



## MASSACHUSETTS HIGH TECHNOLOGY COUNCIL

*Dedicated To Growth ... Committed To Action*

For Immediate Release  
Monday, July 29, 2002

Contact: Cort Boulanger  
(781) 890-6482

---

### **HIGH TECH COUNCIL SUPPORTS SWIFT'S BALANCING OF BUDGET HAILS BUDGET GROWTH LIMIT; OPPOSES NEW TAXES**

The Massachusetts High Technology Council today praised Governor Jane Swift for reducing budget overspending by nearly \$400 million and for signing into law a long-term budget growth limit that will help prevent a future repeat of the state's current fiscal situation.

"In the wake of the record tax increases recently imposed by the Legislature on Massachusetts residents, Governor Swift's actions are crucial for the state's fiscal health over the long and short-term," said Council President Christopher Anderson. "In addition, the new budget growth limit will create stability and predictability in state finances and help avert drastic tax hikes and program cuts in the future."

Swift's vetoes are necessary to balance a budget that is estimated to be out of balance by as much as \$300 million, according to the Massachusetts Taxpayers Foundation. The budget growth limit, originally crafted by Speaker Thomas Finneran and Swift, will cap the amount available for annual state budget expansion by limiting spending increases to two percent plus the rate of inflation. Had the cap been in place over the past decade, the state budget would be approximately less than \$21 billion for FY 03, rather than the \$23 billion approved by the Legislature. This more than \$2 billion difference roughly equals the deficit that was filled by increasing taxes, cutting services and tapping rainy day funds.

Early this spring, the Council called for the state to establish a statutory cap to control state spending growth before considering any changes to the tax code. While the Council opposed the specifics of the tax package, the growth limit provides discipline that—if adhered to by the Legislature—gives taxpayers some expectation that tax rates will not need to be raised in the future.

“The Council appreciates Governor Swift’s efforts in opposing tax hikes that will greatly reduce employers’ ability to recruit and retain skilled workers,” said Anderson. “We are disappointed that the Legislature did not consider other revenue sources or further spending reductions as alternatives to new taxes that will have a negative impact on our economic competitiveness.”

Anderson noted in particular the elimination of the phase out of lower capital gains tax rates for assets held over the long term. The Council had argued from the beginning of the debate that capital gains revenues were an unstable budget revenue source and that the 1994 capital gains tax phase out law was an important economic incentive. Overall, capital gains tax revenues have fallen from more than a billion dollars in FY01 to less than a projected \$300 million for FY03.

“All along, we have made the case that hiking the capital gains tax is pennywise and pound-foolish,” said Anderson. “But as the stock market continues to struggle, the continued freefall of capital gains revenue means that hiking this tax will do little to address the budget shortfall this year or next. This particular component of the Legislature’s tax package eliminates one of the most competitive tax policy changes of the 1990s aimed at helping recruit and retain technology employees.”

The Massachusetts High Technology Council, Inc. consists of approximately 180 chief executive officers of Massachusetts high technology and high-value-added service employers, and advocates on Beacon Hill and in Washington DC on public policy issues affecting the high tech employers and employees.

###