

9(C) – What is It, How Does it Work?



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What is a (Structurally) Balanced Budget?



What if Revenue Falls Unexpectedly?



If the State Won't be Able to Pay Bills

Section 9C. Whenever ... available revenues ... will be insufficient to meet all of the expenditures authorized ... the governor shall, within 15 days, reduce allotments under section 9B ...or...

What Can the Governor Cut Alone?

The Governor can 9(C) everything except:

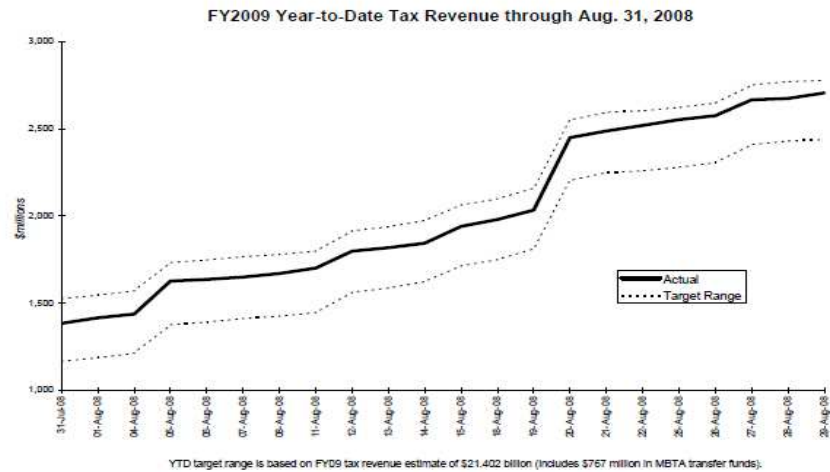
- Courts
- Local Aid
- Legislature
- Constitutional Officers
- Authorities
- Debt Service
- Other non-allotted items

Will There Be 9(C) Cuts this Year?

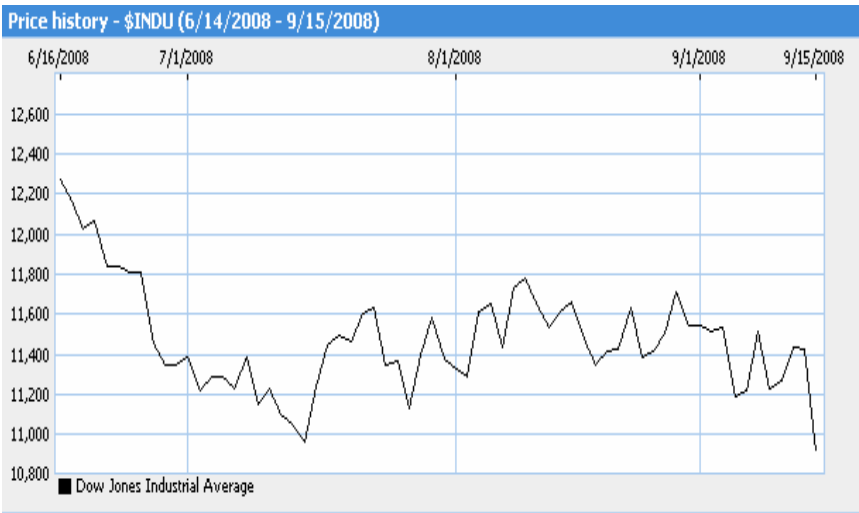
- The Billion Dollar Problem: What is it?
 - Items not Provided for in the Budget
 - Revenue Not Meeting Projections



What is Happening To Tax Revenue?



Dangers: Markets, Refunds, Bonuses

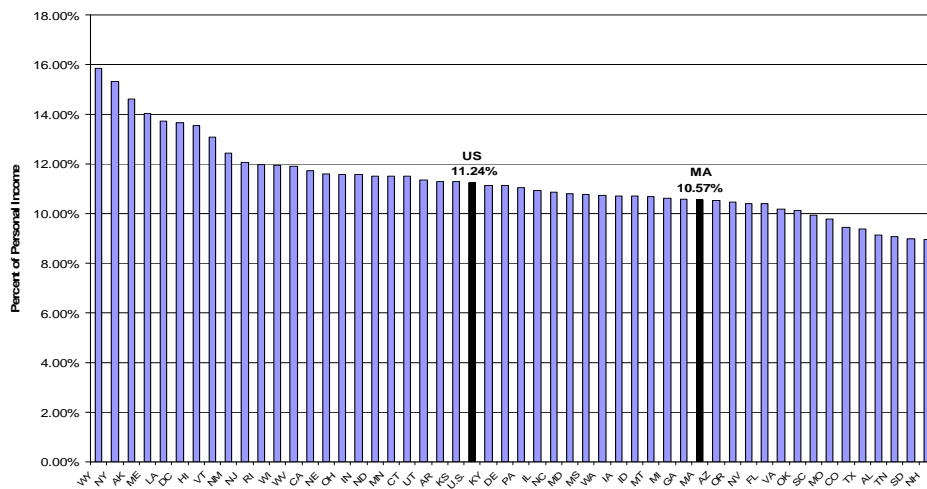


What Are the Major Tax Cuts of the Past Decade?

- Income tax rate cut to 5.3%: \$ 1.4 Billion
- Cut for Dividends & Interest: \$ 600 Million
- Higher Personal Exemption: \$ 400 Million
- Business Tax Cuts: \$ 400 Million

Almost \$2 Billion Below US Average

Total State and Local Taxes, FY 2006

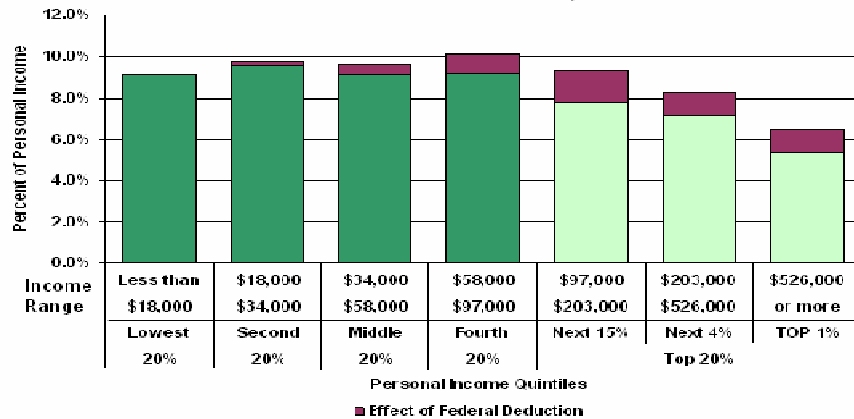


A Tax System Should Be...

1. Adequate
2. Fair
3. Stable
4. Simple/Efficient

State and Local Taxes are Regressive

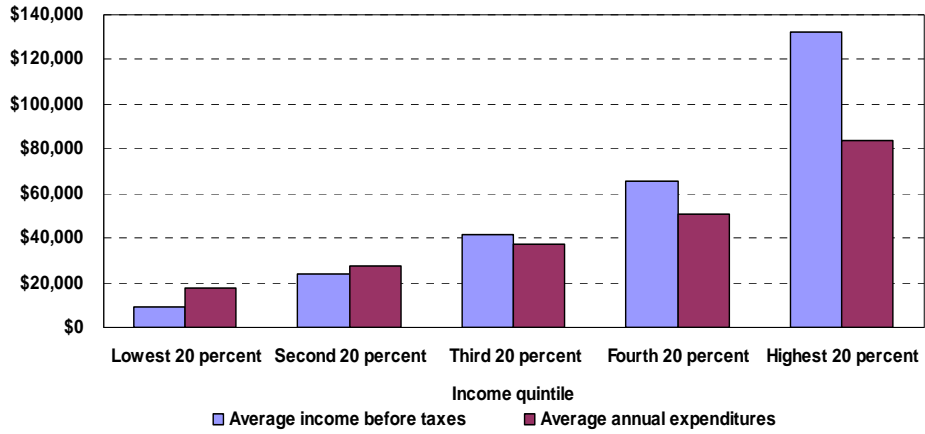
Distribution of Personal Income Dedicated to State and Local Taxes in Massachusetts, 2006



Source: Institute for Taxation and Economic Policy.

Sales Tax -- Regressive

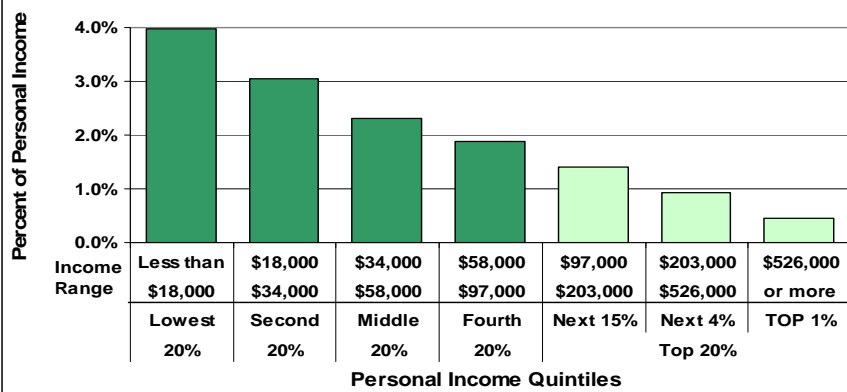
Average Incomes and Average Expenditures by Income Group
United States, 2004



Source: Bureau of Labor Statistics, Consumer Expenditures Survey,

Who Pays the Sales Tax in Massachusetts

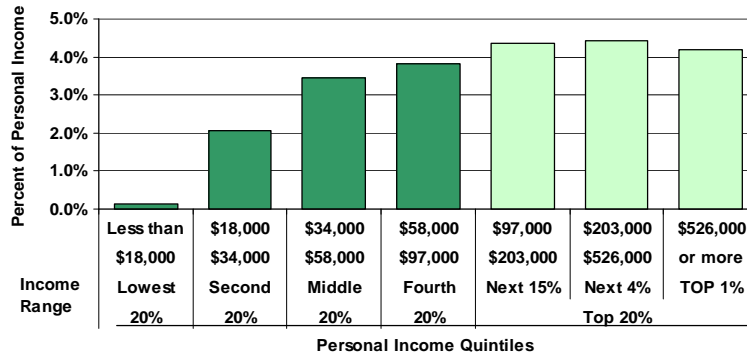
Distribution of Personal Income Dedicated to
Sales Tax in Massachusetts, 2006



Source: Institute for Taxation and Economic Policy.

Income Tax: Progressive

Distribution of Personal Income Dedicated to State Personal Income Tax in Massachusetts, 2006



Source: Institute for Taxation and Economic Policy.