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Public Policy Research

News Release

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Sales Tax holiday boosts Bay State economy by \$64 million creating 162 jobs

BOSTON – An economic analysis by the Beacon Hill Institute at Suffolk University finds that the sales-tax holiday created scores of jobs and boosted the economy by tens of millions of dollars.

The tax-free weekend, which ended at midnight last night, suspended the Commonwealth's 5% sales tax on select purchases up to \$2,500. Officials estimated that it would cost the state \$12.8 to \$19.2 million in tax revenue.

The institute bases its findings on its State Tax Analysis Modeling Program (STAMP). STAMP is a "computable general equilibrium" (CGE) tax model — a computerized method of accounting for the economic effects of tax policy changes. The models have been used successfully by policymakers, research institutes and tax policy researchers.

BHI simulated the estimate of revenue loss after adjusting for purchases that would have been made at another time in the year.

Results from the model estimate that the sales-tax holiday produced the equivalent of between 108 and 162 full-time equivalent jobs (resulting part-time and temporary employment) and boosted real state Gross Domestic Product by between \$42 and \$64 million dollars. Moreover, state real disposable income was boosted by between \$3 and \$5 million.

Table 1: Summary Results

Full-Time Equivalent Jobs	108-162 jobs
Real Disposable Income	\$3-\$5 million
Real State Gross Domestic Product	\$42-\$64 million

The boost results from economic activity that took place as a result of the tax holiday that would not have taken place otherwise, including additional purchases by Massachusetts consumers, tourists and residents from bordering states.

David G. Tuerck, Executive Director, said that "the sales-tax holiday provides a simple lesson in economics: consumers respond to incentives." He added, "The cost to the state's treasury is modest and lends to the argument that a tax holiday should be made permanent."