New Report Reveals Vanishing Corporate Income Tax

Corporate tax avoidance costing Massachusetts millions in lost revenue

A report released today by the Massachusetts Budget and Policy Center (MBPC) finds that one of the principal causes of the Commonwealth’s ongoing fiscal crisis is the state’s rapidly vanishing corporate income tax. Gone With the Wind – Massachusetts’ Vanishing Corporate Income Tax shows that, over the past several decades, the corporate income tax in Massachusetts has declined precipitously, with profound consequences for the state’s finances and for individual taxpayers. The report estimates that Massachusetts would have collected an additional $490 million in FY 2002 if the corporate income tax had remained stable as a share of the economy since FY 1991; it also shows that the state tax burden has shifted significantly, as the personal income tax, which generated twice as much revenue as the corporate income tax thirty years ago, now produces thirteen times as much.

“The challenge for Massachusetts policymakers is to ensure that large corporations that use state services and make profits pay their taxes,” said Jim St. George, Executive Director of the MBPC. “With deep cuts in health care, local aid, education, and human services looming, we can no longer afford to sit by idly, while out-of-state and multinational corporations use creative accounting schemes to drain the state treasury.”

Gone With the Wind notes that, while the eight major corporate tax cuts enacted in Massachusetts during the 1990s have contributed to the tax’s disappearance, aggressive corporate tax avoidance strategies may well be more damaging to the state’s fiscal condition. In increasing numbers and with increasing vigor, corporations are employing complex schemes to shift profits out of Massachusetts and into states where they will not be taxed. Gone With the Wind reviews several options for combating these avoidance strategies and for bolstering the corporate income tax in Massachusetts; it also responds to concerns that efforts to do so might harm the state’s “business climate.”

The Massachusetts Budget and Policy Center provides independent research and analysis of state budget and tax policies, as well as economic issues, that affect low- and moderate-income people in Massachusetts. Copies of Gone With the Wind may be obtained via the Internet at www.massbudget.org or by calling the MBPC at 617-426-1228.