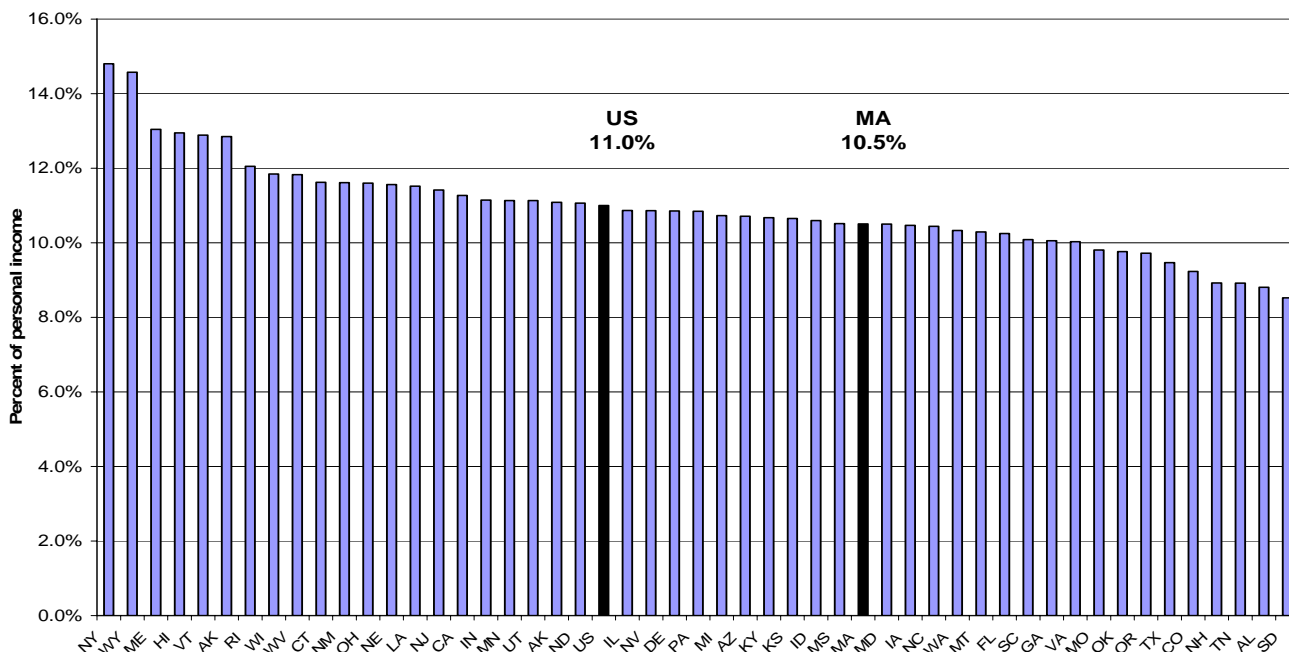




U.S. CENSUS BUREAU – STATE & LOCAL TAX COLLECTIONS FY 2005 *Massachusetts' state and local tax ranks 32nd; among the lowest 40%*

On May 14, the U.S. Census Bureau released its most recent state and local tax collection data for the fifty states (for FY 2005). Because this Census report incorporates both state and local taxes, it allows for comparisons among the states. (Since states differ in the share of taxes collected at different levels of government, to compare among states this data should be combined.)

Total State and Local Taxes, FY 2005



The people of Massachusetts pay taxes to achieve public goals: to educate children; to broaden access to healthcare; to promote public safety; to maintain the roads, bridges, and other infrastructure that keep the Commonwealth's economy moving; to protect the environment; and, to maintain the parks and playgrounds that families enjoy. The numbers released today show that in FY 2005 the share of income used for these and other public goods was less in Massachusetts than in 31 states.

Technical notes:

The comparisons in this fact sheet describe taxes as a share of income. This measure is used, rather than per capita taxes, because that measure conflates two different things: tax rates and incomes. This issue is most easily understood in the context of the income tax. If one state has an income tax rate of 5% and an average income (taxable) of \$50,000, then the per capita tax is \$2,500. If a state where the average income is lower (for example, \$30,000) has a tax rate of 6%, then the per capita taxes in that state are \$1,800. Thus, even though taxes are higher (6% rather than 5%) in the low income state, a per capita ranking would show the state as having lower taxes. This is because a per capita measure fails to isolate the rate of taxation and instead measures a combination of rates of taxation and levels of income.

One flaw in the state personal income data used in this fact sheet, and compiled by the US Bureau of Economic Analysis, is that it omits income from capital gains. (The tax data includes all taxes, including those on capital gains.) As a result, the measures in this fact sheet overstate the share of economic resources paid in taxes.