MASSACHUSETTS: IS THE PROPOSED MILLIONAIRES’ TAX FAIR AND SUPPORTIVE OF ECONOMIC GROWTH OR SUBJECTIVE AND GROWTH-DESTROYING?

I usually analyze and write about the business environment in foreign countries as my firm considers investing in new single-country equity ETFs or deciding whether to maintain our existing positions there. In this report, I will do the same by analyzing a disastrous millionaires’ tax of 75% on income over €1 million imposed in France in 2013 and 2014. The tax showed the regulatory instability of the French tax code and the city’s unsuitability for assuming the mantle of the European financial center from London after Brexit cut London from the European Union in June 2016. Financial institutions – where a few employees make more than €1 million (one million euros) per year – do not want to work in areas where such political and tax risks are possible.

But the stimulus for writing the report was much closer to home. The report focuses on the constitutional amendment in my home state of Massachusetts that is called the ‘Fair Share Amendment’ – primarily by its supporters – or the Millionaires’ Tax by its supporters and opponents. The amendment will be presented as Question 1 on the voter ballots during the midterm elections on November 8, 2022.

The proposal is to amend the Massachusetts constitution to add a tax of 4% on the portion of annual taxable income over $1,000,000 (one million dollars). [1] In other words, the Question 1 proposal would increase the state income tax by 4% from 5% to 9% - a hefty increase of 80% - on the portions of income above $1 million. According to the amendment authors, the new tax would fund public education, public colleges, universities, and infrastructure maintenance, including roads, bridges, and public transportation. [2] However, if the amendment is adopted, Massachusetts would plummet in terms of its income tax friendliness from 18th place in the nation to 45th or 6th from the bottom *(see the second column in Chart 1 below).*

The definition of “fair” in the “Fair Share Amendment” is also very peculiar and subjective. Is the amendment fair compared to only five states with higher maximum income taxes – California, Hawaii, New Jersey, Oregon, and Minnesota? It does not sound anywhere close to ‘fair’ to raise the tax rate to 9.00%, or 69% above the 50-state average of 5.33%. The current tax of 5.00% seems to be much fairer than the proposed tax of 9.00% compared to the average state income taxes in the other 49 states.

[1] WCVB 5 ABC, “Question 1 Brings Millionaires' Tax Decision to Massachusetts Voters,” September 27, 2022.
[2] Ibid.

Chart 1. The US States Ranked By Income Taxes – 2022 [3]

	State	Weighted Tax	Income Tax	Sales Tax	Property Tax (per $100K)
1	Alaska	0.00%	0.00%	0.00%	3,231
2	New Hampshire	0.00%	0.00%	0.00%	2,296
3	Texas	1.88%	0.00%	6.25%	1,993
4	Florida	1.80%	0.00%	6.00%	1,941
5	South Dakota	1.20%	0.00%	4.50%	1,388
6	Washington	1.95%	0.00%	6.50%	1,125
7	Tennessee	2.10%	0.00%	7.00%	768
8	Nevada	2.05%	0.00%	6.85%	693
9	Wyoming	1.20%	0.00%	4.00%	635
10	North Dakota	3.75%	2.90%	5.00%	894
11	Pennsylvania	3.95%	3.07%	6.00%	1,674
12	Indiana	4.48%	3.23%	7.00%	1,207
13	Michigan	4.77%	4.25%	6.00%	1,729
14	Colorado	4.11%	4.55%	2.90%	1,756
15	Ohio	5.50%	4.80%	5.75%	1,641
16	Utah	4.91%	4.95%	6.10%	713
17	Illinois	5.38%	4.96%	6.25%	4,419
18	Massachusetts	5.51%	5.00%	6.25%	1,294
19	Oklahoma	5.02%	5.00%	4.50%	974
20	Kentucky	6.00%	5.00%	6.00%	925
21	Mississippi	5.60%	5.00%	7.00%	862
22	Alabama	4.70%	5.00%	4.00%	587
23	North Carolina	5.48%	5.25%	4.75%	894
24	Missouri	5.47%	5.40%	4.22%	1,026
25	Kansas	5.31%	5.70%	6.50%	1,491
26	Georgia	5.40%	5.75%	4.00%	1,623
27	Maryland	5.82%	5.75%	6.00%	1,125
28	Virginia	5.31%	5.75%	5.30%	858
29	New Mexico	4.97%	5.90%	5.13%	830
30	Arkansas	6.85%	5.90%	6.50%	798
31	Rhode Island	6.29%	5.99%	7.00%	1,723
32	Louisiana	5.40%	6.00%	4.45%	555
33	West Virginia	6.35%	6.50%	6.00%	615
34	Delaware	4.62%	6.60%	0.00%	1,431
35	Nebraska	6.44%	6.84%	5.50%	1,855
36	Montana	4.83%	6.90%	0.00%	892
37	Idaho	6.98%	6.93%	6.00%	1,456
38	Connecticut	6.59%	6.99%	6.35%	5,898
39	South Carolina	6.70%	7.00%	6.00%	601
40	Maine	7.21%	7.15%	5.50%	1,424
41	Wisconsin	6.85%	7.65%	5.00%	615
42	Arizona	4.86%	8.00%	5.60%	1,499
43	Iowa	8.09%	8.53%	6.00%	1,678
44	Vermont	8.06%	8.75%	6.00%	1,908
45	New York	7.37%	8.82%	4.00%	1,812
46	Minnesota	8.96%	9.85%	6.88%	1,224
47	Oregon	6.93%	9.90%	0.00%	1,121
48	New Jersey	8.38%	10.75%	6.63%	2,530
49	Hawaii	8.90%	11.00%	4.00%	1,715
50	California	11.56%	13.30%	7.25%	3,818
	Average	5.24%	5.33%	5.09%	1,515

Top 10 - Lowest Taxes by Category

Bottom 10 - Highest Taxes by Category

Source: World Population Review.

[3] World Population Review, "Highest Taxed States 2022."
Below is the link: https://worldpopulationreview.com/state-rankings/highest-taxed-states

Further in the report, I will talk about another fairness – fairness that is based on equal treatment of citizens that John Adams, one of the Founding Fathers of the United States, the 2nd President of the country who succeeded George Washington, and the author of the draft of the Massachusetts Constitution passed to us in the form of a clause that stated that all citizens should pay the same percentage in state income tax. We will look at the British's discriminatory treatment of the American colonists – especially high-income ones – that led to the US War of Independence. Some of the events known worldwide – the Boston Massacre, the Boston Tea Party, and the first battle of the War of Independence in Lexington and Concord – were caused by discriminatory taxes or laws that amounted to de-facto taxes on high-income American colonists.

Are progressive taxes, which take a higher percentage of income from people in high-income groups than those in low-and middle-income groups, fair compared to flat taxes? It is a matter of one's views. For me, flat taxes are fairer. Philosophically, the relationship between people subject to the same rules is that of partners. Flat taxes clearly reflect this relationship. With flat taxes, people of different incomes have the same incentives. Few people love paying taxes, but nobody resents paying them because everyone else pays taxes at the same rate. When wealthy, middle-income, and low-income people pay the same 5% of their income in state taxes, they know they are left with 95% of their income.

Importantly, the flat rate taxes create similar incentives. With this tax structure, most people do not push for extravagant good-to-have-but-not-necessary public goods - infrastructure, transportation, roads, and public schools - because everybody has to pay an equal share for their construction and development. If one pays for something – even if their share is small in the total price of a project but is significant to the person – this person is much more careful in evaluating expenses on the construction and maintaining the public good. The person would think twice about replacing the public good, opting to fix it first if the cost of repairs is much lower and the repaired public good operationally would be almost as good as new.

I observed this attitude firsthand when I worked as a manager of business development and project finance for Raytheon Infrastructure, one of the country's largest engineering and construction companies. For example, if several sections of a road required repairs, customers who had to pay for the road maintenance always chose to repair only these sections. When somebody else paid for the road or other infrastructure – as is the case with progressive taxes and the millionaires' tax but also with foreign aid – the decision makers were much more cavalier with the tax revenues or foreign aid that they either altogether or almost did not contribute to. People who did not pay for the infrastructure were much more likely to build a new road by needlessly ripping off asphalt where it was perfectly fine for miles and then laying it again. The expression “Easy come, easy go” describes people's attitude toward money they had not earned and would not blink an eye to spend on unnecessary expenses.

Progressive taxes create a barrier between people based on their incomes by creating different incentives for different groups. Unlike the underlying relationship under flat taxes, the progressive tax structure creates a relationship between ‘reluctant givers’ and ‘aggressive takers.’ Unlike a partnership, this relationship almost always creates resentment. The progressive taxes imply to people at the lower and middle levels of the income spectrum that somebody else - the financially-successful people - will take care of society’s need for public goods.

Progressive taxes also incentivize lower- and medium-income people to push for more public goods since they pay a smaller portion of their incomes for these goods but would use them more. Most societies have fewer high-income people than poor and medium-income ones. Even with flat taxes, financially-successful people pay significantly more in terms of income taxes because their incomes are higher. Under the progressive tax structure, their taxes increase even because they pay a higher percentage of their taxes on their higher incomes. With progressive taxes, financially-successful people carry most of society’s need for public goods on their shoulders: all common goods mentioned above would get dilapidated and collapse if the high-income people decide to move out of the state.

I understand that some people would disregard my thinking, saying that the financially-successful people would not die if they paid more. That’s true. But would these people who demand that the financially-successful people pay more in taxes agree that they – the high-income people – should also get more votes in local, state, and federal elections proportionate to their taxes? I tested this idea in conversations with a couple of people, who shouted in response to my suggestion, “Oh no. One person should get one vote regardless of income.” And that is my point with income taxes – each person should be taxed at the same rate regardless of income.

Part 1: Conversation with a Friend about the Impact of the Millionaires' Tax on Professional Sports and Business Environment in Massachusetts

Will my home state of Massachusetts earn its nickname, "Taxachusetts," by imposing the 6th highest maximum income tax in the US? This will be decided during the midterm elections on November 8. Last weekend, I inadvertently talked about the topic to a friend. Like me, he is a huge sports fan. When we see each other, we always talk about the professional Massachusetts teams we follow: Boston Bruins, Boston Celtics, Boston Red Sox, New England Patriots, and New England Revolution. But this time, we talked about taxes and their impact on people and businesses because of … several layers of fallen leaves on a sidewalk. As we were walking and chatting about sports, my friend slipped on leaves and cried out, "These roads will be fixed when Massachusetts votes for Question 1."

I looked at the road where my friend slipped. There were no potholes or cracks in the concrete sidewalk. It was in excellent condition, but the sidewalk was slippery because layers of leaves covered it. All the road needed was cleaning, not a replacement. "I do not think the Question 1 amendment would fix any of our problems, but I am sure it will weaken most Massachusetts professional teams. It would also lead to fewer businesses moving to or operating in Massachusetts. I am afraid that a year or two after the initial tax hike, the state would collect less in taxes compared to the scenario with no tax increase." His answer was almost instantaneous, "What do you mean?"

Here is what I told him in a briefer format, of course. "Please listen to an opinion of a person who does not make $1 million a year and would not be impacted by higher taxes. You know better than me that professional athletes have very short careers. In the past, I saw the numbers showing that, on average, careers last from 3.2 years in the Major League Soccer (MLS) – the league with the shortest average sportsperson career out of the top five professional leagues - to 5.6 years in the Major League Baseball (MLB) – the league with the longest average career. On average, a player's career lasts 3.5 years in the National Football League (NFL), 4.8 years in the National Basketball Association (NBA), and 5.5 years in the National Hockey League (NHL). [4]

Some players may earn more than a million dollars a year during their professional sports careers. But am I morally justified to demand that the players give up more money to benefit my family and me? I have

[4] USA Today, For the Win, "The Average Career Earnings of Athletes Across America's Major Sports Will Shock You," October 24, 2013.

not woken up at 4 AM to go to practices at hockey rinks as many future stars did. I had not driven today's stars to the rinks when they were kids as their family members did. I have not spent most of my waking hours practicing my throws or dribbles as current stars of basketball, football, baseball, and soccer stars have. I have not driven today's stars across several states to play in youth tournaments. After their careers are over, only the sports stars and their families will deal with many of the injuries – some career-ending – that the athletes incurred during their several years as professionals or even before becoming professionals. The athletes may suffer from the injuries for the rest of their lives. Personally, I would not find it fair to demand money from people who have just several years to earn the bulk of the money they will make during their careers. I do not think that it is fair to increase taxes on them.

Most professional players that play for the Massachusetts professional teams did not grow up in Massachusetts. Seeing the tax-the-wealthy impulses of a portion of the local population, the best players with multiple offers may not want to come to play here or decide to leave the state given a chance. Tom Brady, a famed quarterback of the New England Patriots and probably the most famous and loved sportsperson in Massachusetts in the twenty-first century, can be an example. When his choice of a team to play for after the Patriots came down to the selection between the Tampa Bay Buccaneers and the Los Angeles Chargers, the state taxes – or the absence of them in Florida - were among the factors that reportedly attracted him to Florida. [5] While the state income tax is zero in Florida, it is 13.3% in California, the highest in the nation. [6] His selection is significant because Tom Brady is a native Californian.

Massachusetts Business Environment Likely to Suffer Due to the Higher State Tax: In addition to professional athletes, many business people – many company founders – may move out of the state, taking their companies with them. The tax may also convince various investors - from venture capital firms to largest investment firms to Registered Investment Advisors (RIAs) to family offices - to move out of the state and invest in companies located around their new homes or in other business-friendly areas. As Economics 101 teaches us, when the price of a product increases, demand for it decreases. When the cost of living in Massachusetts for financially-successful people increases, fewer will decide to live here. Why would you pay 9% extra taxes if New Hampshire, which does not have income taxes, is just a 50-minute drive from Boston? [7] And Miami, Florida, with its eternal sunshine, great cultural life, and zero income tax, is just a three-and-a-half-hour flight away. [8] By trying to take more in taxes from its successful people, Massachusetts is risking not only missing out on the founders' and investors' tax revenues but

[5] Ben Levine, Pro Football Rumors, "Latest on Tom Brady's FA Experience," March 18, 2020.
[6] Ibid.
[7] Google Search: Boston to New Hampshire Border - Google Search.
[8] Google Search: Boston to Miami Flight Time - Google Search.

also losing corporate and employee taxes. Also, the state would lose jobs. As you know, jobs raise the well-being of any state or country worldwide.

I received a 4-page pamphlet titled *"The Fair Share Amendment: Who Will Pay More in Taxes?"* in my mailbox sometime in September 2022. [9] The pamphlet was paid for by various teacher trade unions, such as the Massachusetts Teachers Association, National Education Association, American Federation of Teachers Solidarity Fund, and American Federation of Teachers Massachusetts. [10] Overall, the Fair Share Massachusetts campaign has received a total of more than $18.8 million through 785 contributions, with two of the largest donors being the "*Massachusetts Teachers Association, which contributed more than $11.1 million, and the National Education Association, which contributed more than $4.2 million."* [11]

On the front page of the pamphlet are photos of ordinary people with their occupations, such as a retiree, a local brewer, and an educator, saying they would not pay more taxes. However, there are three names and photos under the title: "Will Pay More Taxes." The names are Abigail Johnson, CEO of Fidelity Investments; James Davis, Chairman of New Balance; and Amos Hostetter, Jr., CEO of Pilot House Associates. Fidelity and New Balance employ thousands of employees in Massachusetts. [12] [13] These companies are known worldwide and are among the state's largest employers and, I assume, corporate taxpayers. Amos Hostetter and his wife Barbara set up the Barr Foundation, which has given out more than $710 million in philanthropic contributions to the Massachusetts arts, college and charter school education, and other goals from 1999 to the end of January 2016. [14] [15]

Financially-successful people, like anybody else, may get upset when others decide to take their money by imposing taxes – nobody likes when things are wrestled from them – rather than allow them to create jobs or donate via their philanthropical ventures. They may move, taking their businesses out of Massachusetts. What is even more likely to happen than the financially-successful people moving from Massachusetts is that fewer entrepreneurial companies would be formed in the state as entrepreneurs

[9] Massachusetts Teachers Association, National Education Association, American Federation of Teachers Solidarity Fund, and American Federation of Teachers Massachusetts, *"The Fair Share Amendment: Who Will Pay More in Taxes?" Pamphlet, 2022.*
[10] Ibid.
[11] William Bennett, Local Today, "Question 1 Brings the Millionaires' Tax Decision to the Mass. Voters," September 27, 2022.
[12] Benjamin Kail, Boston Business Journal, "Fidelity to Add 618 New Jobs in Boston and 12K Worldwide This Year," April 28, 2022.
[13] Zoominfo, New Balance Employee Directory. Downloaded on October 31, 2022.
[14] Patti Hartigan, Boston Magazine, "Who's Behind the Barr Foundation?" January 31, 2016.
[15] Wikipedia, "Amos Hostetter." Downloaded on October 31, 2022.

try to find more business-friendly states. The chances of success for entrepreneurial ventures are very low (not higher than 10%). Having the state take a large chunk of an entrepreneur's earnings after the entrepreneurs were working 100-hour workweeks for years, ultimately achieving unlikely success, makes Massachusetts less appealing as a place where to start ventures. I do not think any large companies where executives already receive more than $1 million would choose Massachusetts as a place where their companies would move unless these executives' salaries are increased to cover the state's potentially high income taxes. The financially-successful people's migration out of the state and entrepreneurial and large companies shunning the state would decrease many residents' living standards.

The increase in income taxes would bring a lot of uncertainty. Would Fidelity and New Balance continue to operate out of Massachusetts or move their headquarters elsewhere? Would Amos Hostetter continue his philanthropic activities aimed at making Massachusetts a better place? Several weeks ago, on October 12, 2022, Robert Kraft, the New England Patriots owner, and his family foundation donated $50 million to Massachusetts General Hospital. [16] The gift became the largest donation in the hospital's 211-year history. [17] Would the financially-successful people continue donations to the other parts of our societies after the union bosses wrestle the money from them the hard way through the increased taxes to finance their priorities?

And why do the union bosses need a new tax on the millionaires when the state has been forced to return nearly $3 billion in tax surpluses paid by Massachusetts residents in 2022? [18]

One thing is guaranteed – Massachusetts would become a less attractive state from a business standpoint if the amendment passes. *"According to the state's Executive Office of Administration and Finance, the tax rate change may increase the annual state revenues by $1.2 billion in the near term, which is approximately 2.4% of the current annual state budget. However, annual revenue could vary unpredictably from year to year, and affected taxpayers could use moves, including relocation, to minimize the tax burden."* [19] Everyone understands that the financially-successful people, like anybody else, would not stay in a place that does not appreciate them.

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[16] Izabel Gonzalez, "Patriots owner Robert Kraft donates $50 million to Massachusetts General Hospital," October 13, 2022.
[17] Ibid.
[18] Mass.gov, "Baker-Polito Administration Announces Details for Return of $2.941 Billion in Excess Tax Revenue to Taxpayers," September 16, 2022.
[19] WCVB 5 ABC, "Why Does Massachusetts Ballot Question 1 Require Constitutional Amendment to Implement Millionaires' Tax?" October 27, 2022.

Later in the report, I will discuss the disastrous millionaires' tax of 75% on income of over 1 million euros imposed in France in 2013 and 2014. Many financially-successful people moved out of the country. The tax does not need to increase to the astronomical level to make people move out of Massachusetts. The required nudge to move from one state to another in the same country can be much smaller than for people to emigrate from their homeland. The extra 4% may do the trick.

According to the 2022 Annual U-Haul US State Growth Index, Americans of various means move from high-tax to low-tax states. For people reading this report outside of the United States, unfamiliar with U-Haul, it is a self-move company that rents moving trucks. The company ranked 49 states and Washington D.C. by demand for their trucks. *"Growth states are calculated by the net gain of one-way U-Haul trucks entering a state versus leaving that state in a calendar year. Migration trends data is compiled from well over 2 million one-way U-Haul truck customer transactions that occur annually."* [20] The top three states that attracted people since the pandemic's beginning – Texas, Florida, and Tennessee – did not have a state tax *(for the U-Haul migration rankings, see Chart 2 below).* [21] [22] With its highest income taxes in the country, California was at the bottom of the lists where people moved in 2020 and 2021. In California, there were not enough U-Haul trucks for people willing to leave the state. According to U-Haul, *"California remained the top state for out-migration, but its net loss of U-Haul trucks wasn't as severe as in 2020. That can be partially attributed to the fact that U-Haul simply ran out of inventory to meet customer demand for outbound equipment."* [23]

While the U-Haul list does not track the moves by income category, its US State Growth Index is a significant factor that could predict the migration behavior of financially-successful people. In 2020 and 2021, many ordinary people worked from home. Due to the pandemic, they have found the ability to work from where they wanted to rather than working where their company offices were, and they moved from high-tax to low-tax states. Financially-successful people have been more flexible regarding where they work and may move from Massachusetts if the amendment passes.

While taxes were not the only factor that made people move from state to state, they are high on the list. According to a Forbes magazine article on the 2020 list "*Study Shows People Leaving High-Taxed Cities like New York and San Francisco to Sunny Business-Friendly States," "The top ten states that people have migrated to tend to offer similar attractive benefits. There are little or no state taxes, nice climates,*

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[20] U-Haul, "U-Haul Growth Index: Texas is the No. 1 Growth State of 2021," January 3, 2022.
[21] PR Newswire, "2020 Migration Trends: U-Haul Ranks 50 States by Migration Growth," January 4, 2021.
[22] U-Haul, "U-Haul Growth Index: Texas is the No. 1 Growth State of 2021," January 3, 2022.
[23] Ibid.

business-oriented governments and less restrictions on civil liberties. The ten least moved-to states are diametrically opposed to the states that enjoyed an influx of new arrivals. These states tend to have relatively repressive local and state regimes, high tax rates, problems dealing with Covid-19, long-term lockdowns and school closures." [24]

What is alarming is that even without higher taxes, Massachusetts was in the low 47th place in both 2020 and 2021. [25] [26] Increasing state taxes for the financially-successful people may move the state in the wrong direction.

Will the Tax Revenues Be Used Efficiently? And will the additional tax revenues – at least the ones that the state may collect during the first year or two before it may lose these revenues and other tax revenues due to people and businesses moving out of state – be spent wisely? The authors of the proposed tax did not say much about how the money would be spent. The tax amendment did not include the lists of specific schools and roads that the additional revenue will pay for at least during the first year or two. I have analyzed many governments worldwide and observed that many of them used any extra tax, debt, or financial aid revenues to take care of themselves and their supporters first and used the rest of the money – often not such high percentages as one would hope – on the purposes advertised to taxpayers, lenders, international multilateral organizations, financial aid donor nonprofit organizations (NGOs), and donor foreign governments. I hope that the tax revenues in Massachusetts taken from the financially-successful people would not be spent first on increasing the salaries of the trade union bosses and, to a lesser extent, of their members before the leftovers would be used on repairing or building several schools and roads. Countries and states that rob Peter to pay Paul usually end up without Peters in a blink of an eye.

Or will the potential tax revenues be spent the way the taxpayers' money was spent during the repair of the Anderson Memorial Bridge over the Charles River connecting the towns of Cambridge and Allston, with the Harvard University buildings on both banks? I took a class at Harvard at the time and remember how much time and nerve cells were lost by hundreds of thousands of people commuting over the bridge during the repairs. Due to the repairs, the traffic moved over the bridge and nearly a mile in each direction from it at a glacial speed for more than five years. In his 2016 Op-Ed in the Boston Globe titled *"Why Americans Don't Trust Government,"* Larry Summers, former president of Harvard University and the US

[24] Jack Kelly, "Study Shows People Leaving High-Taxed Cities Like New York And San Francisco To Sunny Business-Friendly States," January 11, 2021.
[25] PR Newswire, "2020 Migration Trends: U-Haul Ranks 50 States by Migration Growth," January 4, 2021.
[26] U-Haul, "U-Haul Growth Index: Texas is the No. 1 Growth State of 2021," January 3, 2022.

Secretary of the Treasury in the Clinton administration, wrote, *"Though the bridge took only 11 months to build in 1912, it will take close to 5 years to repair today at a huge cost in dollars and mass delays."* And Charles River is not a mighty Mississippi. [27] The length of the bridge is just 232 feet (71 meters). [28] More than 2,000 years ago, the Roman army under Julius Caesar built a bridge over the Rhine river that was much longer than the bridge in Massachusetts - roughly 460 to 1,300 feet (140 to 400 meters), or two to five and a half times longer – in just ten days. [29]

Will the Tax Revenues Be Used on Roads and Education or Other Priorities? And will the tax revenue from the would-be new tax be spent on infrastructure and education at all? A report from the nonpartisan Tufts University's Center for State Policy Analysis states, *"The explicit commitment to spend all millionaires tax revenue on education, transit, and transportation will be difficult to fully maintain. For every dollar raised by the surtax, spending on these earmarks is likely to increase by 30 cents to 70 cents, with the remainder effectively diverted to other areas of the budget."* [30] So, most of the money may go to priorities that have nothing to do with the ones mentioned in the proposed amendment.

[27] Larry Summers, "Why Americans Don't Trust Government," May 26, 2016.
[28] Ibid.
[29] Wikipedia, "Caesar's Rhine Bridges." Downloaded on October 31, 2022.
[30] Tufts University, Tisch College, The Center for State Policy Analysis, "Risks and Benefits of a Millionaires Tax," September 2022.

Chart 2. The U-Haul US State Growth Index, 2020-2021 [31]

	States	2020 Ranking	2021 Ranking
1	Texas	2	1
2	Florida	3	2
3	Tennessee	1	3
4	South Carolina	15	4
5	Arizona	5	5
6	Indiana	12	6
7	Colorado	6	7
8	Maine	29	8
9	Idaho	30	9
10	New Mexico	39	10
11	South Dakota	25	11
12	Vermont	26	12
13	Wisconsin	13	13
14	Oregon	45	14
15	Washington	36	15
16	Alaska	34	16
17	Minnesota	20	17
18	Connecticut	43	18
19	North Carolina	9	19
20	Nebraska	32	20
21	Wyoming	33	21
22	Montana	19	22
23	Georgia	10	23
24	Ohio	4	24
25	New Hampshire	23	25
26	West Virginia	16	26
27	Iowa	24	27
28	Utah	17	28
29	Nevada	8	29
30	Delaware	27	30
31	Virginia	28	31
32	Rhode Island	35	32
33	North Dakota	37	33
34	Maryland	46	34
35	Washington, D.C.*	38	35
36	New Jersey	48	36
37	Mississippi	31	37
38	Kentucky	18	38
39	Missouri	7	39
40	Kansas	21	40
41	Arkansas	11	41
42	Michigan	40	42
43	Louisiana	44	43
44	Oklahoma	14	44
45	New York	42	45
46	Alabama	22	46
47	Massachusetts	47	47
48	Pennsylvania	41	48
49	Illinois	49	49
50	California	50	50

Top 10 Fastest Growing States

Bottom 10 Slowest Growing States

Source: U-Haul Growth Index.

** Washington, D.C., is a separate U-Haul market listed among growth states for migration trend identification.*

*** Hawaii is excluded since state-to-state U-Haul truck moves to the state do not occur.*

[31] U-Haul, "U-Haul Growth Index: Texas is the No. 1 Growth State of 2021," January 3, 2022.

Part 2: The Massachusetts Flat Taxes' Roots in the US Revolution and a Founding Father's Search for Equality for All Citizens

The new tax cannot just be added by the State Legislature's vote but requires the general vote of Massachusetts residents because it would require a change in the state's Constitution. [32] At this time, Article XLIV of the Massachusetts Constitution includes the requirement that taxes *"shall be levied at a uniform rate throughout the commonwealth upon incomes derived from the same class of property."* [33] [34] That requirement, which embodied the sense of fairness so wished for by people who fought the British for independence not figuratively but in real life, contributed to Massachusetts' prosperity for more than 240 years. Article XLIV is a part of the Constitution of the Commonwealth of Massachusetts that was drafted by John Adams in 1779 and became ratified, and went into effect in 1780. [35] The Constitution of Massachusetts is the world's oldest functioning written constitution and served as a model for the United States Constitution, which was written in 1787 and became effective in 1789. [36]

John Adams, one of the Founding Fathers of the United States, would become the country's second President succeeding George Washington in 1797. [37] He came to believe that the imposition of high taxes and tariffs by the British was a tool of oppression. [38] Since the passage of the Constitution, people could move to Massachusetts, start a business, and not be concerned that they would become the subject of any extravagant taxes if they were successful. The flat tax imposed on everybody within the society incentivizes everyone – from the poorest to the wealthiest citizens and everyone in between – to work hard instead of relying on taxes primarily paid by the financially-successful people, as is the case with the progressive tax schemes.

To understand the reasons for the flat tax included in Massachusetts, one needs to know why Massachusetts was at the forefront of the US War of Independence against the British. Many of the reasons for the War of Independence were of economic nature and were discriminatory against the well-to-do colonists. Fair taxation has been a critical factor in US history. The imposition of burdensome taxes

[32] WCVB 5 ABC, "Why Does Massachusetts Ballot Question 1 Require Constitutional Amendment to Implement Millionaires' Tax?" October 27, 2022.
[33] Ibid.
[34] The 192nd General Court of the Commonwealth of Massachusetts, "Massachusetts Constitution." Downloaded on October 30, 2022.
[35] Mass.gov - An Official Website of the Commonwealth of Massachusetts, "John Adams & the Massachusetts Constitution." Downloaded on October 31, 2022.
[36] Ibid.
[37] Wikipedia, "John Adams." Downloaded on October 31, 2022.
[38] History.com, "John Adams," October 27, 2019.

by the British on 13 American colonies led to the American Revolution and the War for Independence. The people of Massachusetts were at the forefront of this war. After the French and Indian War, as it was known in North American colonies and as the Seven Years' War in Europe that lasted from 1756 to 1763, the British imposed a Stamp Tax on the American colonists in March 1765 to help repay Britain's massive debt that it incurred during the war. [39] [40] [41] Britain's expenses on the war, which Winston Churchill described as the first global war because it was fought on five continents, were very high. [42]

Before the Stamp Act, each colony's government imposed and collected taxes: the British did not have anything to do with them. [43] With the Stamp Act, the colonists felt bitter about not only buying goods from the British but also paying taxes on them. [44] They started rioting, and the tax was never collected. The British rescinded the Stamp Tax but re-imposed some taxes, including on tea and other products imported from Great Britain under the Townsend Act of 1767. [45] Americans responded by organizing a boycott of British goods that were subject to taxation and began harassing the British customs commissioners. [46] The British sent troops to occupy Boston. [47] The British forces and Americans got into a skirmish, during which the British soldiers killed five Americans. [48] The tragic event became known as the Boston Massacre of March 1770. [49]

While the British rescinded most of the Townsend Act, they left the tax on tea. [50] In 1773, the British enacted a new law, the Tea Act, to bolster the financially struggling British East India Company. [51] The American colonists did not like that the British banned them from trading freely with other tea traders – namely the Dutch - instead forcing the colonists to buy most of their goods from the British. [52] Americans responded by throwing more than 92,000 pounds of tea (almost 42 tons) – a fortune at the day's prices

[39] History.com, "French and Indian War," November 9, 2009.
[40] History.com, "Seven Years' War," November 12, 2001.
[41] Patrick J. Kiger, History.com, "7 Events That Enraged Colonists and Led to the American Revolution," August 20, 2019.
[42] History.com, "Seven Years' War." Downloaded on October 30, 2022.
[43] Patrick J. Kiger, History.com, "7 Events That Enraged Colonists and Led to the American Revolution," August 20, 2019
[44] Ibid.
[45] Ibid.
[46] Ibid.
[47] Ibid.
[48] Ibid.
[49] Ibid.
[50] Ibid.
[51] Ibid.
[52] Ibid.

– from three British ships into the Boston Harbor on December 16, 1773. [53] The tea dumping became known as the Boston Tea Party. [54]

The British sent troops to America to restore order in 1774-1775 after passing a new legislative package, the Coercive Acts, in 1774. The new law closed Boston Harbor until restitution for the destroyed tea was paid in full, replaced the colony's elected council with one appointed by the British, forbade town meetings without approval, and gave far-reaching powers to the British military governor General Thomas Gage. [55] The most provocative provision of the Coercive Acts was the Quartering Act, which allowed British military officials to demand accommodations for their troops in unoccupied houses and buildings in towns rather than having to stay in the countryside. [56] On top of giving the British soldiers their houses instead of renting them, letting their family members use them, or using them for other beneficial purposes, the colonists had to pay for housing and to feed the British soldiers. [57] Instead of getting income or benefits from the houses, the colonists had to incur significant expenses. The British punished the financially-successful people of the day with what can be construed as a progressive tax. The shock of the unequal and horrible treatment of the colonists was so strong that the quartering of troops eventually became one of the grievances cited in the US Declaration of Independence. [58]

In April 1775, British General Thomas Gage – the British Military Governor – led a force of British soldiers from Boston to Lexington, where he planned to capture Sam Adams and John Hancock, radical colonial leaders, and then head to Concord and seize their gunpowder. [59] But American spies learned about the plan and spread the word that the British were coming with the help of riders such as Paul Revere. On the Lexington Common, the British force was confronted by 77 American militiamen. [60] The British and militiamen started shooting at each other. These were the first shots of the War of Independence that led to the US becoming independent from Britain more than a year later, on July 4, 1776.

While the hostilities of the war were of military nature, the reasons that caused the war were economic. The Constitution of Massachusetts aimed to create equal conditions for all, regardless of income. The flat tax has been a critical provision protecting equality.

[53] Ibid.
[54] Ibid.
[55] Ibid.
[56] Ibid.
[57] Ibid.
[58] Ibid.
[59] Ibid.
[60] Ibid.

Part 3: A Cautionary Tale of France's Disastrous Millionaires' Tax of 2013-2014

The ideas I shared in a conversation with my friend were based on the lessons I learned from the millionaires' tax campaign in 2012 and the implementation observed in France in 2013-2014. I have written about the higher income tax that was implemented in France by the government of Socialist President Francois Hollande in 2012 in the report titled *"Potential Change of Leadership from US and Growth Stocks to International and Value Stocks in 2021-2023" in September 2021.* [61] The tax of 75%, or super-tax, was imposed on people with incomes of €1 million. [62] Mr. Hollande first talked about the super-tax, or the millionaires' tax on earnings over €1 million ($1.2 million) a year in his 2012 campaign to defeat the incumbent conservative President Nicolas Sarkozy. [63] It was pushed as a tax to make the rich do more to pull France out of its economic crisis. [64] Mr. Hollande has said that "*the wealthy should contribute more to help to repair the country's finances and argued that the super tax should also encourage companies to curb excessive executive pay."* [65] The idea of the super tax fired up left-wing voters and helped him defeat President Sarkozy. [66]

Unfortunately for its supporters and fortunately for everyone else in France, the super tax lasted for only a year. The millionaires' tax for earnings in 2013 and 2014 was approved at the end of December 2013 but died a quiet death in December 2014. [67] As France's Constitutional Council approved the tax in December 2013, it cut the maximum individual rate on an individual to 66% (almost two-thirds of one's earnings) from 75% (three quarters) – both astronomically high numbers – but at least it was slight relief for business executives, entrepreneurs, company founders, and investors. [68] The Constitutional Council is a court that includes judges and former French presidents among its members. [69] It has the power to annul laws if they are deemed to violate the Constitution. [70]

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[61] Vitaly Veksler, Beyond Borders Investment Strategies, "Potential Change of Leadership from US and Growth Stocks to International and Value Stocks in 2021-2023," September 28, 2021. https://bbistrategies.com/our-publications--events/report-potential-change-of-leadership-from-us-and-growth-stocks-to-international-and-value-stocks-in-2021-2023.
[62] Hannah Murphy and Mark John, Reuters, "France Waves Discreet Goodbye to 75 Percent Super-Tax," December 23, 2014.
[63] Ibid.
[64] Euronews, "French Court Approves Francois Hollande's Controversial Super Tax," December 30, 2013.
[65] Ibid.
[66] Ibid
[67] Hannah Murphy and Mark John, Reuters, "France Waves Discreet Goodbye to 75 Percent Super-Tax," December 23, 2014.
[68] CBC, Thomson Reuters, "France Passes 75% 'Millionaire's' Tax'," December 29, 2013.
[69] Ibid.
[70] Ibid.

The tax that made the current French President Emanuel Macron, then an economic adviser to the presidential candidate Hollande, call France *"Cuba without the Sun"* was scrapped because it hurt France's competitiveness and business reputation. [71] [72] The law brought only meager tax revenues, which, as many expected, were higher in the first year (2013) than the second one after the tax passed (2014). Many observers, including myself, predicted that financially-successful people would find ways not to pay taxes. Some financially-successful people emigrated from France. [73] Some top managers agreed with their companies to limit their salaries during the two years and come to an arrangement afterward. [74] *"The Finance Ministry estimates the proceeds from the tax amounted to 260 million euros in its first year and 160 million in the second. That's broadly in line with expectations, but tiny compared with a budget deficit which had reached 84.7 billion euros by the end of October."* [75]

Significant negative unintended consequences surpassed the relatively small financial benefit of the law. The law resulted in financially successful leaving the country primarily for Luxembourg and the United Kingdom, among other destinations. [76] According to the Organization for Economic Development (OECD) data, the highest personal income taxes in these countries were 43.6% in Luxembourg and 45.0% in the United Kingdom. [77] If business people needed to travel to France from these countries for business meetings or operational reasons, they could do it fast. One can travel from Luxembourg to Paris in 3.5 hours by car or just an hour by plane. [78] [79] The ride aboard the Eurostar train between London and Paris is just two and a half hours. [80]

Other adverse consequences of the tax included the fact that French companies had problems attracting top international managers. [81] French soccer clubs had problems attracting top players and keeping competitive with clubs from other European leagues. [82] One or two players – often foreign – can make a difference in the club's success in European competitions – and massive prize revenues that would be split between club owners, players, employees, and government (as taxes) – and failure. Soccer club

[71] Reuters, "Timeline - Macron's Rise from Unknown Adviser to French Election Favorite," April 20, 2017.
[72] Hannah Murphy and Mark John, Reuters, "France Waves Discreet Goodbye to 75 Percent Super-Tax," December 23, 2014.
[73] Ibid.
[74] Ibid.
[75] Ibid.
[76] Ibid.
[77] OECD, OECD.Stat, Table I7: Top Statutory Personal Income Tax Rates for 2013 and 2014. Downloaded on October 31, 2022. Below is the link: Table II.1. Statutory corporate income tax rate (oecd.org).
[78] Rome2Rio: Paris to Luxembourg Airport (LUX) - 6 ways to travel via train, bus, and car (rome2rio.com).
[79] Rome2Rio: Paris to Luxembourg Airport (LUX) (rome2rio.com).
[80] Eurostar: Paris to London by Train in 2hrs 16mins | Eurostar.
[81] Hannah Murphy and Mark John, Reuters, "France Waves Discreet Goodbye to 75 Percent Super-Tax," December 23, 2014.
[82] Ibid.

success also brings money to businesses in the cities where they are based. These businesses sell club merchandise, food, drinks, parking, and other goods and services to clubs' fans. All of these revenues were endangered by the tax. In protest against the super tax, the Professional Union of Football Clubs (UCPF) announced all players in the top two divisions of French football (soccer) would not play matches scheduled from November 29 to December 2, 2013. [83] In a statement on strike – the first in more than 40 years – the UCPF President Jean-Pierre Louvel said, *"This unprecedented day must be the occasion for the silent majority of French football to express its opposition."* [84]

The tax also seriously damaged investors' confidence in France. [85] After Brexit, a number of the European cities in the European Union threw their hats into the rink to replace London as the European financial hub. The leading contenders included Frankfurt, Amsterdam, Dublin, Luxembourg, and Paris. Paris was by far the most visited of these cities, with 18.03 million international visitors in 2016. [86] It was the third most visited city after Bangkok and London in the Mastercard Global Destination Cities Index of the 132 most visited cities worldwide. [87] The only other competitor on the list of the 20 most visited cities in the world, Amsterdam, had only eight million visitors (44% of Paris') and took the thirteenth place. [88] Being liked and visited is a considerable advantage in the cities' competition for becoming the center of the financial industry and billions and trillions in new taxes and various revenue streams. A betting person would have been justified in selecting Paris as a likely heir to London.

But the transition from London to Paris did not happen. The French capital's chances of becoming Europe's largest financial center were hurt by higher taxes and politics, such as the vilification of financially-successful people. In an article on this topic, *"Filling the Void: How Will Europe Replace London as the Capital of Its Financial Sector,"* its author said about Paris, *"Taxes are also higher compared to Dublin and Luxembourg, which has deterred many companies from moving to Paris. Finally, the politics of Paris and France are far less stable than elsewhere."* [89]

Judging by his popularity, it was a relief for most French citizens that President Hollande, who triumphed in the presidential elections in April 2012 by winning 51.7% of the vote, left in May 2017, with his approval

[83] CNN, "French Soccer Clubs to Strike in Protest at Francois Hollande's 'Rich Tax'," October 24, 2013.
[84] Ibid.
[85] Hannah Murphy and Mark John, Reuters, "France Waves Discreet Goodbye to 75 Percent Super-Tax," December 23, 2014.
[86] Alison Millington, Insider, "The 20 Most Visited Cities Around the World in 2016," September 22, 2016.
[87] Ibid.
[88] Ibid.
[89] John Lavelle, The St. Andrews Economist, "Filling the Void: How Will Europe Replace London as the Capital of Its Financial Sector," November 11, 2020.

dropping to just 4% in October 2016, months away from the end of his presidency. [90] [91] He came as a lion with a promise of building prosperity in France by taxing the wealthy. But he left as a mouse because he damaged the country's business environment and reputation, which cost significantly more and longer to repair than the damage he has done in two years of imposing the tax on the wealthy. The fact that President Hollande was replaced by a much more business-friendly Emmanuel Macron – a former investment banker – who was reelected to his position in 2022 confirms that most French people did not like President Hollande's anti-business and anti-wealthy sentiment. [92]

Returning to the beginning… I do not know how my friend will vote on Question 1. It is his vote and his decision. But I can guarantee that he would consider the issue from both sides, not just the one advertised by Question 1 authors, as before our conversation.

Please let me know if you have any questions about BBIS or the firm's investment strategies, would like to be on our publication distribution list, or want to invest some funds with BBIS.

Thank you.

Best regards,

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[90] France 24, "Socialist Hollande Triumphs in French Presidential Poll," May 6, 2012.
[91] France 24, "Record Low for Hollande with 4% Approval Rating," October 25, 2016.
[92] Wikipedia, "Emmanuel Macron." Downloaded on October 31, 2022.