

MASSACHUSETTS  
**HIGHTECHNOLOGYCOUNCIL**

*Dedicated to Growth... Committed to Action*

**TESTIMONY**

**Statement before the Joint Committee on Revenue**

**In Support of:**

**HOUSE BILL 3978**

**An Act to Promote Sustainable Economic Development in Massachusetts**

**March 8, 2016**

**Mark J. Gallagher, Executive Vice President  
Massachusetts High Technology Council**

Thank you, Chairman Rodrigues, Chairman Kaufman and members of the Committee for the opportunity to speak today regarding House Bill 3978. My name is Mark Gallagher and I am Executive Vice President for Public Policy and Communications at the Massachusetts High Technology Council.

The Mass. High Tech Council is the Commonwealth's oldest and only cross-sector association of CEO-level leaders of technology-focused organizations. The Council has a 37-year history of non-partisan advocacy in support of one overarching mission: To make Massachusetts the world's most attractive place in which to live and work, and in which to create, operate, and grow high technology businesses.

The Mass. High Technology Council supports House Bill 3978, particularly the provisions that would expand the application of single sales factor tax apportionment treatment to all Massachusetts corporate taxpayers. We see a growing number of Massachusetts-headquartered technology firms that are taxed under single sales factor apportionment in other states and that believe strongly they should have the benefit of similar policy in Massachusetts. Each time these firms add employees or make capital investments, their tax liability increases under the current rules. 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 instate 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. The Governor's proposal in House Bill 3978 is a logical and important next step in that ongoing evolution of state tax policy.

Application of single sales factor tax apportionment treatment to all Massachusetts industries and corporate taxpayers will help ensure Massachusetts remains competitive with other states. As indicated in the map we have included in our written testimony, 23 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 just the past few years, several of our key competitor states including California, New York, Pennsylvania, North Carolina, Connecticut 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 High Tech Council urges members of the House and Senate to follow the lead of 23 other states and enact the Governor’s proposal in 2016.

## 2016: States with a Single Sales Factor

