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TESTIMONY

Submitted to the Joint Committee on Revenue

Written Testimony
in Opposition to
H. 3110 and S.2033, "An Act combating offshore tax avoidance"

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Chair Eldridge, Chair Madaro, and members of the Committee, thank you for the opportunity to submit testimony on behalf of the Massachusetts High Technology Council, the Commonwealth's oldest cross-sector association of CEO-level leaders of technology, professional services, and research institutions. The Council has a 48-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.

The Council opposes H. 3110 and S. 2033, "An Act combating offshore tax avoidance," which would substantially expand the portion of foreign-source income (notably, global intangible low-taxed income, or GILTI) subject to Massachusetts corporate tax. We believe these bills would undermine our state's economic competitiveness, deter investment, and risk long-term harm to job creation and innovation.

Overview

Massachusetts has world-class assets, including our talent, research institutions, and innovation economy, but recent data show troubling trends for our business climate.

The Tax Foundation's 2026 State Tax Competitiveness Index ranks Massachusetts 43rd overall, and 33rd for corporate taxes, and CNBC ranks the Commonwealth 49th among states for our cost of doing business.

The proposed corporate tax expansion in H.3110/S.2033 would exacerbate these trends, making Massachusetts even more of an outlier.

Rather than increasing our competitive disadvantage, state policy efforts should focus on reducing cost burdens on employers and taxpayers, reining in state spending growth, and making Massachusetts more attractive for businesses to invest and grow.

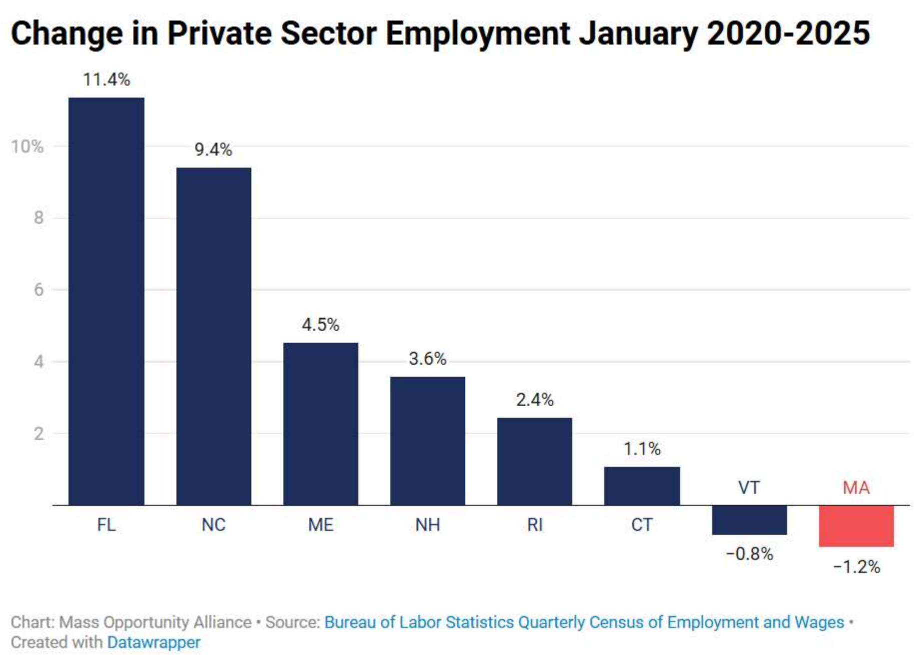
Massachusetts Is Already a High-Cost State for Businesses

These bills risk exacerbating the "competitiveness crisis" that the state is already facing.

Massachusetts regularly ranks as one of the most expensive states in which to live and operate a business. CNBC ranks the Commonwealth 42nd for business friendliness in its 2025 Top States for Business. The Massachusetts Taxpayers Foundation 2025 Competitiveness Index places Massachusetts in the bottom 10 nationwide in 10 metrics that relate to business and resident costs, domestic migration, and private employment growth.

To address these persistent threats to the state's business climate and advance proactive solutions, last year the Council conceived and launched the Mass Opportunity Alliance (MOA), a non-partisan, cross-organizational entity committed to fostering a stronger, more competitive business environment across the state.

A recent MOA analysis notes that state spending has soared by more than 50% over the last seven years, yet only a fraction of taxpayers feel they are getting a good value for their tax dollars. Private-sector job growth has stalled, with Massachusetts one of the only states in the country with a net loss of private sector jobs since the pandemic. The Massachusetts Taxpayers Foundation found that Massachusetts ranked dead last among states for private sector job growth in 2024.



These trends suggest that raising corporate taxes further would likely compound a downward spiral, with higher costs for businesses leading to lower investment, slower job growth, increased outmigration to other states, and fewer taxpayers to support rising state spending.

This Proposal Will Make Massachusetts an Outlier

Under current law, Massachusetts subjects only 5% of GILTI/foreign-source income to its corporate tax; H.3110/S.2033 would expand that to 50%, a tenfold increase.

Contrary to what the proponents of these bills claim, this proposal does not represent a "mainstream" tax policy. Only 11 states and D.C. currently tax 50% of GILTI, typically because of automatic statutory conformity to the federal tax code, rather than affirmative tax policy choices.

Several of the Commonwealth's peer states (e.g. New York, New Jersey, and Connecticut) follow the same 5% inclusion rule as Massachusetts. And, notably, several large states with high GDP have no GILTI inclusion, including California, Texas, Florida, Pennsylvania, Ohio, North Carolina, and Michigan.

Revenue Projections Are Overstated

The estimated revenue from expanding GILTI is significantly overstated. The Department of Revenue estimates this change would generate approximately $106 million to $151 million per year, far below the claims of proponents that this would generate $400 million.

Conclusion

As the Massachusetts High Technology Council, our mission is to support conditions that promote investment, innovation, and job growth in the Commonwealth. While we recognize the pressures that the state faces, we believe that H.3110 and S.2033 would do more harm than good.

Higher taxes on businesses already managing tight margins, volatile cost pressures (such as energy and health care costs), and competition for talent can drive companies to invest elsewhere.

These proposals would significantly increase the tax burden on globally active Massachusetts firms for an uncertain revenue benefit. And they would send a chilling signal in a business climate already ranked 43rd in the nation.

Polling by MOA shows that taxpayers themselves overwhelmingly prefer fiscal restraint and spending reform over new taxes or tax hikes. In recent polling, when asked how to respond to potential federal revenue declines, more than two-thirds of respondents favored trimming state spending, while only 7% supported raising taxes.

The Council respectfully urges the Committee to reject H.3110 and S.2033, and instead pursue reforms that make Massachusetts more competitive, efficient, and welcoming to businesses.

Whether it's providing relief to individual and business taxpayers, addressing the state's outlier status on taxes like the estate tax, reining in unsustainable state revenue growth, or addressing other contributors to the state’s high costs of living and doing business, the Council and its members look forward to working with the Legislature on proactive solutions.

Thank you for your consideration.