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VOTERS REPEAL ALCOHOL TAX, REJECT SALES TAX CUT

By Michael Norton

NOV. 2, 2010...Massachusetts voters on Tuesday chose to repeal the 2009 tax on retail alcohol sales by passing Question 1 while rejecting another proposal, Question 3, to cut the sales tax from 6.25 percent to 3 percent.

The alcohol tax was ripped by opponents as an extra levy on an already-taxed product, an added burden on struggling consumers, and a disadvantage for package stores, especially those near the New Hampshire border.

The repeal is set to take effect on Jan. 1, 2011, before lawmakers are scheduled to reconvene for a new legislative session.

"The voters supported Question One because it's unfair to double-tax one product and because it was putting too many local businesses at a competitive disadvantage," P.J. Foster, a spokeswoman for the Yes on One Committee, said in a statement late Tuesday night.

Supporters of the tax, which had passed after years of efforts, said it had helped bolster substance abuse treatment programs and argued that

alcohol should not be exempt from the sales tax because it is not a necessity.

"We're disappointed," Vic DiGravio, co-chair of the Committee Against Repeal of the Alcohol Tax, told the News Service late Tuesday night as election results showed 52 percent favoring repeal and 48 percent opposed.

In her statement, Foster said, "We certainly support the continued funding of substance abuse programs, which have been funded by the state for years and were funded at the same level this past year. We will work to make sure they maintain at least the same level of funding."

In the days before the election, tax repeal supporters outspent those trying to keep it, with package stores and alcohol industry distributors contributing more than \$1.26 million. The Yes on One Committee spent a total of \$2.75 million to convince voters to overturn the tax. Supporters of keeping the tax raised approximately \$200,000.

DiGravio said polls showed the question failing only ten days ago, before a major advertising campaign by repeal proponents. "Clearly the money the alcohol industry threw at this made a big impact," he said. "What's most regrettable to us is we just didn't have the money to match them."

The Legislature instituted the tax in the summer of 2009, trying to boost state revenues during the recession and give treatment programs a reliable funding source.

The state collected \$97 million from the tax in the last 10 months of fiscal 2010, according to the Department of Revenue, a total projected to rise to \$111 million for the full fiscal 2011 budget year.

Question 3, slashing the state sales tax, failed after a concentrated push to defeat it by public employee unions and major business groups. Opponents of the question said its passage would have forced \$2.5 billion in cuts to education, local aid and health care programs and

undercut investments in infrastructure needed to support business. All four candidates for governor opposed the tax cut, which would have taken effect on Jan. 1, 2011.

With 93 percent of precincts reporting, 57 percent opposed the tax cut and 43 percent supported it.

The reduction would have given Massachusetts the lowest sales tax rate in New England, with the exception of sales tax-free New Hampshire.

Business Leaders Against Question 3, anchored by the Greater Boston Chamber of Commerce and Associated Industries of Massachusetts (AIM), recently launched a radio ad campaign against the tax cut. The Massachusetts Teachers' Association ran television commercials detailing cuts in education funding if the question passed.

Supporters of Question 3 said its passage would have put \$688 into taxpayers' pockets each year and forced state government to cut spending. Libertarian Carla Howell, who pushed the ballot initiative, said many businesses favored the tax cut. Howell said no retail business owner "in his right mind" would oppose a sales tax cut.

A study released this month by the Beacon Hill Institute at Suffolk University concluded the tax cut would create 27,199 private sector jobs, increase annual investment by \$73 million and raise wages by \$1.03 billion. It also concluded the revenue loss to state government from the tax cut would be \$2.08 billion rather than the \$2.5 billion projected by the Massachusetts Taxpayers Foundation.

Supporters of Question 3 also cautioned during the campaign that its defeat may stir Beacon Hill to raise taxes.

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