



Joint Committee on Revenue - March 28, 2023

H.42 - An Act creating tax relief for affordability, competitiveness and equity

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Senator Moran, Representative Cusack, and members of the Committee, thank you for this opportunity to provide comments in support of H.42, An Act creating tax relief for affordability, competitiveness and equity.

The Massachusetts Business Roundtable is a public policy organization comprised of Chief Executive Officers and Senior Executives from some of the state's largest employers representing over 250,000 employees. The mission of the Roundtable is to make Massachusetts the most desirable place to live, work and do business by engaging private sector executives and public leaders to ensure access to a robust, diverse, and talented workforce that enhances the Commonwealth's competitiveness in a global economy. Toward that end, we have developed a comprehensive policy agenda guided by three principles - opportunity, equity, and competitiveness - which we apply both internally and externally throughout that agenda, including discussions about tax policy.

In Massachusetts, our competitiveness is fundamentally about people. It always has been. Massachusetts' economic success is based on access to well-trained and highly educated workers, our nation-leading public K-12 education system, and world-class colleges and universities. We enjoy a unique ecosystem of innovation, a highly educated and trained workforce, and anchor industries such as health care, biotech, education, financial services, and tech. This all results in a solid foundation to build upon.

Yet there are headwinds that we can't ignore. According to the 2022 CNBC Competitiveness Rankings, Massachusetts is ranked 49th in cost of doing business and 47th in cost of living. A recent analysis published in The Hill found that Massachusetts residents pay the highest share of their income in taxes in the nation, at 24.07%. Additionally, the Boston Globe recently reported that "from July 2021

through July 2022, some 57,000 more people moved out of the state than into it, one of the highest rates of so-called domestic outmigration in the country. Go back to April 2020, and that number tops 110,000.” Not surprisingly, residents are moving to lower cost states like New Hampshire and Florida. As people and employers’ increase mobility, it is imperative that Massachusetts invests in areas to attract and retain those people in the region, including a tax environment to reduce the risk of losing them. While taxes are not the only reason for this outmigration, it is certainly a contributing factor that can be addressed through tax policy.

Our state’s competitiveness is threatened by the combination of cost structure and mobility. For an economy built on access to talent, these factors and trends are a direct threat to Massachusetts’ competitiveness.

Tax policies impact residents, workers, small businesses, and larger employers, and contribute to the cost of doing business in Massachusetts. Therefore, tax policy must be a key consideration in the state’s short- and long-term competitiveness strategy to improve the state’s attractiveness for both employers and employees, particularly in the wake of the passage of the constitutional amendment to increase taxes on income over \$1 million. Affordability to live and do business in Massachusetts increasingly influences whether employees want to reside, and employers want to do business in the Commonwealth.

Recognizing the value of and need for the Commonwealth’s talent, the Roundtable developed a framework to drive the state’s economic competitiveness in our latest report, [“A Talent Agenda to Drive Massachusetts’ Competitiveness: Framing How to Attract, Retain, Develop, and Diversify Talent,”](#) (attached to this testimony). The Talent Agenda offers policy priorities and investments that center on attracting, retaining, developing, and diversifying our talent pool and pipeline to meet the needs of the current and future economy while creating a cost environment that allows for both people and employers to thrive. As a Roundtable member recently said, “If people can’t afford to live here, and can’t get to and from their jobs, nothing else matters.”

The Roundtable respectfully urges the Committee to give every due consideration to the tax proposals included in H.42 as the starting point, and duly consider additional relief included in last session’s economic development legislation and ideas like those suggested by the Massachusetts Taxpayers Foundation, the Greater Boston Chamber of Commerce, the Massachusetts Association of CPAs and others as part of a robust conversation of the investments and policy changes necessary to ensure Massachusetts’ economic competitiveness and viability in the future.

The Roundtable supports the recommendations in H.42 relative to the Estate Tax and Short Term Capital gains and respectfully urges the Committee to consider whether they go far enough, and to consider additional reforms such as removing or reducing

the “Sting Tax” on S Corporations. In addition, we support the Child and Family Tax Credit as an important benefit that allows caregivers, and particularly women with childcare responsibilities, to participate in the workforce, helping to meet the needs of their families and address the dire hiring challenges facing employers. Combined with the other proposals in H.42, these tax measures meet the Roundtable’s objective as stated in our Talent Agenda of prioritizing *“policies that support a competitive business climate while also providing much needed tax relief to some of our most vulnerable residents. Massachusetts’ competitiveness relies on being a state where businesses want to locate and individuals and families want to live and work.”*

For the Roundtable, “competitiveness” is more than just a buzzword, it is a set of conditions and strategies to attract and retain both people and employers that will determine the future economic viability of the state and region. Those conditions and strategies must include a combination of investments both in tax relief as well as other areas that we know attract and retain talent, such as housing costs, infrastructure, child care and workforce development. As a recent Massachusetts Taxpayers Foundation analysis shows, revenue growth over the past three years has provided the resources necessary to invest in both.

The Roundtable and business community are committed and willing partners in promoting a competitiveness agenda that prioritizes the attraction, retention, development, and diversity of workers while creating a cost environment that allows for both people and employers to thrive. We look forward to partnering with you in this work, and thank the Committee and its staff for your commitment to this work.