

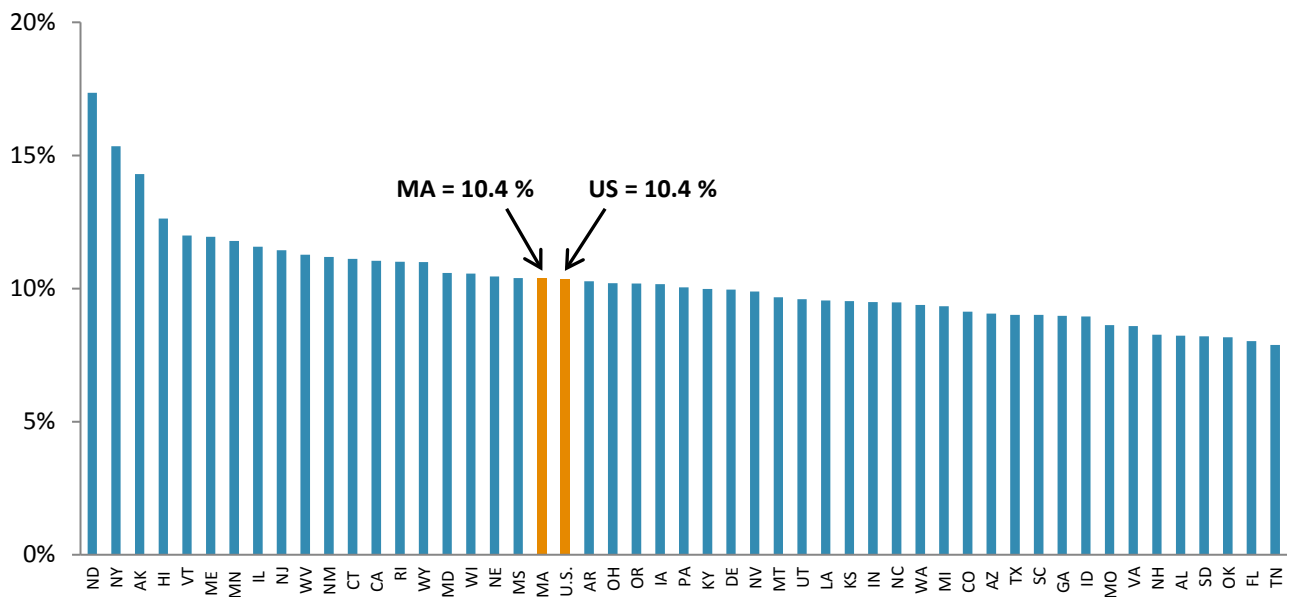
Massachusetts Ranks near Middle for Taxes in FY 2014

The U.S. Census Bureau has released its annual update of State and Local Government Finances, providing national data for Fiscal Year 2014. The amount of state and local taxes paid in Massachusetts as a share of total personal income was 10.4 percent in FY 2014. By this measure, Massachusetts had lower taxes than 19 other states and was at the national average of 10.4 percent (see chart below).ⁱ Measuring taxes as a share of total personal income allows for a meaningful comparison among states (see “Technical Notes” at the end of this document and MassBudget's factsheet, [Adjusting for Personal Income](#)).

Taxes are what we all pay toward—and the primary source of funding for—everything the people of a state choose to provide together through government, such as: public education; roads, bridges and public transit; police and fire protection; parks and playgrounds; and a safety net to protect access to health care and other supports families depend on – particularly when they are faced with acute challenges.

MA Is Average for State and Local Taxes, Ranks near Middle, FY 2014

State and local taxes as a percent of state personal income, FY 2014



Source: U.S. Census Bureau (tax data), U.S. Bureau of Economic Analysis (income data)

TECHNICAL NOTES

The comparisons in this fact sheet present taxes as a share of income. This measure is used instead of per-capita taxes, because the per-capita measure conflates two separate elements: 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 percent and an average (taxable) income of \$50,000, then the per-capita tax is \$2,500. If a state where the average (taxable) income is lower—for example, \$30,000—has a tax rate of 6 percent, then the per-capita tax in that state is \$1,800. Thus, even though tax rates are higher in the low income state (6 percent rather than 5 percent), a per-capita ranking would show the state with the higher tax rate as having “lower taxes.” Using taxes as a share of income avoids this problem. For a more complete discussion of this issue, please see the following MassBudget resource: [Adjusting for Personal Income](#).

The Census data and the analysis we present in this fact sheet differ somewhat from that presented by a commonly cited source, the Tax Foundation. The Tax Foundation, like MassBudget, uses the basic structure of comparing taxes as a share of income. The Tax Foundation, however, makes a number of adjustments to the data. Among the most important of these adjustments is their use of taxes paid by residents of a state rather than taxes collected in the state. This means, for example, that property taxes paid by a Massachusetts resident on a vacation home in Maine would count as Massachusetts taxes. While there are contexts in which such an adjustment may be helpful, for comparing tax policies of state and local government, it makes the most sense to look at the taxes collected by those governments.

Finally, one important shortcoming in the state personal income data (compiled by the U.S. Bureau of Economic Analysis) that are used for calculations in this fact sheet is that these data omit income derived from capital gains. The tax data (compiled by the U.S. Census), by contrast, include all taxes, including the taxes paid on capital gains income. As a result, the measures presented in this fact sheet overstate the share of economic resources paid in taxes, making public services appear more costly to state residents than they in fact are.

ⁱ The Census data can be found at:

https://www.census.gov/govs/local/?eml=gd&utm_medium=email&utm_source=govdelivery.

Personal income data can be found at the Bureau of Economic Analysis (BEA) website:

<http://www.bea.gov/itable/iTable.cfm?ReqID=70&step=1#reqid=70&step=1&isuri=1>. North Dakota and Alaska’s high ratios of state and local taxes to State Personal Income are in large part the result of taxes collected from corporations on gas/oil extracted from public lands.