

---

# *The Rosenberg Report*

Vol. XV  
April 3, 2003

---

Hello!

April is the cruelest month . . . \*

The weather teases us with spring and this, as everyone knows, is the month our state and federal income taxes are due. I can't do anything about the former, but I think it's important to say something about the latter.

Taxes is not a four-letter word, despite what some voices on the political spectrum would have us believe. Taxes are the price we pay for a decent, civilized and compassionate society. Instead of a drain on the economy, adequate and progressive taxation keeps the economy moving by financing all the things on which the economy depends: education, public safety, public infrastructure, health care, human services, job training . . . the list goes on.

These are extremely difficult times -- those of you who have received this newsletter over the past year might be tired of hearing me say that. But it's true, and it's equally true that it is incumbent upon anyone who cares about our Commonwealth to speak out in support of preserving the programs that bring the full measures of compassion and decency to our state. On the campaign trail the governor said he could find \$1 billion in government waste. Earlier this year, he celebrated the claim that his fiscal '04 budget included the elimination of \$2 billion in waste, all without affecting core services. But when you start to put faces with the cuts, would anybody really believe that cutting human services, eliminating the senior pharmacy program, throwing 50,000 people off the health insurance rolls, cutting local aid to cities and towns by hundreds of millions of dollars, and cutting higher education is eliminating waste?

I'd like to see the dictionary where the definition of waste includes such programs.

There are a number of reasons why we, and almost every other state in the nation, are in this mess: global recession, poor stock market performance dramatically reducing capital gains revenues, skyrocketing health care costs, post-9/11 security costs, and the fact that we, as a state government, permanently reduced our state revenue stream by some \$4.5 billion during the 1990s with more than 40 different tax cuts. There's plenty of blame to go around. But at this point ascribing blame is like complaining about the weather. It doesn't do any good.

What we need is a balanced approach for addressing the state's \$3 billion deficit. We can't raise \$3 billion in taxes, that's a fact. We don't have \$3 billion in reserves, that's another fact. And it's a fact that there is not \$3 billion that can be cut without affecting core services

no matter what the governor says. Make no mistake. We *can* cut our way out of this problem. The effects would be far uglier than I think most people could bear, but we *can* do it. The question is *should* we solve the problem with cuts alone. I think we need a more balanced, rational, approach that identifies and implements true efficiencies, instead of playing a shell game with taxpayers. We need to raise some revenue in as progressive a way as possible and we need to close loopholes and enforce the existing tax laws so that citizens and corporations pay the taxes they legitimately owe. And we need to consider some modest borrowing, just to keep us afloat until better days arrive.

This is a more reasonable approach to our current problem than trying to solve it all with cuts alone. It's the job of all citizens to convince the governor and show support to the Legislature for this kind of balanced approach.

There's still no mood in the Legislature for any new, broad-based taxes, but below you'll find some information on a few of the revenue proposals currently on the table on Beacon Hill. As always, I look forward to hearing what you have to say. (Feedback form) [www.stanrosenberg.com/form.html](http://www.stanrosenberg.com/form.html)

Yours,

A handwritten signature in black ink that reads "Stan". The signature is fluid and cursive, with a long horizontal stroke at the beginning.

April Focus

*Combined Reporting*

On March 20th, Representative Paul C. Demakis (D-Back Bay) and I filed a bill, co-sponsored by 53 other legislators, to require corporations subject to the corporate excise tax in Massachusetts to engage in "combined reporting."

Under combined reporting, all entities subject to the corporate excise tax in the Commonwealth would be required to report on their tax returns all of the profits realized by all of their related subsidiaries in the United States, regardless of where those subsidiaries are located and regardless of where their accountants deem those profits to be earned. The Massachusetts apportionment formula would then be applied to the full amount of profits listed in the combined report in order to determine how much of those profits were generated, and are therefore taxable in Massachusetts. Combined reporting could generate tens of millions of dollars in tax revenue. Sixteen states currently require combined reporting: Alaska, Arizona, California, Colorado, Hawaii, Idaho, Illinois, Kansas, Maine, Minnesota, Montana, Nebraska, New Hampshire, North Dakota, Oregon, and Utah.

I've said it before -- taxes equal services. Many of the same services that benefit individual citizens also benefit corporations, especially good schools for an educated workforce, a strong public safety system and a clean environment. We should be putting as

much effort into collecting taxes that are fairly owed to the state as we are into trying to root out waste and inefficiency.

#### *Road tax evasion*

I am continuing to push my idea to crack down on what I call road tax evaders, people who are legal residents of Massachusetts but register their cars in neighboring states and thereby avoid paying our excise taxes and other related fees. I have conservatively estimated that these people legitimately owe the state tens of millions of dollars in taxes, most of which are paid to cities and towns. Cracking down on road tax evasion certainly won't solve the problem facing our cities and towns, but every little bit will help.

#### *Internet sales tax*

Early last month, Massachusetts took a step toward collecting internet sales taxes by joining many other states that are working together to develop a system to collect this revenue. According to the U.S. Census Bureau, on-line retail sales rose 22 percent between 2000 and 2001, while total retail sales grew by only 3 percent during that same period. We've only just begun to examine this prospect, so there's not a lot of information on it. But we know this is worth hundreds of millions of dollars a year for Massachusetts. I'll keep you posted.

#### *Gasoline tax*

During a recent Taxation Committee hearing, a bill to raise the state gasoline tax 10 cents got something of a chilly reception, while a proposal to decrease the current rate by 10 cents was virtually rejected. Again, the majority of legislators are making it clear that there is not much appetite for raising taxes, but those ideas are still being floated anyway.

#### *Tax amnesty programs*

The back-to-back tax amnesty programs that ended in February turned out to be a bit more successful than I previously thought, and wildly more successful than the Swift administration had predicted. The two programs collected approximately \$163 million. I thought \$120 million was the best we would do, while the Swift administration thought we would peak around \$30 million, so we were both wrong.

### Noteworthy

#### *March revenues*

I wouldn't uncork the champagne just yet, but for the first time in 13 months the state has seen back-to-back monthly revenue increases, thanks in part, according to the Department of Revenue, to the amnesty programs and healthier than expected corporate and business excise tax receipts. The state collected \$1.39 billion in March, up 7.3 percent, or \$95 million, from March of 2002. February's revenues, you may recall, were up 4.7 percent, or \$38 million, from the previous February. Right now, with about three months to go in

this fiscal year, the state is running about \$12 million ahead of projections. According to the Department of Revenue, April and May will be critical months because this is when capital gains taxes start being collected.

### *Joint budget hearings*

Over past few weeks the Senate and House Ways and Means Committees have been holding joint budget hearings across the state in an effort to find some measure of common ground before they prepare their separate budgets. I don't recall this having been done before and I think it speaks to the spirit of cooperation that I hope will guide budget deliberations this year.

### *Grace House*

I am continuing to try and convince the Romney administration to restore funding for the Grace House in its 2004 budget. I have requested meetings with the Department of Social Services, the Department of Transitional Assistance, the Public Health Department and the Executive Office of Health and Human Services to see if we can identify a strategy for doing so.

## Roundup

### *2003 Municipal Conference*

For you municipal officials out there, there's still time to register for this year's conference, scheduled for Saturday, April 12th at The Clarion Hotel and Conference Center in Northampton.

There's a lot happening on Beacon Hill these days -- from the ongoing budget discussions to renewed concerns about public safety -- and I am extremely pleased with the program we've put together this year. For one day, some of the most influential people in state government, including the Lt. Governor, Commissioner of Education and the Chairwoman of the Senate Ways and Means Committee, will be available to local officials in western Massachusetts and I hope you'll take this opportunity to share your perspectives.

Click here for the complete program and on-line registration form:

<http://www.stanrosenberg.com/issues/muncon2003.html>

If you have any questions or comments, contact Tom in my district office at 413-587-6289 or at [tumitch@sprynet.com](mailto:tumitch@sprynet.com).

I'm looking forward to seeing you April 12th.

### *Legislator of the year award*

On March 12th I was very pleased to receive the Legislator of the Year award from the Massachusetts Developmental Disabilities Council during a ceremony at the foot of the Grand Staircase at the State House. Unexpectedly, I shared the podium with Governor Romney. I took the opportunity to share some of my thoughts with the audience and the governor about how we should approach the continuing fiscal crisis. Perhaps I surprised the governor with some of my comments, but he seemed to take it all in good stride. And he didn't seem at all offended that when I suggested that perhaps after he learned a lot more about the state budget and what it actually buys, that he might consider moving a little more toward the center, rather than holding the fort at the far right.

### *Local artists*

It is my pleasure to host the works of Katherine MacColl, Catherine Cole, Maryellen Bradley-Gilbert and Nancy Broad -- a group of quilters from western Massachusetts. Several of their quilts will be on display in my Boston office from April 15th to June 1st. Next time you're in Boston, please stop by my office and enjoy the exhibit.

### Trivia

The answer to last month's question -- Name the state horse -- is: the Morgan.

Thanks to everybody who played along. And now the winner of the lunch and State House tour, chosen at random from the thousands (just kidding!) of correct answers is Jan R. from somewhere in cyberspace. We'll send her information on who to contact in my Boston office and we'll look forward to seeing her at the State House. Congratulations Jan!

Now to this month's question and another chance to win lunch and a State House tour. Name the state insect.

Submit your answer to [tumitch@sprynet.com](mailto:tumitch@sprynet.com) and watch this space for the correct answer and the prize winner.

### Links

Here are a few links. Until next time, happy surfing!

Click here [tumitch@sprynet.com](mailto:tumitch@sprynet.com) if you want to be removed from our list.

Click here for our on-line feedback form [www.stanrosenberg.com/form.html](http://www.stanrosenberg.com/form.html)

Forward this link to a friend [www.stanrosenberg.com/issues/rosenreportreg.html](http://www.stanrosenberg.com/issues/rosenreportreg.html)

Guide to Lawmaking -- <http://www.state.ma.us/legis/lawmkng.htm>

Massachusetts State Government Home Page -- <http://mass.gov/>

The Legislature's web page -- <http://www.state.ma.us/legis/>

Senate's Bill Text System – <http://www.state.ma.us/legis/billsrch.htm>

Legislative Tracking System – <http://www.state.ma.us/legis/ltsform.htm>

My personal website – <http://www.stanrosenberg.com/>

The Rosenberg Report (March, 2003, edition) --  
<http://www.stanrosenberg.com/issues/march2003.html>

\* From T.S. Eliot's *The Waste Land*