

July 10, 2023

Representative Aaron Michlewitz, Chair  
House Committee on Ways and Means  
State House, Room 243  
Boston, MA 02133

Representative Mark Cusack, Chair  
Joint Committee on Revenue  
State House, Room 34  
Boston, MA 02133

Representative Michael Soter, Ranking Minority  
Joint Committee on Revenue  
State House, Room 237  
Boston, MA 02133

Senator Michael Rodrigues, Chair  
Senate Committee on Ways and Means  
State House, Room 212  
Boston, MA 02133

Senator Susan Moran, Chair  
Joint Committee on Revenue  
State House, Room 312-D  
Boston, MA 02133

Senator Bruce Tarr, Minority Leader  
Senate  
State House, Room 308  
Boston MA 02133

Dear Tax Relief Legislation Conference Committee Members,

On behalf of the Greater Boston Chamber of Commerce, I write regarding H.3770 and S.2406, *An Act to improve the Commonwealth's competitiveness, affordability, and equity*. I applaud you and your colleagues in both the House and the Senate for embracing tax reform legislation as a major public policy priority this session.

Focusing on policy efforts that make Massachusetts the best place to start, stay, and succeed for careers and business improves the Commonwealth's competitiveness as other states aggressively pursue our talent and employers. The Chamber heard this loud and clear when we surveyed our members last fall and identified tax policies that placed Massachusetts out of step with the rest of the country. Together with the Massachusetts Society of CPAs, we developed a set of policy recommendations that will improve our state's competitiveness and retain both businesses and a talented workforce. We appreciate that the Legislature embraces some of the recommendations with their tax proposals.

As you begin negotiations on a final bill, I offer comments on the priorities of both employers and employees in the Greater Boston region.

### **Reform the Archaic Estate Tax**

The need to reform the Commonwealth's archaic estate tax is clear, illustrated by different policy approaches in all three tax reform proposals offered by Governor Healey, the House, and the Senate. All three approaches make progress on this important issue, and we appreciate that policymakers agree with our tax experts that our current estate tax framework places Massachusetts as an outlier compared to most other states. As you know, Massachusetts is one of only 12 states that imposes an estate tax. Of those 12 states, Massachusetts has the lowest estate tax exemption threshold in the country, along with Oregon, currently set at \$1 million. Furthermore, Massachusetts is the only state to apply the tax to the full threshold of the estate once the \$1 million valuation threshold is triggered. For the owner of a small, family business and most homeowners, the estate tax impacts their decisions on where to live and work.

The Chamber and MSCPA, after consulting tax practitioners, recommended establishing an estate tax threshold at \$5 million, which is in-line with neighboring states that impose an estate tax such as Vermont, New York, and Connecticut – while also eliminating the cliff effect that would tax the value under the threshold once triggered.

We urge the conference committee to adopt an estate tax structure that raises the threshold to at least \$2 million and eliminates the cliff effect. We also urge the Legislature to revisit the estate tax threshold in future sessions to ensure the Commonwealth does not continue to slip further behind our peer states.

### **Adopt Single Sales Factor Apportionment**

A large majority of states now use single sales factor when apportioning the taxable income for multi-state businesses, making Massachusetts a clear outlier. The state's current apportionment system penalizes employers that choose to establish large operations or a headquarters in the state and employ Massachusetts residents. Adopting single sales factor is now a clear competitiveness issue for our employers, as the state already recognizes through its use for manufacturers, defense contractors, and mutual fund companies. While not every business benefits from this change, applying consistent rules avoids picking winners and losers.

The Chamber supports the expanded use of single sales factor apportionment and urges the conference committee to find a path forward on this outlier tax policy.

### **Reduce Short-Term Capital Gains Rate**

Massachusetts has the second highest short-term capital gains tax rate in the nation. Most states treat capital gains as regular income for tax purposes, placing Massachusetts firmly as an outlier on this tax policy. H.3770 reduces this significant tax burden by phasing a rate reduction for short term gains from 12% to 5% over two years. This is a sensible approach that will minimally impact the state's operating budget, as short-term capital gains revenue flows directly into the state's stabilization fund.

The Chamber supports sections 3 and 4 of H.3770 and urges the committee to adopt this important tax rate reduction.

### **Expand the Housing Development Incentive Program**

S.2406 would increase the statewide cap on the Housing Development Incentive Program (HDIP) from \$10 million to \$57 million on a one-time basis, and thereafter to \$30 million annually, similar to language filed by Governor Healey in her tax relief proposal, H.42.

HDIP is a critical tool to combat high housing costs in Massachusetts by incentivizing market rate housing production in Gateway Cities and other municipalities. These communities often embrace a wide range of affordable housing options, but struggle to attract market rate developments. As housing costs continue to soar, increasing all types of housing supply is more important than ever, and this valuable tool will help spur more production that may otherwise face prohibitive financial barriers.

The Chamber supports expanding the HDIP program as one part of the effort to constrain high housing costs and asks the committee to adopt these provisions.

### **Reject Joint Filing Requirement**

The Chamber opposes the major policy change in S.2406 that requires a married couple that files a joint federal income tax return to file a joint state income tax return. This change likely increases taxes again for residents in the Commonwealth after the adoption of the new income surtax now part of the state's constitution.

Importantly, this requirement was not contemplated by either policymakers when they placed the surtax amendment on the ballot, nor voters during elections. Instead, requiring joint filing seeks to expand the new surtax before its impacts on the state's competitiveness are fully understood. The proposal, without additional study or public hearing before the Joint Committee on Revenue, will create unintended consequences for tax filers in the Commonwealth beyond any impact to the state's new income tax surcharge.

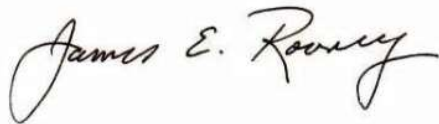
The Chamber urges the conference committee to reject this provision raising taxes in this tax relief proposal.

### **Expand Housing, Family, and Transit Tax Policies**

Massachusetts' competitiveness also relies on being a state where individuals and families want to live and work. Affordability increasingly factors into whether employees – and by extension their employers – want to reside in the Commonwealth. Tax relief measures such as increasing the rental deduction, expanding the dependent care deduction, expanding the senior circuit breaker, and expanding the earned income tax credit are appropriately targeted at making the Commonwealth a more affordable place to live and work. The Chamber supports these proposals and is encouraged that both branches adopted versions of these policies in their tax reform bills. The Chamber also supports increasing the flexibility of the commuter deduction to include all MBTA fares and extends the benefits to bike commuters and public commuter boats included in sections 4 and 5 of S.2406.

Please reach out with any questions or concerns.

Sincerely,



James E. Rooney  
President and CEO