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Rising Profits, Falling Tax Shares: Fixing What's Broken

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Businesses in Massachusetts depend for their success and profitability on a wide array of investments made by our state and local governments. These include investments in transportation infrastructure, in a healthy and well-educated work force, in public safety, and in a legal system that enforces contracts and settles business disputes - to name just a few. Businesses help support these public functions through a variety of different taxes, including property, sales and corporate income taxes. While state and local business taxes amount to only a small portion of overall business costs for most U.S. businesses – on average, roughly 2 percent of total costs – business taxes nevertheless are an important source of revenue for communities and for the Commonwealth.[1]

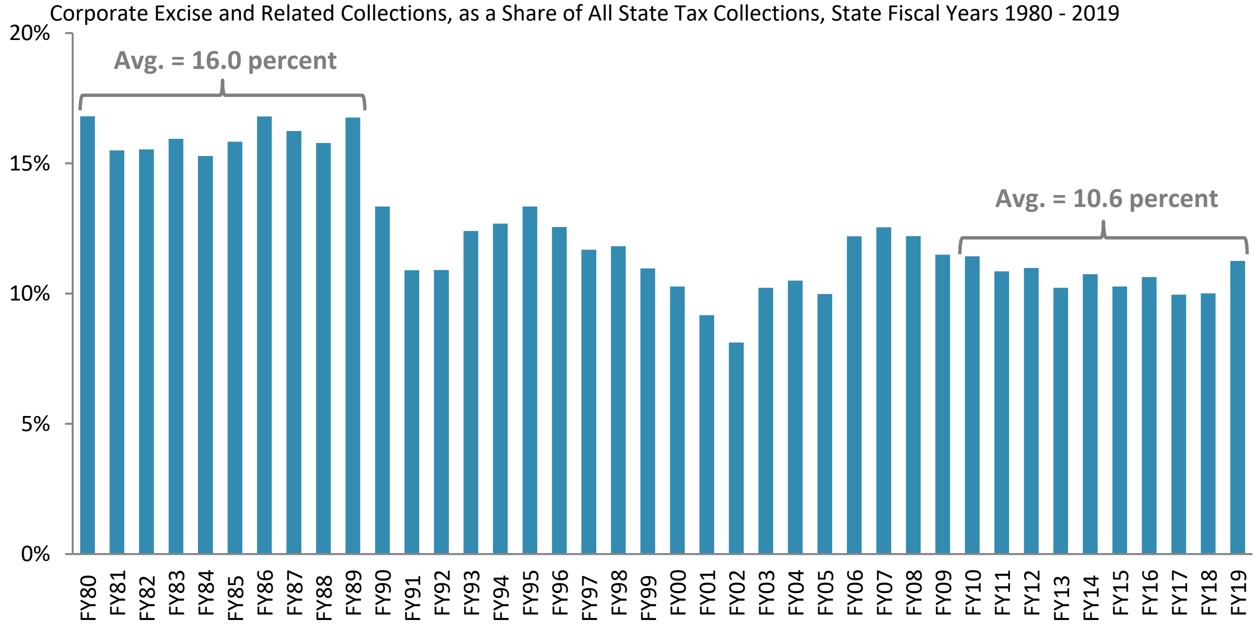
In Massachusetts, the revenue businesses contribute through their corporate excise and related tax payments has dropped markedly as a share of total state tax collections over the past four decades.[2]

Snapshot of Findings

- The share of total MA state taxes paid by corporations through their income and related taxes has fallen markedly since the 1980s.
- Meanwhile, corporations have collected a growing share of all income generated in the U.S.
- Had the corporate tax share not fallen, businesses would have paid another $1.4 billion in FY 2019.
- Restoring corporate income tax rates, reducing special business tax breaks, and reforming corporate tax disclosure laws all can help reverse the downward corporate tax trend.
- Collecting more taxes from corporations would improve tax fairness and racial equity in MA.

Corporate Excise Collections Have Fallen as Share of Total MA Taxes

Corporate Excise and Related Collections, as a Share of All State Tax Collections, State Fiscal Years 1980 - 2019



Source: Department of Revenue tax data. Corporate collection totals include taxes from all corporate filings (both C-corp and S-corp), including from standard C-corps, financial institutions, insurance companies, and public utilities, as well as settlements and judgements.

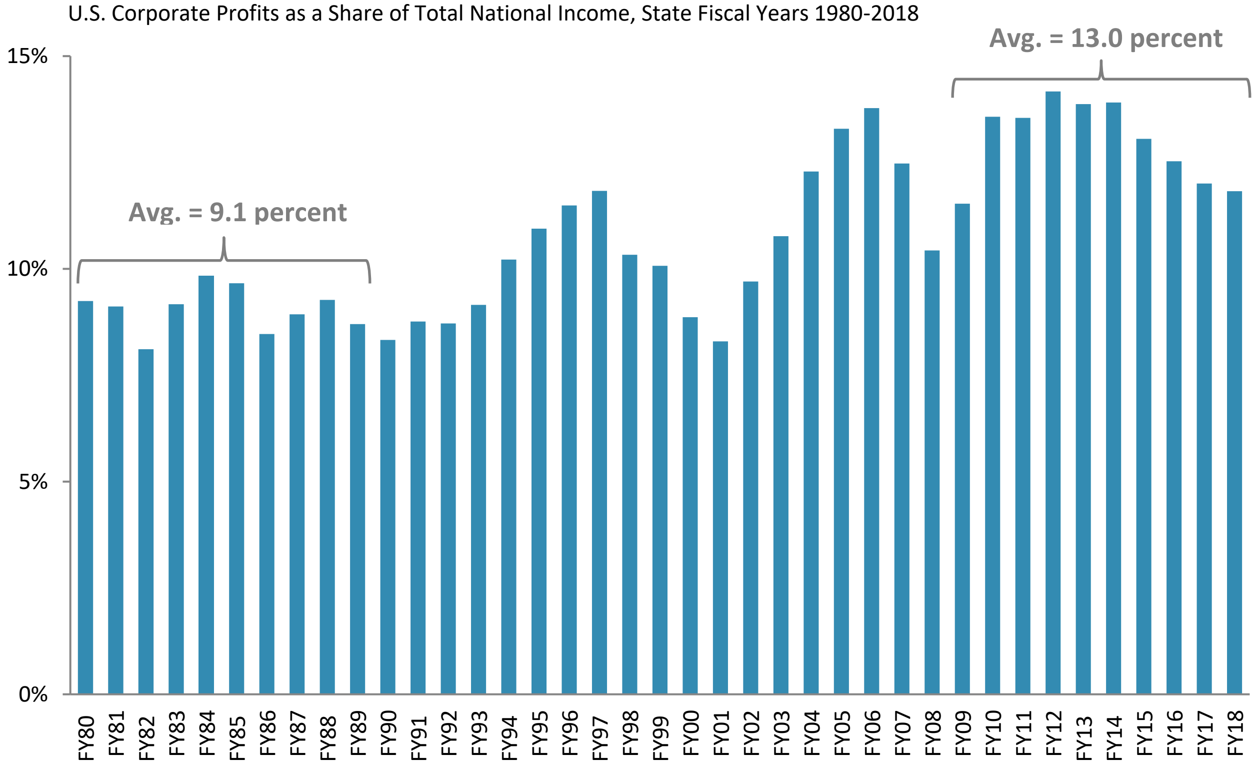
Throughout the 1980s, (the earliest years for which fully comparable Department of Revenue data are readily available), collections from corporate excise and related tax payments provided about 15 to 17 percent of the Commonwealth's total tax collections (see chart, above). During the last decade, that figure has hovered in the 10 to 11 percent range, a drop of about a third since the 1980s.[3] (Corporate excise collections come primarily from taxes on corporate profits, though how such taxes are levied/calculated varies depending on which industry the corporation operates within.[4])

Had Massachusetts collected in Fiscal Year 2019 an amount of corporate excise and related taxes equal to the share of the total collected throughout the 1980s (on average, around 16 percent of all taxes), businesses would have contributed another $1.4 billion in these taxes to the Commonwealth in that fiscal year.[5] Instead, individual taxpayers - including those with low and moderate incomes - had to pick up a sizeable portion of this cost.

Counterintuitively, this downward trend in corporate excise taxes as a share of our state total has occurred even as U.S. corporate profits have risen markedly as a share of national income (see chart, below). Where corporations collected about 8 to 10 percent of all U.S. income during the 1980s, in the aftermath of the Great Recession corporations have been collecting 12 to 14 percent of national income, a large increase.[6] With corporations claiming a growing slice of the national income pie, this means that a declining share of national income is flowing to workers through their wages and salaries. Over the course of a generation, this shift has helped push household income and wealth inequality to levels not seen in the U.S. since the 1920s, delivering remarkable gains to the highest income households.[7] Meanwhile, many moderate-income households have seen only very modest gains during the last several decades – and many low-income households have seen little or no gain at all.[8]

Corporations Are Collecting an Increasing Share of Total U.S. Income

U.S. Corporate Profits as a Share of Total National Income, State Fiscal Years 1980-2018



Sources: U.S. Bureau of Economic Analysis, National Income and Product Accounts

Taken together, the data in these two charts highlight a growing mismatch: Corporations are capturing a substantially larger share of all U.S. income, but the taxes they are paying on these profits represent an ever-smaller share of taxes collected by the Commonwealth. Over the long term, this is a recipe for depriving the Commonwealth of revenue needed to support the many public goods that allow businesses and people in Massachusetts to thrive - or for shifting much of those costs onto other, non-corporate taxpayers, including low- and moderate-income households.

There is no one reason for this growing mismatch. Changes in the global and national economy, changes in labor laws governing unionization; changes in consumer spending patterns; changes in federal tax policy; the effects of the business cycle – all these factors, and many more, have played a role. Still, while the full picture is complex, it nevertheless is clear that a number of factors closer to home also have contributed to the problem. In 2008, Massachusetts lawmakers approved a phased reduction in the tax rates paid by corporations on their profits, dropping rates from 9.5 percent to 8.0 percent on most corporate profits. Massachusetts lawmakers likewise created new and expensive corporate tax breaks during the last 20+ years, now costing the Commonwealth hundreds of millions annually in lost revenue. And large, multi-state and multi-national corporations have become increasingly aggressive in pursuing tax avoidance strategies that deprive the federal and state governments of revenue.[9] For each of these three sources of corporate tax revenue loss – state rate cuts, state tax breaks, and growing tax avoidance – there exist state-level policy options (see below) that can reduce tax losses and help reconnect rising corporate profits to the state taxes corporations pay.

Policy Options Can Address Corporate Tax Share Decline

Raising Corporate Tax Rates

Raising tax rates on corporate income would be one way to slow - or possibly even reverse - the downward trend in corporate excise and related tax collections as a share of state taxes. It would help rebalance the state's tax system and generate substantial additional revenue to invest in education, infrastructure, and other areas that would improve opportunities and strengthen the Massachusetts economy.

The current tax rate in Massachusetts on most corporate profits is 8.0 percent.[10] As recently as 2009, however, that rate stood at 9.5 percent (see Appendix A). Restoring corporate rates to their 2009 levels represents one possible approach to rebalancing the tax system. Very broadly speaking, a return to 2009 rates likely would generate something in the neighborhood of $375-450 million of additional annual tax revenue.[11] This amount of additional annual revenue would close roughly a quarter to a third of the $1.4 billion FY 2019 gap discussed above. This additional revenue would come primarily from large corporations, those with over $500 million in annual receipts.[12]

Reducing Cost of Special Business Tax Breaks

Reducing the cost of special business tax breaks is another way the Commonwealth could slow the decline in corporate excise and related taxes as a share of total state collections. Research has shown repeatedly that corporate tax breaks rarely drive major investment or location decisions – and often reward businesses for decisions they would have made even without these incentives.[13] Nevertheless, business groups have been successful in lobbying many state governments, Massachusetts' included, to provide a wide range of generous tax breaks.

In Massachusetts, businesses are eligible for dozens of different tax breaks. While a number of these are available to all types of businesses, a subset is available only to businesses operating in certain industries or engaging in particular activities. These special business tax breaks cost the Commonwealth over $1 billion annually and have grown significantly in number and cost over the last 20 to 25 years.[14] Three of these special business tax breaks alone – the single sales factor tax break for manufacturers, the single sales factor tax break for mutual fund companies, and the film tax credit – together cost the Commonwealth over $300 million a year.[15] Despite this major investment of state resources, the manufacturing and mutual fund industries together have shed tens of thousands of jobs since successfully lobbying for their respective tax breaks.[16] Analysis by the Department of Revenue meanwhile repeatedly finds the film tax credit to be a remarkably costly and inefficient mechanism for job creation.[17] Scaling back or eliminating these and many other inefficient business tax breaks would help push back against the trend of falling corporate excise taxes as a share of total state tax collections.

Combatting Aggressive Corporate Tax Avoidance

Yet another option is for the Commonwealth to combat the increasingly aggressive efforts of corporations to avoid federal and state taxes.[18] To do this, lawmakers and the general public need to know more about how much profit each corporation is generating, which corporations are using various state tax breaks, and how much these corporations ultimately are paying in tax.

One essential tool in the fight at the state level against aggressive corporate tax avoidance is robust corporate tax disclosure requirements.[19] To achieve their intended purpose – curtailing aggressive tax avoidance and allowing meaningful review of existing state corporate tax breaks – these disclosure requirements need to be company-specific and provide access to select elements of corporate tax filings. These elements include such things as a corporation's gross receipts and income, apportioned income and taxable income, the amount of excise tax due and paid, and the amount of each tax credit a corporation claims in order to reduce its excise tax. Additionally, this information must be readily available to the public in an easily searchable, online database. With this information, legislators and the public are in a far better position to understand which corporations are aggressively reducing their state tax liabilities and how they are doing so. Lawmakers and the public then can make informed decisions about if and how the Massachusetts's tax code should be amended to reduce or eliminate various tax loopholes and ineffective, inefficient or unusually costly corporate tax breaks.

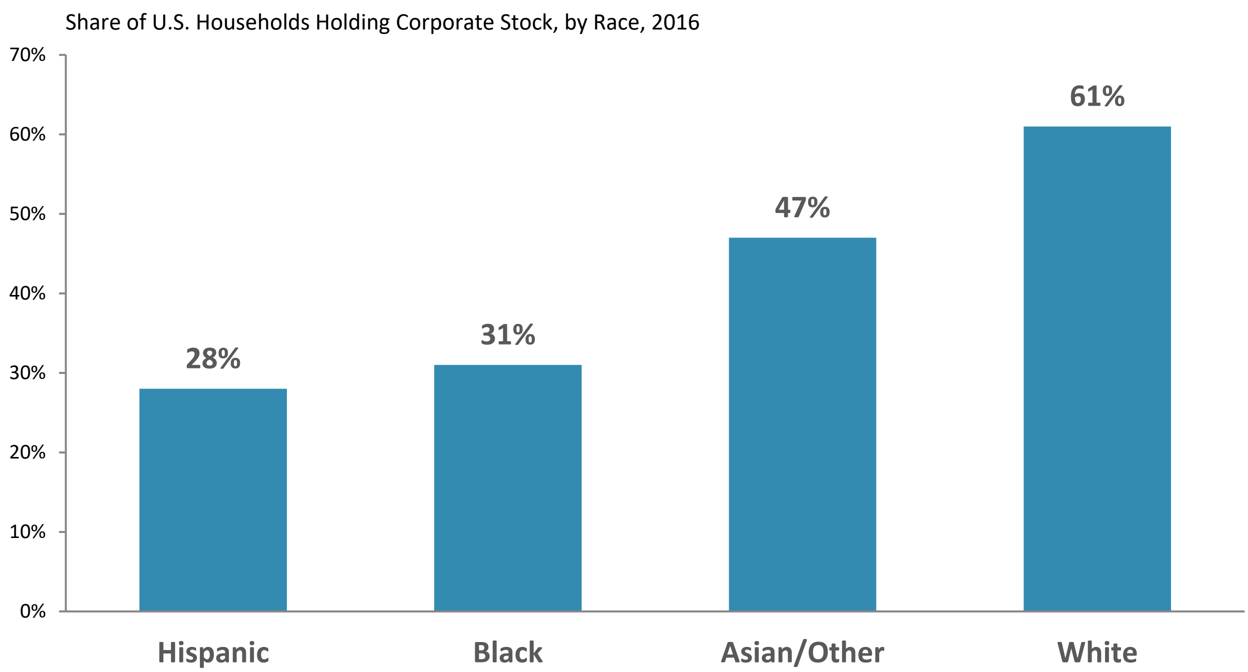
While Massachusetts has a corporate tax disclosure law (initially passed through a citizens' ballot initiative in 1992), it was amended later by the Legislature to make the reports anonymous rather than company-specific, thus eliminating much of the value the data otherwise might bring to tax discussions.[20] Likewise, though the law requires corporations to file tax disclosure reports annually with the Secretary of State, the information from these reports has not been made readily available to the public through a searchable online database or other similar means.

Corporate Taxes and Overall Tax Fairness

Slowing or reversing the downward trend in corporate excise and related taxes as a share of total state tax collections would help turn our state's upside down tax system right side up, making the overall system in Massachusetts less regressive. (A "regressive" tax system is one in which those with lower incomes pay a larger share of their income in taxes than those with higher incomes do.) This is because a sizable share of the final cost (or "incidence") of taxes paid by corporations falls on corporate shareholders.[21] Shareholders, as a group, are overwhelmingly among those households with the highest incomes.[22]

Corporate taxation likewise has implications for racial equity. A long history of systemic barriers to opportunity has prevented many people of color in Massachusetts from equitable access to high-paying jobs, education, and other avenues leading to higher household income and wealth, including the acquisition of corporate stocks and bonds. As a result, corporate shareholders as a group are disproportionately White, and thus an increase in the corporate income tax would have the additional effect of reducing tax inequities by race. Federal Reserve Board data for the U.S. show that over 60 percent of White households own some amount of corporate stock (including corporate stock owned directly or in the form of mutual fund holdings).[23] This figure drops to 47 percent for Asian/Other households[24] and to less than a third for Black and Latinx households. Moreover, the median value of corporate stock held by White households who own such assets is $30,000. For Asian/Other households that median is $20,000. For Latinx households it is $10,500 and for Black households, $7,500.[25]

U.S. Has Large Racial Disparities in Corporate Stock Ownership



Source: U.S. Federal Reserve Board, 2016 Survey of Consumer Finances

Can Massachusetts Corporations Afford a State Tax Increase?

How would an increase in the corporate income tax affect Massachusetts' business taxes relative to other states? When all state and local business taxes are taken into account, multiple studies show that business tax levels in Massachusetts are below the U.S. average. In terms of the share of total state and local taxes paid by businesses, Massachusetts is in the bottom fifth of all states.[26] The results of these analyses indicate that the Commonwealth is in a position to raise additional revenue from businesses without placing Massachusetts outside the mainstream in terms of overall business tax levels.

Recent federal corporate tax cuts likewise strongly suggest that businesses – particularly, large, profitable C-corps operating in Massachusetts and elsewhere - are well-able to absorb higher state and local tax costs. The 2017 "Tax Cuts and Jobs Act" (TCJA) cut federal tax rates dramatically on C-corp income, from 35 percent down to 21 percent. Additionally, the TCJA greatly reduced the taxes owed by U.S.-based multinational corporations on the profits they generate through their overseas operations.[27] The net effect of these changes has been a large reduction in federal corporate income tax liability, a tax cut for businesses estimated to be some $140 billion nationwide in 2019 alone.[28] The amount that corporations nationwide will save annually in reduced federal tax payments (due to TCJA) is much larger than the total amount paid by businesses nationwide in state and local corporate income taxes.[29]

Focusing specifically on Massachusetts, it is reasonable to assume that roughly $4 billion of this annual federal tax cut total will go to Massachusetts companies (based on the share of US economic activity occurring in Massachusetts - about 2.8 percent of US GDP). This amount of federal, yearly tax savings ($4 billion) significantly exceeds the total amount of excise and related taxes paid annually by corporations to the Commonwealth.[30] While these federal tax cuts do not directly reduce the state and local tax obligations of businesses operating in Massachusetts, they do free up substantial corporate resources, making any increase to state and local corporate taxes much easier for businesses to absorb.

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[1] This is a U.S. average during the years 2003-2016. Iowa Policy Project, Peter Fisher, Grading the States (see second paragraph, accompanying pie chart, and endnote #2): http://www.gradingstates.org/the-problem-with-tax-cutting-as-economic-policy/state-and-local-business-taxes-are-not-significant-determinants-of-growth/. See also testimony to the New Hampshire Legislature from Robert Tannenwald, former Director of Research for the New England Public Policy Center, a research policy division within the Federal Reserve Bank of Boston, 11-4-2010: http://www.cbpp.org/cms/index.cfm?fa=view&id=3314

[2] Total business excise and related taxes here include income and non-income excise taxes collected from regular C-corps, as well as income excise collections from S-corps. The business total likewise includes similar excise and excise-like taxes on financial, insurance and public utilities companies; collections arising from corporate tax settlements and judgements; and from additional, corrective corporate payments. The business tax total here does not include licensing and other fees paid by businesses or sales taxes collected on purchases made by businesses.

[3] This drop in share is all the more surprising given that Massachusetts implemented significant cuts to the personal income tax during this same period. Holding other aspects of state tax policy constant, cutting state personal income taxes would *increase* the share of state tax revenue generated by the corporate excise tax.

[4] The amount of corporate excise tax that most C-corps in Massachusetts owe is calculated by combining two separate measures. The first component is a tax on the company's net income (profit) and the second is a tax on the value of the company's tangible property or net worth. See DOR Corporate Tax Guide: https://www.mass.gov/guides/corporate-excise-tax#-calculating-the-corporate-excise-tax-

Banking and financial institutions, as well as insurance companies pay a different set of income or related excise taxes. Similarly, S-corporations do not pay the C-corp income tax, though S-corps with receipts exceeding $6 million per year are subject to a separate state income tax. For more detail on S-corp taxes see MassBudget's factsheet: http://massbudget.org/report_window.php?loc=S-Corps_Explainer.html

[5] Total state collections in FY 2019 = $29.742 billion. Total corporate excise collections = $3.347 billion.

Calculation of reduction in the amount of FY 2019 tax that businesses paid relative to 1980s average (16 percent) of total state tax collections:

$29.742 billion * 0.16 = $4.759 billion

$4.759 billion - $3.347 billion = $1.412 billion

[6] Corporations' share of total income has retreated in the last few years – though only modestly - from recent record highs. This likely is related to historic low rates of unemployment during the last several years of national economic expansion. Low levels of unemployment give workers additional leverage in demanding higher pay, shifting income toward workers and away from corporations. A downturn in the national economy - and accompanying rise in unemployment - however, would alter this balance in the favor of corporations. In addition to unemployment rates, other factors will affect these national income ratios. The longer-term trends, driven in part by the strength corporations have shown in shaping the rules that govern our state, national and global economies, suggest that it is quite possible that in the years ahead corporations will again claim a share at or near these recent highs – or possibly will claim a larger share still.

U.S. Bureau of Economic Analysis, National Income by Type of Income (See Section 1, Table 1.12, Line 13 as a share of Line 1): https://apps.bea.gov/iTable/iTable.cfm?reqid=19&step=2 Data includes both C-corp and S-corp profits.

[7] Economic Policy Institute, The New Gilded Age, July 2018 (see Figure B, Section 7): https://www.epi.org/publication/the-new-gilded-age-income-inequality-in-the-u-s-by-state-metropolitan-area-and-county/
[8] For Massachusetts specific wage data, see MassBudget's State of Working Massachusetts report: http://www.massbudget.org/reports/swma/wages-income.php
For a discussion of national data on income and wealth inequality see endnote 7, supra, and Center on Budget and Policy Priorities' report, "A Guide to Historical Trends in Income Inequality," August 2019: https://www.cbpp.org/research/poverty-and-inequality/a-guide-to-statistics-on-historical-trends-in-income-inequality
[9] Jane G. Gravelle, *Policy Options to Address Corporate Profit Shifting: Carrots or Sticks?,* April 2016, http://www.law.nyu.edu/sites/default/files/upload_documents/Jane%20Gravelle.pdf (From pg. 1: "While the magnitude of corporate profit shifting by U.S. multinationals into low or no tax countries is uncertain, there is overwhelming evidence of its existence and its increase in recent years.").
Other examples of reports highlighting the growth of corporate tax avoidance include the following:
The Institute on Taxation and Economic Policy report, "Corporate Tax Avoidance Remains Rampant Under New Tax Law", April 2019: https://itep.org/wp-content/uploads/04119-Corporate-Tax-Avoidance-Remains-Rampant-Under-New-Tax-Law_ITEP.pdf
Center on Budget and Policy Priorities, Off the Charts blog, February 15, 2013: https://www.cbpp.org/blog/growing-tax-avoidance-by-multinationals-undermines-competition-oecd-warns
[10] DOR Corporate Tax Guide: https://www.mass.gov/guides/corporate-excise-tax#-calculating-the-corporate-excise-tax-
Financial institutions are taxed at a slightly higher rate. Insurance companies are taxed based on the value of the policies they issue, rather than directly on their profits. Corporations eligible for and electing S-corp status do not pay the C-corp income tax, though S-corps with receipts exceeding $6 million per year are subject to a separate state tax on their profits.
[11] A lack of sufficiently detailed, current, publicly available data on corporate excise collections makes it difficult to produce precise estimates of the likely gain in revenue from such a rate increase. The range presented in this estimate ($375-$450 million) is defined according to revenue collections observed during the last two fiscal years. In FY 2018, corporate excise and related tax collections totaled $2.848 billion (adjusted to 2019 dollars). In FY 2019, corporate excise and related collections totaled $3.347 billion. The large majority of these totals was collected from excise taxes on corporate profits (as opposed to taxes applied to tangible property or net worth, the other measure used in determining a corporation's total state excise tax liability). Restoring corporate tax rates to their 2009 levels would affect only the income measure of the excise tax. Analysis of DOR's Corporate Excise Tax Reports, from 1993 – 2015, shows that the income measure of the corporate excise tax tends to account for about 70-80 percent of total corporate excise collections. A rough estimate (using the more conservative 70 percent assumption) of the impact of a 1.5 percentage point increase in corporate income tax rates can be calculated as follows:

> 1.5 percentage point/8.0 percentage point base = 18.75 percent increase
> $2.848 x 0.70 x 0.1875 = $373.8 million increase in excise collection in FY 2018
> $3.347 x 0.70 x 0.1875 = $439.3 million increase in excise collections FY 2019

These estimates assume that entity-level excise rates applied to S-corps are increased by the same 18.75 percent increases applied to the standard C-corp rate and the financial corporation rate.
[12] Drawing on DOR's most recent annual Corporate Excise Report (2015) as an example, 58 percent of income excise tax is attributable to corporations with over $500 million in annual receipts. Two-thirds of income excise tax is attributable to corporations with over $100 million in annual receipts. See Table 2: https://www.mass.gov/files/documents/2018/12/21/dor-reports-2015-corp-excise-returns.pdf
[13] Bartik, Timothy, *Making Sense of Incentives*, 2019 (Preface, pg. xiv): https://research.upjohn.org/cgi/viewcontent.cgi?article=1277&context=up_press
Urban Institute, "Tax Incentives for Economic Development", February 2016 (see Introduction): https://www.urban.org/research/publication/state-tax-incentives-economic-development
[14] MassBudget, "The Growing Cost of Special Business Tax Breaks", 2016: http://www.massbudget.org/report_window.php?loc=The-Growing-Cost-of-Special-Business-Tax-Break-Spending.html
[15] MassBudget, "The Growing Cost of Special Business Tax Breaks", May 2017: http://www.massbudget.org/report_window.php?loc=The-Growing-Cost-of-Special-Business-Tax-Break-Spending.html
[16] MassBudget, "The Single Sales Factor Tax Break: Has It Worked?", January 2016: http://www.massbudget.org/report_window.php?loc=The-Single-Sales-Factor-Tax-Break-Has-It-Worked.html
Boston Globe, "Fidelity's Mass. workforce shrinking", June 8, 2010: http://archive.boston.com/business/articles/2010/06/08/fidelitys_mass_workforce_shrinking/
Boston Globe, "Mass. Lawmakers grill Fidelity, Evergreen execs", March 29, 2011: http://archive.boston.com/news/local/massachusetts/articles/2011/03/29/mass_lawmakers_to_grill_fidelity_evergreen_execs/

[17] Massachusetts Department of Revenue, *Massachusetts Film Industry Tax Incentive Report (2015*):
https://www.mass.gov/lists/other-dor-reports#massachusetts-film-industry-tax-incentive-reports-
MassBudget, "The Massachusetts Film Tax Credit", March 2015:
http://www.massbudget.org/report_window.php?loc=The%20Massachusetts%20Film%20Tax%20Credit.html
[18] Jane G. Gravelle, *Policy Options to Address Corporate Profit Shifting: Carrots or Sticks?,* April 2016,
http://www.law.nyu.edu/sites/default/files/upload_documents/Jane%20Gravelle.pdf (From pg. 1: "While the magnitude of corporate profit shifting by U.S. multinationals into low or no tax countries is uncertain, there is overwhelming evidence of its existence and its increase in recent years.").
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Center on Budget and Policy Priorities, Off the Charts weblog, February 15, 2013: https://www.cbpp.org/blog/growing-tax-avoidance-by-multinationals-undermines-competition-oecd-warns
[19] See Center on Budget and Policy Priorities, "State Corporate Tax Disclosure", 2007:
https://www.cbpp.org/sites/default/files/atoms/files/2-13-07sfp.pdf
[20] M.G.L. Chapter 62C, Section 83: https://malegislature.gov/Laws/GeneralLaws/PartI/TitleIX/Chapter62C/Section83
[21] There is broad agreement among economists that the final incidence of taxes on business income is divided among some combination of shareholders, landowners, workers and consumers with the relative weights carried by each group varying depending on industry and business location. See for example, Serrato & Zidar, "Who Benefits from State Corporate Tax Cuts?", American Economic Review 2016, 106(9): 2582-2624
Another useful review of the literature comes from Clemens Fuest via the European Tax Policy Forum. See "Who Bears the Burden of Corporate Income Taxation?": http://www.etpf.org/respol.html
[22] In Massachusetts, 80 percent of capital gains (the passive income derived from capital assets, including, primarily, financial assets such as stocks and bonds) accrues to those in the highest 1 percent of households by income. Ninety percent of all capital gains flow to the highest 5 percent of Massachusetts households. (Analysis performed for MassBudget upon request by the Institute on Taxation and Economic Policy.)
[23] U.S. Federal Reserve Board, Dettling, Lisa J., "Recent Trends in Wealth-Holding by Race and Ethnicity: Evidence from the Survey of Consumer Finances", September 2017 (Table 1, row titled "Direct and indirect equity"):
https://www.federalreserve.gov/econres/notes/feds-notes/recent-trends-in-wealth-holding-by-race-and-ethnicity-evidence-from-the-survey-of-consumer-finances-20170927.htm
[24] The Federal Reserve describes its "Other" category as "a diverse group that includes those identifying as Asian, American Indian, Alaska Native, Native Hawaiian, Pacific Islander, other race, and all respondents reporting more than one racial identification. See https://www.federalreserve.gov/econres/notes/feds-notes/recent-trends-in-wealth-holding-by-race-and-ethnicity-evidence-from-the-survey-of-consumer-finances-20170927.htm
[25] U.S. Federal Reserve Board, 2016 Survey of Consumer Finances (see Table 6 16, cells F129, F130, F131):
https://www.federalreserve.gov/econres/files/scf2016_tables_internal_nominal_historical.xlsx
[26] MassBudget, "How Do Massachusetts Business Taxes Compare to Other States?", September 2019:
http://massbudget.org/report_window.php?loc=How-Do-Business-Taxes-in-MA-Compare-to-Other-States.html
Compared to most other states, Massachusetts collects a relatively large share of total business taxes through its corporate income tax. Other states tend to collect more of their business taxes through sales taxes, licensing fees and various non-income excise taxes. Some states also collect significant amounts of business taxes at the county or municipal level, rather than at the state level. To properly compare overall state business tax levels, it is necessary to take all these tax types and taxing jurisdictions into account.
[27] MassBudget, "How Do Massachusetts Business Taxes Compare to Other States?", September 2019:
http://massbudget.org/report_window.php?loc=How-Do-Business-Taxes-in-MA-Compare-to-Other-States.html
[28] MassBudget, "How Do Massachusetts Business Taxes Compare to Other States?", September 2019:
http://massbudget.org/report_window.php?loc=How-Do-Business-Taxes-in-MA-Compare-to-Other-States.html
[29] MassBudget, "How Do Massachusetts Business Taxes Compare to Other States?", September 2019:
http://massbudget.org/report_window.php?loc=How-Do-Business-Taxes-in-MA-Compare-to-Other-States.html
[30] Corporate excise and related tax collections totaled $2.77 billion in FY 2018, $3.35 billion in FY 2019, and are projected by the Department of Revenue to total $2.97 billion in FY 2020.

Appendix A

Tax rates and changes for corporates and businesses in Massachusetts

Tax Year	Corporations			Financial Institutions			Part B Personal Income Tax Rate
	C Corp. Rate	S Corp. Rate (Gross Sales $6M-$9M)	S Corp. Rate (Gross Sales > $9M)	Financial Institutions Rate	S Corp. Rate (Gross Sales $6M-$9M)	S Corp. Rate (Gross Sales > $9M)	
2008	9.50%	3.00%	4.50%	10.50%	10.50%	10.50%	5.30%
2009	9.50%	2.80%	4.20%	10.50%	3.47%	5.20%	5.30%
2010	8.75%	2.30%	3.45%	10.00%	3.13%	4.70%	5.30%
2011	8.25%	1.97%	2.95%	9.50%	2.80%	4.20%	5.30%
2012	8.00%	1.83%	2.75%	9.00%	2.50%	3.75%	5.25%
2013	8.00%	1.83%	2.75%	9.00%	2.50%	3.75%	5.25%
2014	8.00%	1.87%	2.80%	9.00%	2.53%	3.80%	5.20%
2015	8.00%	1.90%	2.85%	9.00%	2.57%	3.85%	5.15%
2016	8.00%	1.93%	2.90%	9.00%	2.60%	3.90%	5.10%
2017	8.00%	1.93%	2.90%	9.00%	2.60%	3.90%	5.10%
2018	8.00%	1.93%	2.90%	9.00%	2.60%	3.90%	5.10%
2019	8.00%	1.97%	2.95%	9.00%	2.63%	3.95%	5.05%

Notes: S Corporations' tax rates are determined by formula as follows.
Large S Corp (Gross Sales > $9M): C Corp rate minus Part B individual income tax rate
Medium S Corp ($6M < Gross Sales < $9M): 2/3 of Large S Corp rate
Small S Corp (Gross Sales < $6M): 0%

Source: Massachusetts Department of Revenue