

NO MORE CORPORATE TAX BREAKS AT A TIME OF PUBLIC CRISIS

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?

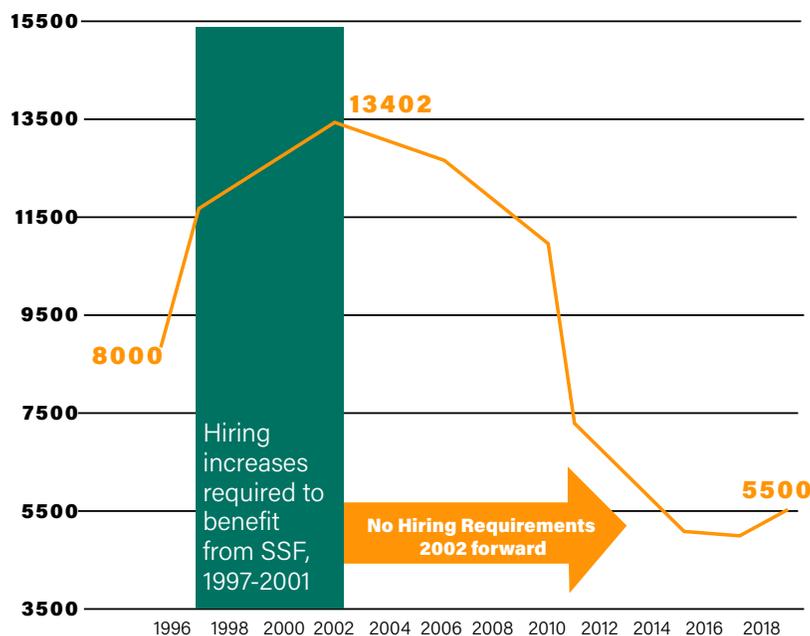
For most multi-state corporations in Massachusetts, the taxes they pay to the Commonwealth are based on three aspects of their in-state economic activity—payroll, property and sales. “Single Sales Factor” removes payroll and property from the equation, leaving only sales made inside Massachusetts.¹ In 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.² **The expansion of SSF beyond these industries is estimated to have cost our state over \$2.9 billion³ and has not prevented job loss.**

In 1996, after a pressure campaign from Fidelity Investments, the legislature extended SSF to mutual fund companies.⁴ 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.⁵ 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.

FIDELITY EMPLOYMENT IN MASSACHUSETTS SINCE PASSAGE OF SINGLE SALES FACTOR TAX BREAK FOR MUTUAL FUND COMPANIES



In fact, Fidelity cut its number of Massachusetts employees by more than 50% since the SSF hiring requirement ended in 2002.⁶ Today, Fidelity has thousands fewer employees in Massachusetts than before it got the SSF tax break.⁷

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.

Corporations in favor of SSF expansion⁸ include some of the biggest companies in the world.

State Street

\$13B revenues

\$2.6B profit⁹

TJX

\$39B in revenues

\$3B profit¹⁰

Santander

\$91B revenues

\$9B profit¹¹

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.”¹² 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.¹³

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.¹⁴ 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.¹⁵

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.

1 Kurt Wise, Testimony to the Joint Committee on Revenue on the Single Sales Factor Apportionment Formula, How It Works, and What It Costs, Massachusetts Budget and Policy Center, June 11, 2019, http://www.massbudget.org/report_window.php?loc=Testimony-on-Single-Sales-Factor.html

2 Greg LeRoy, The Great American Jobs Scam, Berrett-Koehler Publishers, 2005, p. 12.

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>; MassBudget 2017. The Growing Cost of Special Business Tax Break Spending, http://www.massbudget.org/report_window.php?loc=The-Growing-Cost-of-Special-Business-Tax-Break-Spending.html, n.19.

4 Chris Reidy, Fidelity chief goes to bat for tax break,” Boston Globe, May 2 1996, p. 57; Greg LeRoy, The Great American Jobs Scam, Berrett-Koehler Publishers, 2005.

5 Massachusetts General Laws 63sec.38(m)(1)

6 Beth Healy, “Fund Giant Fidelity set to eliminate 1,695 jobs,” Boston Globe, October 1, 2001, p. 1; Largest Employers in Massachusetts, Ranked by Total Massachusetts employees, Boston Business Journal, July 25, 2019, <https://www.bizjournals.com/boston/subscriber-only/2019/07/25/largest-employers-in-massachusetts.html>

7 Kimberly Blanton, Fidelity considers expanding to N.H., Boston Globe, October 6, 1995, p. 55, Largest Employers in Massachusetts, Ranked by Total Massachusetts employees, Boston Business Journal, July 25, 2019, <https://www.bizjournals.com/boston/subscriber-only/2019/07/25/largest-employers-in-massachusetts.html>

8 Kristyn Sugrue, Kevin Peterson, Jennifer Priplata, et al., Letter to The Hon. Mark J. Cusack and The Hon. Adam G. Hinds, December 30, 2019.

9 “State Street,” Fortune 500, <https://fortune.com/fortune500/2019/state-street-corp/>

10 “TJX,” Fortune 500, <https://fortune.com/fortune500/2019/tjx/>

11 “Banco Santander,” Fortune Global 500, <https://fortune.com/global500/2019/banco-santander/>

12 John Chesto, “Business group pushes for broadened tax break on Beacon Hill, Boston Globe, January 1, 2019, <https://www.bostonglobe.com/business/2019/01/25/business-group-pushes-for-broadened-tax-break-beacon-hill/HEmutl77wyHgQcw6ZtHJ/story.html>

13 Bob Salsberg, Court blocks ‘millionaire tax’ question from state ballot, Associated Press, June 21, 2018, <https://apnews.com/5b17b608cb294f8996e0d5e1ed68f80e/Court-blocks-'millionaire-tax'-question-from-state-ballot>

14 Greg Ryan, Baker seeks to spread tax break to all industries, Boston Business Journal, January 24, 2016, <https://www.bizjournals.com/boston/news/2016/01/24/baker-seeks-to-spread-tax-break-to-all-industries.html>

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 the apportionment formula 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.