

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

*Dedicated to Growth... Committed to Action*

**President's Bulletin**  
**April 3, 2013**

Following advocacy from the High Tech Council, we were pleased to announce in last month's [High Tech Agenda](#) that members of the Massachusetts Legislature acted to spare employers from a \$500 million unemployment insurance tax increase. Although the Massachusetts unemployment insurance system still requires significant reforms to become competitive with rival states this is nonetheless a positive step that prevented significant damage to our business environment.



Changes to state tax policy remain a central topic of discussion for state legislators. Yesterday, the leadership of the Massachusetts Senate and House of Representatives announced an alternative new revenue and spending plan to address long-neglected state transportation infrastructure needs. **The Legislature replaced the Governor's \$2 billion tax proposal with a slimmed-down \$500 million plan that would avoid most—but not all—of the negative impacts on state competitiveness contained within the Governor's proposal.**

Consistent with the Council's advocacy with the House and Senate (including House Speaker Bob DeLeo who met with MHTC members on February 20), **we are pleased to report the Legislature's alternative plan:**

- **Abandons** the increase in the personal income tax from 5.25% to 6.25%
- **Abandons** the proposal to eliminate 44 personal income tax deductions
- **Abandons** the proposal to eliminate the Security Corporation classification
- **Includes** the provision to reduce the revenue subject to the state business income tax for MA-based employers by exempting income earned outside of Massachusetts (market-sourcing)

However, we remain concerned about the inclusion of the expansion of the sales tax on custom software—a policy shift that removes an existing competitive advantage that supports our state Information Technology (an interconnected ecosystem of software, networking, hardware, and IT Services firms). The Legislature has narrowed the scope of the sales tax provision by eliminating its application to data storage.

In 2009, the Patrick Administration—in collaboration with key employers in the IT industry—commissioned the UMASS Donahue Institute to [study](#) the economic significance of this segment of the state's technology economy.

The study found: **“IT remains one of the most significant employers in the Commonwealth; IT firms employ one in every twenty workers in the state, or approximately 5.5 percent. With over 178,000 workers, total employment in the IT industry is second, among key industry clusters, to healthcare delivery and outpaces other industry clusters in the Commonwealth, including leaders such as financial services and life sciences.”**

In view of the high tech sector's critical importance to the Massachusetts economy, it is worth recalling the wisdom of Senator Paul Tsongas. In an address to the State Legislature (and later to the High Tech Council) nearly 20 years ago, Senator Tsongas asked: "***Why kill the goose that lays the Golden eggs?***" This question is as valid today as it was back then.

The Council's **Cost Competitiveness Team** is preparing an analysis of corporate tax rates and other relevant data points and business costs in Massachusetts and 15 "peer" states to gauge the competitiveness of the Massachusetts climate for business. Member CEOs, CFOs and/or tax executives are invited to join this team. A series of 3 meetings are currently being scheduled for the remainder of 2013. Meetings are open to all Council members. To join the team, please contact Jane Stoy ([jane@mhtc.org](mailto:jane@mhtc.org)).

*Below are excerpts from a recent [State House News Service](#) story that provides a good overview of the current tax debate:*

## **PLAN REIGNITES DEBATE OVER BALANCING TAX BURDENS, TRANSPORATION INVESTMENTS**

By Matt Murphy and Andy Metzger  
STATE HOUSE NEWS SERVICE

STATE HOUSE, BOSTON, APRIL 2, 2013...House and Senate leaders on Tuesday roundly rejected Gov. Deval Patrick's plan for \$1.9 billion in new transportation and education investments, rolling out a proposal that instead asks business, tobacco users and drivers to pay \$500 million more a year to stabilize the transportation system.

The plan - which would increase the cigarette tax by \$1 per pack and raise the gas tax three cents a gallon - provides enough new revenue to close the MBTA budget gap without fare increases or service cuts this year, but does not rule them out in future years. It also allows the Massachusetts Department of Transportation by 2016 to pay employee salaries without borrowing, and increases local road and bridge repair aid by \$100 million to \$300 million in fiscal 2014.

....

**Chris Anderson, president of the Massachusetts High Technology Council, said his organization is working on a study ranking the competitiveness of Massachusetts against other states with similar economies. He said the business community recognizes the advantages of investing in transportation, and called the scaled-down House and Senate leadership proposal a "positive thing" when compared to the governor's request.**

**While the change to the sales-sourcing section of the tax code will benefit Massachusetts headquarters companies, Anderson said the new sales tax on computer services could eliminate the state's competitive edge, even if it brings the state in line with state tax systems.**

**"It certainly doesn't align with the competitive objective if we're taking an area of the**

economy that we think can provide economic growth and coming to the middle, giving up what could be an advantage over other states,” Anderson said.

....

The proposal also rejected Patrick’s idea of recalibrating the state’s income and sales taxes to produce a more “progressive” tax code that the governor said would ask wealthier residents to contribute more without increasing the tax burden on lower- to middle-class residents.

....

The proposal from Democratic legislative leaders would generate \$110 million in new revenue by increasing the state’s 21-cent gas tax by three cents in 2015, and indexing the tax rate to inflation.

***Following are articles covering the tax debate from today’s Boston Globe and Boston Herald:***

*Boston Globe:* [Mass. Gets scaled-back transportation plan](#)

*Boston Herald:* [Pols counter with \\$500M transport plan](#)

Sincerely,

A handwritten signature in black ink, appearing to read 'CRA', with a long horizontal flourish extending to the right.

Christopher R. Anderson  
President

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