and international competition. Massachusetts consistently ranks 47th for best state in which to do business. Its business tax climate is in the bottom half of states. It also has strong tax competition from its regional peers. Scaring away small businesses and entrepreneurs with onerous tax and regulatory systems is no way to boost the economy.

Residents are also taking notice. A poll earlier this year found that 40 percent of Massachusetts residents want to leave the state. Surely, many things affect migration, like weather, commuting times, job opportunities, and families, but the combination of higher taxes and cold winters doesn't encourage individuals to stay in the state.

Lower taxes and less government spending allows the economy to flourish. That means more jobs, more opportunities, and more freedom for individuals to pursue their passions. Patrick's policies have been moving Massachusetts in the wrong direction.

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