



MASSACHUSETTS
HIGHTECHNOLOGYCOUNCIL

Dedicated to Growth... Committed to Action

June 27, 2017

Honorable Michael D. Brady
Room 519
State House
Boston, MA 02133

Honorable Jay R. Kaufman
Room 34
State House
Boston, MA 02133

Dear Chairman Brady, Chairman Kaufman and Members of the Joint Committee on Revenue,

The Mass. High Technology Council supports Senate Bill 1529, which would expand the application of single sales factor tax apportionment treatment to all Massachusetts corporate taxpayers. The Council has continued to hear from a growing number of Massachusetts-headquartered technology firms that are taxed under single sales factor apportionment in other states and believe strongly they should have the benefit of similar policy in Massachusetts. Under current law, each time these firms add employees or make capital investments in Massachusetts, their tax liability here increases. We expect that you will hear from more and more on this key tax policy from these firms."

Market-based apportionment of income for multistate companies is increasingly a hallmark of fair, competitive and effective taxation systems. Massachusetts was an early adopter of a limited application of single sales factor apportionment, recognizing in 1995 the potential negative effect traditional three factor apportionment formulas based on in-state payroll, property and sales can have on in-state employment and investment.

Over the ensuing 20 years, the Commonwealth has wisely migrated away from the three factor model and towards more market-based apportionment and income sourcing rules. Senate Bill 1529 is a logical and important next step in that ongoing evolution of state tax policy.

Application of single sales factor tax apportionment to all Massachusetts industries and corporate taxpayers will help ensure Massachusetts remains competitive with other states. Today, 22 of the 45 states that currently tax corporate income use single sales factor apportionment while only 6 cling to the traditional equal-weighted three factor formula.

In recent years, several of Massachusetts' key competitor states including California, New York, Pennsylvania, North Carolina and Rhode Island have adopted far-reaching single sales factor tax

reforms. The trend toward fairer and more competitive corporate taxation models is clear and the Council respectfully urges members of the House and Senate to follow the lead of 22 other states and enact Senate Bill 1529 this year.

Thank you for your consideration of this legislation. If you or your staff have any questions or concerns, please do not hesitate to contact me.

Sincerely,



Mark J. Gallagher
Executive Vice President
Public Policy & Communications
Mass. High Technology Council
mark@mhtc.org

Cc: Members of the Joint Committee on Revenue