

HOUSE No. 5407

The Commonwealth of Massachusetts

HOUSE OF REPRESENTATIVES

REPORT
of the
SPECIAL JOINT
COMMITTEE
on
INITIATIVE PETITIONS
on the
INITIATIVE PETITION
of
CHRISTOPHER ROBERT ANDERSON
AND OTHERS
FOR THE PASSAGE OF AN ACT
RELATIVE TO LIMITING STATE TAX COLLECTION
GROWTH AND RETURNING SURPLUSES TO TAXPAYERS
(see House, No. 5006); and the
INITIATIVE PETITION
of
JAMES JOHN STERGIOS
AND OTHERS
FOR THE PASSAGE OF AN ACT
RELATIVE TO REDUCING THE STATE PERSONAL
INCOME TAX RATE FROM 5% TO 4%.
(see House, No. 5007)

May 4, 2026.

MAJORITY REPORT.

A majority of the Special Joint Committee on Initiative Petitions

Article 48 of the Amendments to the Constitution of the Commonwealth allows voters to propose laws or constitutional amendments through initiative petitions, commonly called ballot questions. After gathering the required signatures and submitting certified signatures to the Secretary of the Commonwealth, a petition is formally presented to the Legislature for consideration. It is then referred to a committee, in this case, the Special Joint Committee on Initiative Petitions.

Under Article 48, the committee must report to the Legislature on each petition before the first Wednesday in May. Unlike the standard legislative process, the Legislature may only approve or reject an initiative petition as submitted, without making changes.

The Committee held a hearing on Initiative Petition 25-17, House 5006, *Initiative Petition for a Law Relative to Limiting State Tax Collection Growth and Returning Surpluses to Taxpayers*, and Initiative Petition 25-18, House 5007, *Initiative Petition for a Law Relative to Reducing the State Personal Income Tax Rate from 5% to 4%*, on March 30, 2026.. The Special Joint Committee on Initiative Petitions held public hearings throughout March 2026 to gather testimony and inform its review. The Committee considered input from subject matter experts, proponents and opponents of the Petitions, as well as members of the public. The full hearing record and supporting documentation is available to the public at malegislature.gov/Events/Hearings/Detail/5631.

On May 4, 2026 a majority of the Special Joint Committee on Initiative Petitions (“the Committee”) voted to recommend that the General Court **take no action** on Initiative Petition 25-17, House No. 5006, *Initiative Petition for a Law Relative to Limiting State Tax Collection Growth and Returning Surpluses to Taxpayers* and Initiative Petition 25-18, House No. 5007, *Initiative Petition for a Law Relative to Reducing the State Personal Income Tax Rate from 5% to 4%*.

In reaching this determination, the Committee conducted a comprehensive review of the proposed measure, including a detailed analysis of its language, structure, and intended effect. The Committee evaluated testimony and supporting evidence presented during the public hearing, as well as supportive written submissions from policy and economic experts, advocacy and labor organizations, and members of the public. The review found that together, these Initiative Petitions would significantly weaken the Commonwealth’s ability to respond to economic downturns by reducing revenues, limiting reserves, and triggering refunds after recessions, jeopardizing funding for essential services while disproportionately benefiting high-income earners over lower- and middle-income residents.

The two Petitions, if implemented, would reduce or limit the amount of revenue the state government receives in a fiscal year. The Petition reducing the income tax from 5% to 4% would result in a projected loss of over \$5.3 billion in state revenues in the first full fiscal year after implementation, according to an analysis by the Massachusetts Taxpayers Foundation. This reduction is equivalent to 406.7% of Fiscal Year (FY) 2026 Unrestricted General Government Aid, which is state aid that goes directly to cities and towns to reduce the amount of local spending funded by property taxes, or 73.1% of FY 2026 Chapter 70 education aid, which is state aid to

cities, towns, and regional school districts to cover educational expenses. This reduction would have a drastic impact on state budgeting and the ability to fund the programs and services that the residents of the Commonwealth expect and deserve.

During the hearing, the proponents of the Petition noted projected tax savings under the reduction of the income tax, but these savings are largely gained by taxpayers with over \$1 million in taxable income. Those at the threshold of the Fair Share surtax – the amount where an additional 4% in income tax begins to be assessed – would see estimated tax savings of \$10,744 per year, while full-time, married workers at \$25 an hour would see savings of \$381 per year, and a full-time, married couple earning an income of \$80,115 would see savings of \$713 per year, for example. Further to the benefit of million-dollar plus earners, the reduction in income tax would also reduce the current short-term capital gains tax on investments from 8.5% to 4%. Lower- and middle-income earners without substantial investment income would see a much smaller savings in income taxes compared to million-dollar plus earners.

The Petition related to changing the formula that calculates the Chapter 62F revenue growth limit would tweak a law that has only been triggered twice since the law was enacted in 1986, once in 1987 and again in 2022. Chapter 62F was established to serve as a check on state spending by ensuring that revenue could not grow excessively. The law requires the Department of Revenue to issue a credit to taxpayers if total tax revenues in a given fiscal year exceed an annual cap tied to wage and salary growth in the Commonwealth. This Petition aims to change the Chapter 62F calculation by including revenues collected through the Fair Share Amendment, which are currently not part of the formula. It would also base the maximum revenue the state could collect on the *actual* amount of revenue collected in the previous year, rather than the current formula which is based on the previous year's *limit*. This would hinder the state's economic resiliency during uncertain times, as a bad economic year would likely result in lower revenues, and a resulting economic bounce back the following year would more likely trigger a tax refund. This would mean that the state would have less of an ability to restore funding to programs that were cut or to replenish the state's stabilization fund ("Rainy Day Fund") that is used to supplement a loss of revenue and keep programs funded during a bad economic outlook.

In combination, these Petitions would severely impact the Commonwealth's ability to withstand fluctuating economic conditions created by periods of recession or high inflation, where expenses grow faster than revenue. In the Great Recession of 2008, Massachusetts turned to the Stabilization Fund to ensure that schools were able to be funded, programs were not drastically slashed across the board, and state employees would receive their paychecks. With the reduction in revenue from reducing the income tax, the state would very likely struggle to maintain a healthy set of reserves in the stabilization fund to get through a recession, and the new calculation of the Chapter 62F revenue limit would likely trigger refunds in the year following a recession. Combined, these Petitions have the potential to bring a devastating impact to funding for our roads, bridges, schools, safety net programs, while bringing minimal savings back to lower- and median-income residents and, instead, funding large tax savings and rebates for million-dollar plus earners.

It is important to note that Article 48 of the Amendments to the Massachusetts Constitution, which governs the initiative petition process, requires the Attorney General to provide initial certification of initiative petitions that meet the specific and limited requirements listed in Article 48. In making

a decision on whether to initially certify an initiative petition, the Attorney General does not evaluate a petition's broader constitutionality; her certification decision is limited only to the narrow criteria listed in Article 48. Thus, this Petition has been certified by the Attorney General under Article 48, but it has not been evaluated by her or the courts for its constitutionality at this time.

For these reasons, a majority of the Committee recommends that the General Court take no action on Initiative Petition 25-17, House No. 5006, *Initiative Petition for a Law Relative to Limiting State Tax Collection Growth and Returning Surpluses to Taxpayers*, and Initiative Petition 25-18, House 5007, *Initiative Petition for a Law Relative to Reducing the State Personal Income Tax Rate from 5% to 4%*.

Senators.

Cindy F. Friedman
Brendan P. Crighton
Paul R. Feeney
Barry R. Finegold

Representatives.

Alice Hanlon Peisch
Kate Hogan
Frank A. Moran
Michael S. Day
David T. Vieira