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As Governor Healey Signs Tax ‘Relief’ Package, the Massachusetts High Technology Council Calls for Stronger Reforms

The High Tech Council emphasizes the critical link between business-friendly policies and quality of life for all residents

Burlington, MA (October 4, 2023): The tax ‘relief’ package that will be signed into law today marks a first step towards addressing Massachusetts’ significant tax outlier status. The correlation between Massachusetts’ quality of life for all residents and the competitiveness of its business climate is a delicate equilibrium that has historically fueled the state’s success. Since the late 1990s, Massachusetts has maintained its strong national rankings in healthcare, education, and environmental sustainability, thanks to a business-friendly environment that fosters innovation, investment, and job creation. This mutually reinforcing dynamic attracts a talented workforce, promotes economic stability, and creates a favorable atmosphere for businesses to flourish.

Set against a changing economic outlook, Massachusetts risks a negative ripple effect if it does not address its outlier status in tax policy. Neglecting significant improvements in this regard could lead to a diminished quality of life, discouraging businesses and jeopardizing the state’s ability to fund and maintain essential quality-of-life services.

In the Massachusetts High Tech Council’s September 26, 2023 [statement on the tax relief package](#), we emphasized that the tax policies that will be signed into law today should be viewed as a down payment on further and necessary reforms. These reforms are essential to enhance our competitive position relative to other states, rehabilitate Massachusetts’ business climate, and elevate the quality of life for all residents. The pressing need for reform is evident as the costs of doing business in Massachusetts continue to rise significantly. As Massachusetts employers continue to grapple with the highest employer Unemployment Insurance costs in the country, they will also see a [40% increase](#) in Paid Family and Medical Leave contributions in 2024. Employer healthcare expenses have also surged, growing at an [annualized rate of 5.7% between 2019 and 2021](#), outpacing wage growth and regional inflation.

As the following chart illustrates, the new law will only marginally change how Massachusetts compares with other states.

	Current Law	Under Tax Reform Legislation
Estate Tax	<ul style="list-style-type: none"> • MA is 1 of 12 states with an estate tax • \$1M threshold, tied for the lowest of the 12 states 	<ul style="list-style-type: none"> • MA is 1 of 12 states with an estate tax • \$2M threshold, 3rd lowest of the 12 states
Short-term Capital Gains	<ul style="list-style-type: none"> • 12% (16% for income over \$1M) • Highest rate of all states (when accounting for income surtax) • MA is 1 of only 2 states that tax STCG at a higher rate than ordinary income 	<ul style="list-style-type: none"> • 8.5% (12.5% for income over \$1M) • 2nd highest rate of all states (when accounting for income surtax) • MA is 1 of only 2 states that tax STCG at a higher rate than ordinary income
Single Sales Factor	<ul style="list-style-type: none"> • MA does not use a broad base single sales factor apportionment • 39 states do 	<ul style="list-style-type: none"> • MA joins 39 other states that use single sales factor apportionment • Effective date: 1/1/25

“The High Tech Council appreciates the effort Governor Healey and the Legislature put into this first step towards addressing the state’s tax outlier status,” said High Tech Council President Chris Anderson. “Unfortunately, the final tax ‘relief’ legislation falls short of delivering the meaningful change needed, as it includes both an expansion of the voter-approved income surtax and an unconstitutional redistribution of income through changes to the voter-approved Chapter 62F rebate formula.”

[A poll conducted last week](#) on behalf of the High Tech Council and Pioneer Institute found that 62% of all voters, including 70% of unenrolled voters, support maintaining the current method of distributing taxpayer rebates under Chapter 62F and not the Legislature’s approach.

On Sunday, September 30, 2023, *The Boston Globe* echoed the High Tech Council's concerns in [an editorial](#), asserting that "lawmakers went astray by venturing into policy areas with the potential to invite a constitutional challenge." *The Globe* further criticized the income redistribution provision, stating, "Now lawmakers want those rebates paid in equal amounts to taxpayers regardless of how much they paid in taxes – and that looks an awful lot like a back door to a graduated income tax, something expressly prohibited by the state constitution."

Massachusetts has long been a hub of innovation, from world-class universities, research institutions, and renowned healthcare systems to the thriving start-ups and business enterprises that call it home. As we look ahead, the Commonwealth is confronted with numerous complex challenges, including the impact of emerging technologies, changing demographics, and global economic shifts. These challenges are further exacerbated by the disruptive effects of Massachusetts’ deteriorating business environment and changes in tax policies, demanding collective action. To continue thriving as a premier center of innovation, it is imperative that we work together to understand these trends and develop strategies to seize new opportunities while enhancing the quality of life for all Bay Staters.

The High Tech Council looks forward to collaborating with Governor Healey, her Cabinet, and Legislators across the Commonwealth who are committed to defending and strengthening our business climate and the associated high quality of life it brings to Massachusetts residents.

About the Massachusetts High Technology Council

The [Massachusetts High Technology Council, Inc.](#) is an organization of CEOs and senior executives representing innovation, technology, and scientific companies, professional services firms, and research institutions who are dedicated to creating and sustaining conditions that support investment, job growth, and improved quality of life in Massachusetts. Our members are growth-oriented, knowledge-intensive employers and institutions that develop, deliver, and depend on technology products, services, and innovations to advance their organizational objectives—a definition that covers just about all business enterprises in Massachusetts today. Our mission is to help make Massachusetts the world’s most attractive place to live and work, and in which to create, operate, and grow businesses within the innovation ecosystem.

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