

Up to \$612 million in new taxes likely coming after Massachusetts House passes tax bill

By Chris Lisinski, State House News Service

The Massachusetts House of Representatives approved a major tax bill Wednesday night that Democratic leaders say will generate more than half a billion dollars for transportation infrastructure by increasing taxes or fees on gasoline, corporations, ride-hailing services and vehicle purchases by rental car companies.

Lawmakers voted mostly along party lines in favor of the bill, 113-40, after about eight hours of session that featured little public debate and lengthy periods of public inactivity.

Representatives rejected or withdrew dozens of amendments that would have rewritten key sections of the bill, opting instead to advance a revenue-heavy bill, with few prescriptions for how the money should be spent, similar to the version offered by House Speaker Robert DeLeo and his top deputies.

DeLeo and other elected officials had pledged since last year that they would take action to raise new revenue for transportation, hoping to revitalize the aging and unreliable MBTA system, inject more money into road maintenance, and offer greater support to regional transit authorities.

Wednesday's vote came after months of behind-the-scenes deliberations and with less than five months of formal lawmaking business remaining before the Legislature breaks to focus on elections.

“It has become clearer by the day that the need for more transportation revenue is real and it is immediate,” said Rep. Aaron Michlewitz, chair of the House Ways and Means Committee, during debate. “Whether your constituents come from a district that is considered urban or rural or anything in between, it is undeniable that our transportation system is not meeting the needs that our citizens expect and deserve.”

Under the bill (H 4508), which Democratic leaders project will bring in \$522 million to \$612 million per year, the state’s 24-cents-per-gallon gasoline and diesel taxes would increase by 5 cents and 9 cents, respectively.

Those hikes would be the first of their kind since 2013, when Beacon Hill approved a controversial law whose sections indexing the gas tax were repealed by voters in a referendum just one year later. That law increased the gas tax by 3 cents.

The House’s proposal also seeks increases to the corporate minimum excise tax, which has not been changed in 30 years, from \$456 for all companies to a tiered structure at the top of which companies with more than \$1 billion in sales would pay at least \$150,000.

Transportation network companies such as Uber and Lyft would be subject to higher costs as well. The bill would increase the \$0.20-per-trip flat fee to \$1.20 for each non-shared ride and \$2.20 for every luxury ride – while keeping the cost the same when users carpool. The legislation does contain language aimed at preventing the companies from passing those hikes directly onto riders.

A Rep. Josh Cutler amendment the House adopted on a voice vote also blocks those fees from applying to riders who use the companies for paratransit service.

The fourth prong of the revenue bill would require rental car companies to pay sales tax when they purchase vehicles for

their fleets, a tax from which they are exempt under existing law.

Every Republican member of the House voted against the proposed tax increases, as did independent Rep. Susannah Whipps and eight Democrats: Reps. Brian Ashe of Longmeadow, Michelle DuBois of Brockton, Colleen Garry of Dracut, Patrick Kearney of Scituate, John Rogers of Norwood, John Velis of Westfield, and Jonathan Zlotnik of Gardner.

Republican Gov. Charlie Baker said last week he was “disappointed” with the legislation and opposes both the gas and corporate tax increases, foreshadowing a potential veto that Democrats could override with a two-thirds votes.

Based on Wednesday’s results, the supermajority party appears to have the votes for an override if necessary.

The House shot down amendments from the GOP that would have scrapped or blunted several of the tax and fee hikes. One amendment filed by Minority Leader Brad Jones would have repealed the gas, corporate and vehicle sales tax sections of the bill if and when a surtax on household income above \$1 million takes effect.

DeLeo’s team has referred to the current bill as a “bridge” to the 4 percent surtax, sometimes referred to as the “Fair Share Amendment” or “Millionaires Tax,” that is on track to appear before voters on the 2022 ballot. Supporters say that hike could generate up to \$2 billion per year for education and transportation needs.

“Are we going to be true to our word if the millionaires tax increases and really spend it on transpo, or is this all part of the grand shell game?” Jones said. “If we’re going to take in \$2 billion, which is supposed to be for one of two reasons, education and transportation – if that’s really what the millionaires tax is all about, then we should be willing to sunset these taxes if that in fact passes.”

Republicans also attempted to delay the implementation of the three tax pieces of the legislation until the Baker administration's budget office and the Department of Revenue conduct a study – without being given a deadline – on the economic impact of the tax changes.

That amendment failed with just 33 representatives supporting it after Transportation Committee Chairman Rep. William Straus said the amendment was “craftily-worded” to essentially prevent the tax changes from taking effect.

“I appreciate the chairman of transportation referring to the amendment as craftily-drafted because we stole it from your side of the aisle,” Jones said, referring to the way Democrats often sink GOP-sponsored amendments by requiring the issue to first be studied. “We’ve been subjected to it numerous times.”

The legislation does not call for adjustment of roadway tolls to incentivize off-peak travel, a practice referred to as congestion pricing, but it does require a one-year study of the topic.

Rep. Alice Peisch of Wellesley filed an amendment that would have required the Department of Transportation to deploy tolls across the state and use congestion pricing, but she scaled back her proposal to require only that MassDOT develop a plan to implement the study's recommendations. The House adopted her updated amendment.

“The Commonwealth's worst-in-the-nation traffic is holding back our economy and hurting our quality of life,” Chris Dempsey, executive director of the Transportation for Massachusetts advocacy coalition, said in a statement. “As this proposal moves to the Senate, it will be critical to match the ambition of the Commission with real-world piloting and testing of pricing concepts so that Massachusetts drivers can see the benefits of a policy that is working in Seattle, Washington D.C., and other peer regions.”

Although the legislation dedicates new \$27 million streams to both the MBTA and the RTAs, it does not come close to spending all of the \$552 million-plus it could generate. Democratic leaders say they will instead use the new funding to make larger budgetary allocations later in the spring and to backstop borrowing, with a \$14.5 billion transportation bond bill (H 4506) on deck for a Thursday session.

Most policy changes representatives sought to the bill were unsuccessful during Wednesday's session.

On a voice vote with no debate, the House rejected one amendment from Rep. David LeBoeuf that would have used one cent of the diesel tax to make all RTA bus fares free to riders. Two other proposals to fund free MBTA or RTA buses were quietly withdrawn as the evening proceeded.

That decision could prompt disagreement between the House and the Senate, where President Karen Spilka has already said she believes any new transportation revenues should be used to "change behavior," particularly by reducing public transit fares. The Senate has not laid out any concrete plans to date to consider the House bill.

Another high-profile amendment withdrawn was a Brookline Rep. Tommy Vitolo recommendation to tack on two more 5-cent increases to the gas and diesel taxes in 2022 and 2024. Like several of the fare-free proposals, that amendment was not explained or debated on the floor.

One amendment that was successful would see the Fiscal and Management Control Board that oversees the MBTA grow from five seats to seven, adding representation for the city of Boston and another municipality in the T's coverage area.

The original House bill proposed extending the board from its July 1 expiration to 2023 with a further extension to 2025 possible, but it left the structure in place. The House adopted an amendment from Brighton Rep. Kevin Honan on an

unrecorded voice vote that retains the extension and adds two seats to the board.

In his annual budget bill filed in January, Baker called for two new members on a successor board that would include a rider, a representative for an MBTA community and the secretary of transportation. Boston Mayor Marty Walsh has been calling for a Boston-specific seat on the T's oversight board since last summer.

The House's approval for a gas tax hike comes as the Baker administration works to implement a regional cap-and-trade program on transportation emissions that officials project could prompt price increases at the pump between 5 cents per gallon and 17 cents per gallon.

That program, known as the Transportation and Climate Initiative, has come under fire as elected officials in other states have questioned its potential impact or outright declared their intention not to join. While Democratic leaders in the Massachusetts Legislature have not opposed the effort, they have raised doubts about its viability.

The transportation bill they unveiled last week includes language that would effectively require the administration to walk back the gas tax increase if TCI is implemented and raises prices. Rep. Michelle Ciccolo filed an amendment to strip that language, but she withdrew it Wednesday.