Open letter from Economists in Support of the “Fair Share Amendment”

On the November 2022 statewide ballot, Massachusetts voters will vote on the Fair Share Amendment, which will provide substantial new resources for education and transportation through an additional tax of 4 percent on annual taxable income exceeding one million dollars. As economists, we recognize this new revenue will have widespread positive impacts for the Commonwealth’s families, individuals, and businesses, and support the passage of this amendment.

The revenues generated from this tax law change are dedicated to spending on public education and transportation. These public investments will have long-term and widespread beneficial effects on Massachusetts residents and the state’s economy. Critical investments in education lead to a larger and more skilled labor force. Investments in transportation infrastructure can lead to a more efficient distribution system, less traffic congestion, and easier commutes for workers. Transportation investments can also help the Commonwealth achieve its clean energy goals, as transportation is a major source of carbon emissions. These investments will likely lead to a net increase in the number and quality of jobs as well.

As the amendment will place new tax liability on high-income taxpayers, it is reasonable to expect that some high-income taxpayers will migrate to other states with lower taxes and some high-income taxpayers will reduce their taxable income in response to the new tax bracket. How much additional revenue would be generated by passage of this amendment? In 2015, the Department of Revenue estimated that the mechanical increase in tax liability in 2019 would be in a range of $1.6 billion to $2.2 billion. The Center for State Policy Analysis at Tufts University did a careful review of the economic literature and estimated that, after taking account of behavioral effects, the net increase in revenue would be about $1.3 billion in the first year. These estimates do not take into account the long-term beneficial effects of the public investments in education and transportation, which should increase the productivity and therefore the effective tax base of the Massachusetts economy.

While we may have different opinions on the magnitude of these impacts on tax revenue, we agree that approval of the amendment will result in significant increases in tax revenue and public investment in the Massachusetts economy.

Moreover, the amendment is likely to have a positive impact on inequality, by means of a more progressive tax structure and public investments that will raise workers’ productivity and incomes broadly.

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