

September 7, 2023

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

Senator Susan Moran, Senate Chair
Joint Committee on Revenue
State House, Room 506
Boston, MA 02133

Dear Chair Cusack and Chair Moran,

On behalf of the Greater Boston Chamber of Commerce and our 1,200 members, I write to submit testimony opposing **H.2787**, *An Act relative to taxation of digital advertising services*, **H.2966 and S.1846**, *An Act establishing a tax on local revenues from digital advertising*, **H.2930**, *An Act establishing a tax for online advertising* and **H.2828**, *An Act establishing a tax for online advertising*. These bills attempt to impose new, discriminatory taxes on the provision of digital advertising services, contrary to the Commonwealth's long aversion to service taxes. These proposals will have unintended impacts on digital services provided in the Commonwealth that will place Massachusetts companies at a competitive disadvantage with out of state competitors. The proposals are also contrary to the federal government's own efforts to eliminate digital service taxes internationally through the 2021 global tax agreement. For these and other reasons, the Chamber opposes the advancement of these bills.

The Commonwealth generally does not tax services, and advertising has long been considered a non-taxable service in the Commonwealth.ⁱ Adopting this novel and untested tax approach on a service, currently only adopted in one state and under legal challenge in both state and federal courtsⁱⁱ, would break with the traditional tax environment in Massachusetts and create a chilling effect on the development of new and innovative business models for the provision of services. It also introduces uncertainty into the economic outlook of businesses that already provide a variety of service products to the Commonwealth, as such policy sets the precedent that service taxes may now be adopted on part or the entirety of their industries. Vague terms included in each of these bills raise serious questions about how these service taxes are assessed, collected, and enforced, and would seriously undermine the business ecosystem in Massachusetts. These questions invoke comparisons to the Commonwealth's short-lived computer services tax adopted in 2013 and wisely repealed by the Legislature soon thereafter.

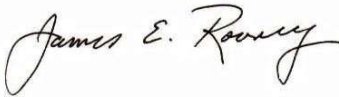
Not only do the bills target a service, they do so in a discriminatory fashion, focusing only on the provision of digital advertising and not the provision of advertising services more broadly. This creates an uneven playing field for businesses providing similar services in different formats. The impact of such policies is to pick winners and losers among employers in similar business areas.

Aside from the serious policy problems outlined above, the negative impacts of a new digital advertising service tax would fall disproportionately on Massachusetts businesses. Local companies large and small rely on digital advertising to reach potential customers, and residents rely on such advertising to find local products. Imposing new costs on digital advertising will only raise the costs of promoting local businesses, to the benefit of out of state competitors. In addition, such policies create a complex patchwork of tax policies among states and even within industries, making it more difficult and expensive to do business in the Commonwealth.

Finally, it is worth noting that the Biden administration successfully negotiated the phase out and repeal of similarly structured digital taxes enacted internationally as part of the global tax deal reached by over 130 countries.ⁱⁱⁱ ^{iv} ^v Adopting such methods of taxation now on the state level would be inconsistent with federal and international policy.

Thank you for your consideration and please do not hesitate to reach out with any questions.

Sincerely,



James E. Rooney
President and CEO

CC: Members of the Joint Committee on Revenue

ⁱ [830 CMR 64H.1.2](#)

ⁱⁱ <https://www.grantthornton.com/insights/alerts/tax/2023/salt/k-o/md-decides-state-digital-advertising-services-tax-to-be-in-effect-05-18>

ⁱⁱⁱ <https://home.treasury.gov/news/press-releases/jy0503>

^{iv} <https://ustr.gov/about-us/policy-offices/press-office/press-releases/2021/november/ustr-welcomes-agreement-india-digital-services-taxes>

^v <https://www.oecd.org/newsroom/138-countries-and-jurisdictions-agree-historic-milestone-to-implement-global-tax-deal.htm>