During the COVID-19 pandemic, our priority must be to ensure everyone in Massachusetts has the health care, food and shelter they need. This is no time for another corporate tax break: as sources of revenue are predicted to drop over the next year, it is more important than ever that wealthy corporations pay their fair share. But big corporations, corporate lobbyist and Republican lawmakers have pushed for an extension of the “Single Sales Factor” or “SSF” tax break in Massachusetts. History shows that expansion of SSF would not create jobs—but instead would line the pockets of giant corporations, depriving Massachusetts of tens of millions in revenue that could be used for COVID-19 response and supporting each other at this time of crisis.

WHAT IS SINGLE SALES FACTOR?
For most multi-state corporations in Massachusetts, the taxes they pay to the Commonwealth are based on three aspects of their in-state economic activity—payroll, property and sales. “Single Sales Factor” removes payroll and property from the equation, leaving only sales made inside Massachusetts. In our interconnected economy, even companies headquartered here may make only a fraction of sales within our state. SSF allows corporations to pay less than their fair share even as they continue to benefit from the public goods and services—like public transportation and education—funded by the Commonwealth.

HISTORY OF SINGLE SALES FACTOR
SSF was first adopted by the Massachusetts legislature in 1995 for defense and manufacturing corporations only. The expansion of SSF beyond these industries is estimated to have cost our state over $2.9 billion and has not prevented job loss. In 1996, after a pressure campaign from Fidelity Investments, the legislature extended SSF to mutual fund companies. SSF for mutual funds was supposed to keep jobs in the state—but companies that benefited were required to increase hiring for only five years. Although the job requirement ended in 2002, the tax break continues. The result? Companies like Fidelity Investments profit from the tax break but don’t have to do anything in return.

In fact, Fidelity cut its number of Massachusetts employees by more than 50% since the SSF hiring requirement ended in 2002. Today, Fidelity has thousands fewer employees in Massachusetts than before it got the SSF tax break.

TODAY’S CORPORATE CAMPAIGN TO CASH IN ON SSF
Today, corporations are richer than ever. But billionaire corporations are still hoping to cash in on an expanded Single Sales Factor tax break—this time, without even a commitment to creating more Bay State jobs.
Today, Massachusetts faces urgent funding needs to respond to the public health and economic impacts of COVID-19. Expanding a corporate tax break will not improve our well being or remove the economic threat posed by the virus. Instead of padding the profits of already-wealthy corporations, we should invest our tax dollars in direct pandemic response to ensure that everyone in Massachusetts receives the help they need.

How much would it cost Massachusetts?

Proposed legislation to expand SSF does not include an estimate of the cost of the tax break. However, when Governor Baker pushed a similar proposal in 2016, he said it would cost the state $67 million in lost tax revenue each year. If that figure is correct, the total cost of applying SSF to every type of business in the state would exceed $300 million a year.

Corporate lobbying group Associated Industries of Massachusetts (AIM), has also pushed the tax cut. In fact, the Boston Globe reported that Representative Elizabeth Poirier filed a bill to expand SSF “at AIM’s request.” It’s hardly surprising AIM is behind the effort to secure another corporate tax break—it was one of the trade groups that sued to defeat the popular Fair Share Amendment, which would have raised taxes on annual incomes above $1 million in Massachusetts.

Corporate lobbying group Associated Industries of Massachusetts (AIM), has also pushed the tax cut. In fact, the Boston Globe reported that Representative Elizabeth Poirier filed a bill to expand SSF “at AIM’s request.” It’s hardly surprising AIM is behind the effort to secure another corporate tax break—it was one of the trade groups that sued to defeat the popular Fair Share Amendment, which would have raised taxes on annual incomes above $1 million in Massachusetts.

3. In 2011, the Department of Revenue estimated that SSF for mutual fund service companies had already deprived Massachusetts of about $1.7 billion in revenue. See Open DOR, Single Sales Factor and Tax Apportionment have their day, March 2011 https://blog.mass.gov/revenue/current-affairs-2/single-sales-factor-and-tax-apportionment-have-their-day/ (It is unclear whether the estimate provided here includes FY 2011, we have assumed it does, possibly underestimating the total cost). For fiscal years 2012-2020, we used the Massachusetts Tax Expenditure Budgets to find the total estimated cost of adjustments to the apportionment formula, attributing 41% of all adjustments to SSF for mutual fund companies, consistent with data provided by the Massachusetts Department of Revenue to MassBudget. Executive Office for Administration and Finance, Commonwealth of Massachusetts, Tax Expenditure Budgets, FY2013 (p.56), 2018 (p.98), 2019 (p.57), and 2020 (p.57), https://www.mass.gov/lists/tax-expenditure-budget; Massachusetts Tax Expenditure Budget to find the total estimated cost of adjustments to the apportionment formula and attributing 41% of all adjustments to SSF for mutual fund companies, consistent with data provided by the Massachusetts Department of Revenue to MassBudget. Executive Office for Administration and Finance, Commonwealth of Massachusetts, Tax Expenditure Budgets, 2020 (p.57), https://www.mass.gov/doc/2020-tax-expenditure-budget/download MassBudget, The Growing Cost of Special Business Tax Break Spending.
5. Massachusetts General Laws 63 sec. 38 (m) (1)
15. We added $67M to the cost of existing SSF breaks, calculated by using the FY2020 Massachusetts Tax Expenditure Budget to find the total estimated cost of adjustments to the apportionment formula and attributing 65% of all adjustments to SSF, consistent with data provided by the Massachusetts Department of Revenue to MassBudget. Ryan, Baker seeks to spread tax break to all industries; Executive Office for Administration and Finance, Commonwealth of Massachusetts, Tax Expenditure Budget, 2020 (p.57), https://www.mass.gov/doc/2020-tax-expenditure-budget/download MassBudget, The Growing Cost of Special Business Tax Break Spending.