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# TESTIMONY

## Submitted to the Joint Committee on Revenue

## May 16, 2023

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**Massachusetts High Technology Council**

Dear Chair Cusack, Chair Moran, and Members of the Committee,

Thank you for the opportunity to submit testimony on behalf of the Massachusetts High Technology Council regarding a number of bills before you that deal with corporate tax rates.

The High Tech Council is the Commonwealth's oldest cross-sector association of CEO-level leaders of technology, professional services, and research institutions. The Council has a 46-year history of non-partisan advocacy in support of our 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.

A number of the bills under consideration in today's hearing relate to business taxes and the cost of doing business in Massachusetts. Several of these bills would reduce tax rates or otherwise incentivize employers to stay and grow in Massachusetts, while a number of the bills would increase corporate taxes or impose new taxes, making Massachusetts' business climate even less competitive with other states.

Massachusetts is already a national outlier on taxes and has a higher cost of doing business than other states. The state's corporate income tax rate is the 12th highest in the country. Last year's CNBC Top States for Business rankings gave Massachusetts an "F" in the category of "cost of doing business" (which measures the strength of states' business tax climates), ranking the Commonwealth 49th on that measure.

The state's deteriorating business and tax climate is one of the factors driving an outmigration of people from Massachusetts to lower-cost and lower-tax states. According to a recent Pioneer Institute analysis of IRS data, "Over the past decade, net out-migration of [adjusted gross income] in Massachusetts grew almost five-fold, from more than $900 million in 2012 to $4.3 billion in 2021. That translates to a 300 percent increase in the net loss of income tax filers in the Bay State, rising from 6,000-plus filers in 2012 to more than 25,000 in 2021."

This is the wrong time to be enacting policies that are unfriendly to taxpayers and businesses and the High Tech Council urges you to support reforms that will improve rather than weaken Massachusetts' competitive position. Other states are taking steps to reduce their tax burden, with 43 states enacting tax cuts of some kind in 2021 and 2022, including 21 states that cut their income tax rate. In 2022, six states passed corporate income tax rate reductions.

Several bills before you today would improve the state's business climate (at least marginally). These include proposals to gradually eliminate the state's inventory tax (H.2844), temporarily suspend the minimum corporate income tax (H.2842), and adopt single sales factor apportionment (S.1887, H.1951). These bills all address areas where Massachusetts is an outlier; for example, Massachusetts is one of only 14 states that tax business inventory.

However, a number of the bills before the Committee today would make Massachusetts' tax policies even more out of line with other states. For example, bills that would create a tiered corporate minimum tax based on sales (increasing the current $456 minimum to a minimum of up to $150,000) (H.2743, S.1835, S.1895), increase the corporate excise tax and the excise tax rate on financial institutions (H.2856, S.1788), and create a tax on "excessive executive compensation" (H.2967, S.1858) would make Massachusetts less competitive and a more costly place to do business.

The goal of these proposals may be to raise additional tax revenue, but it is quite possible they will have the opposite effect. Just as the new income surtax appears to be driving high-income taxpayers out of the state, increasing corporate tax rates could very well push employers to leave the state, resulting in a loss in state tax revenue. The High Tech Council respectfully asks you to support corporate tax reforms that will improve rather than weaken Massachusetts' business climate and competitive position. Thank you for your consideration.