

M A S S A C H U S E T T S
HIGHTECHNOLOGYCOUNCIL

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President's Bulletin
April 17, 2013

Patriot's Day 2013

During the past few days, I have heard from many friends and Council members whose family members and employees have shared directly in the horrific impacts of the bombings at the Boston Marathon. With the rest of a faith-filled and civilized human family, we share our prayerful condolences for the souls of those who lost their lives or were gravely injured or otherwise traumatized in Boston on Monday. A special prayer of thanksgiving is offered for the efforts of first responders and the members of the public who rendered selfless acts of aid and comfort to the victims. Governor Patrick, whose calm demeanor was reassuring to a nerve-rattled public across the Commonwealth and nation, deserves special recognition as well.



High Tech Cost Competitiveness Agenda Advances at the State House

The High Tech Council was at the center of the debate advocating specific measures to improve legislation that directly affects our members when the Massachusetts House of Representatives and State Senate ignored threats of a gubernatorial veto and voted last week to replace the Governor's proposed \$2 billion tax increase for various transportation investments with a targeted \$500 million proposal funded largely from an increase in the state gas tax.

Senate President Therese Murray posted our April 8 Legislative Memo to her State House [website](#) in advance of a rare Saturday Senate session on April 13, during which the Senate advanced a slightly modified version of the House bill.

The following are key features of the Senate and House legislation advocated by the Council:

- **Rejects** the increase in the personal income tax from 5.25% to 6.25%
- **Rejects** the proposal to eliminate 44 personal income tax deductions
- **Preserves** the Security Corporation classification (a competitive advantage for high tech start-ups)
- **Includes** a "market sourcing" provision to reduce the revenue subject to the state business income tax for MA-based employers by exempting income earned outside of Massachusetts.

High Tech Council Sounds the Alarm on a New Tax on Custom Software

However, while the House and Senate narrowed the application of the scope of the Governor's proposed software tax from \$265 million to \$160 million, the shift in policy will likely affect a wide range of Bay State high technology businesses and create a new competitive disadvantage for an important part of our tech economy.

As reported by [The Boston Herald](#) on April 9, the Council spread the word about potential damage to the state's high tech economy. Excerpts from this story below:

Biz slams brakes on Deval Patrick's \$1.9B Plan

Gov. Deval Patrick's \$1.9 billion transportation plan has failed to win the support of business groups, which are lining up behind the Legislature's \$500 million bill, saying it maintains the state's competitive edge while also putting crumbling infrastructure on sounder financial footing.

*"We need a stronger, more efficient transportation system. There's no question about the need and so the governor and Legislature are correct that that's an important component that needs to be fixed," said **Chris Anderson, president of the Massachusetts High Technology Council**. "The question is, how do you fix it? You don't fix it in a way that makes us less competitive in the process."*

*While the Legislature's plan needs "**clarifying language**" over a proposed software tax expected to raise \$161 million, the proposal has "**more alignment between the purpose of the money ... and the source of the money,**" particularly when it comes to a 3-cent gas tax increase, Anderson added....*

"Most of the states we compete with are lowering taxes on income and deriving their tax revenue from consumption taxes like sales. That's kind of the trend," Anderson said. "The governor's proposal bucks the trend."

The Council's advocacy paid off and we are pleased to report that the Senate's transportation plan has replaced the House improvement over the Governor's approach in favor of more narrowly crafted language that better guards against unintended overreach by the Department of Revenue.

Following the tug of war on taxes between the governor and the Legislature what should Council members expect to become law? Although he did not indicate he would sign it, Governor Patrick called the Senate bill a "significant step." This kind of positive language is a marked shift from the heavy criticism he levied on the original House proposal. While the bill may still undergo changes in the conference process, the Council believes the broad structure of the latest Senate proposal will remain intact.

The Council's Competitiveness Study and Advance Outreach to Beacon Hill

The state's highest-in-the-nation technology rankings contrast dramatically with our relatively poor cost competitiveness rankings. We have begun to preview our Cost Competitiveness Study with targeted Beacon Hill policymakers in an effort to shape future policy. This analysis of corporate tax rates; economic and employment data; and other relevant data points and business costs compares Massachusetts with 15 key "peer" states. The feedback the Council has received so far has been overwhelmingly positive.

Help us in this important analysis that-when publically launched-will frame a central focus of the High Tech Council's "competitiveness" public policy agenda. Please join our next Cost Competitiveness/Fiscal Policy Team meeting on Wednesday, **May 1 from 1:00 to 3:00 p.m. at our offices in Waltham. To RSVP, please contact Jane Stoy (jane@mhtc.org).**

Sincerely,



Christopher R. Anderson
President

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