



October 3, 2025

The Honorable James Eldridge, Chair
Joint Committee on Revenue
State House, Room 511C
Boston, MA 02133

The Honorable Adrian Madaro, Chair
Joint Committee on Revenue
State House, Room 34
Boston, MA 02133

RE: Testimony in support of An Act combatting offshore tax avoidance (H.3110/S.2033)

Chair Eldridge, Chair Madaro and distinguished members of the Joint Committee on Revenue:

Thank you for the opportunity to submit written testimony in support of An Act combatting offshore tax avoidance (H.3110/S.2033).ⁱ If adopted, this legislation would allow Massachusetts to collect corporate income tax revenue currently lost to abusive, international profit-shifting by large, multinational corporations. The legislation would generate hundreds of millions of dollars annually to address critical needs of communities throughout the Commonwealth.ⁱⁱ It also would help level the playing field for hundreds of thousands of smaller Massachusetts businesses, which do not engage in international profit-shifting.ⁱⁱⁱ

MassBudget is a non-partisan, non-profit research and advocacy organization. We provide rigorous research and policy analysis, along with strategic advocacy in partnership with grassroots organizations. MassBudget has done extensive research and provides expertise in federal, state, and local tax policy. In collaboration with national experts from the Institute on Taxation and Economic Policy (ITEP), the Center on Budget and Policy Priorities (CBPP), the Urban Institute and Brookings Institution, the Penn Wharton Budget Model, and others, MassBudget has spent decades analyzing the impacts of tax policy proposals on the long-term wellbeing of people in Massachusetts.

The bill before you seeks to improve the Commonwealth's ability to collect an equitable level of corporate income tax on the profits that multinational corporations are generating through their business activity in Massachusetts. Building off of federal tax law, these bills would increase the share of internationally shifted profits - often referred to as "GILTI" profits, for Global Intangible Low-Taxed Income - that the Commonwealth requires multinational corporations to include in their state tax calculations.

Prior to adoption in July of the federal budget reconciliation bill (the “OBBBA”), federal law required corporations to include 50 percent of their GILTI profits in their federal tax calculations.^{iv} Changes included in the OBBBA will push this up to 60 percent GILTI (NCTI) inclusion.^v Currently, a dozen states - including most in New England - follow the federal approach to taxing multinational corporations’ shifted profits.^{vi} Massachusetts, however, decoupled from the federal approach in 2018 and currently requires multinationals to include only 5 percent of their GILTI in their Massachusetts income tax calculations. The bills before you would require multinationals to include 50 percent of their shifted profits in their Massachusetts state tax calculations.

Building off of a recent analysis performed by ITEP, **MassBudget estimates that adopting a robust and well-enforced provision requiring multinational corporations to include 50 percent of GILTI profits in their state tax calculations would generate [over \\$400 million a year](#) for the Commonwealth.**

This additional revenue would come overwhelmingly from a small number of very large multinational corporations. These multinational corporations are operating profitably in Massachusetts, but are choosing to shift substantial amounts of the income of their U.S. subsidiaries onto the books of subsidiaries located in offshore tax havens. Of the \$610 billion in total GILTI profits reported to the IRS in 2021 (the most recent year for which data are available), [93 percent](#) was reported by large C corporations, each with over \$2.5 billion in assets.^{vii} Over 97 percent of total GILTI was reported by C corporations with more than \$500 million in assets. [Less than one half of one percent](#) of all U.S. C corporations reported any GILTI income in 2021.^{viii}

When lawmakers consider closing loopholes that allow corporations to avoid paying their fair share of taxes, opponents often make arguments about competitiveness. The claim is made that businesses will respond to higher tax bills by moving some or all of their operations to lower-tax states. In this case, for example, opponents might argue that if multinational corporations have to account for more of their shifted profits, they will reduce their Massachusetts workforce and capital investments as a way to reduce their Massachusetts state tax bills.

This claim - that businesses’ investment decisions are highly responsive to state tax levels - is not convincing. On average, state and local taxes together account for less than 2 percent of business expenses for most U.S. businesses.^{ix} As such, they are unlikely to drive major business decisions. Nevertheless, prior to 2023, Massachusetts did use a three-factor “apportionment formula” - the formula used to determine the share of a corporation’s profits that are taxable by the state.^x This three-factor formula included the following factors in the calculation of the corporation’s Massachusetts income tax bill: 1) the share of a corporation’s total workforce located in Massachusetts, 2) the share of a corporation’s total capital investments located in Massachusetts, and 3) the share of the corporation’s total sales made to Massachusetts customers. With the three-factor formula in place, changes to a corporation’s Massachusetts workforce and/or capital investments could affect the corporation’s state tax bill. However, with the adoption in 2023 of “single sales factor apportionment”,^{xi} this is no longer the case. Corporate tax opponents’ competitiveness claims became entirely irrelevant. **Under single sales factor apportionment, the size of a corporation’s Massachusetts workforce and/or its capital**

investments in Massachusetts no longer have any connection to the calculation of the corporation's Massachusetts income tax bill.

As the name suggests, under single sales factor apportionment, the only factor that now matters is the sales factor, i.e., the share of a corporation's total sales that are made to Massachusetts customers.^{xii} If 5 percent of the corporation's sales are made to Massachusetts customers, then 5 percent of its profits are taxable by the Commonwealth. While in theory a corporation could choose to reduce its sales to Massachusetts customers in order to reduce its Massachusetts income taxes, this strategy would reduce the corporation's after-tax profits. It's a money losing proposition for the corporation and not one that any corporation is likely to adopt.

Finally, in terms of tax fairness, moving to 50 percent GILTI (NCTI) inclusion is a win for Massachusetts small businesses and for Massachusetts households. **Any business, small or large, that does not have subsidiaries in offshore tax havens, would be entirely unaffected by the change.**^{xiii} Hundreds of thousands of small and mid-size businesses would benefit from this leveling of the playing field against large multinational corporations that currently enjoy what amounts to a sizable tax break - a tax break that is unavailable to the overwhelming majority of Massachusetts businesses. **At the household level, the additional tax revenue generated from moving to 50 percent GILTI (NCTI) inclusion likewise would be highly progressive.** As ITEP analysis has shown, most of the financial benefits that corporations reap from tax cuts, tax breaks, and tax avoidance ultimately flow to the highest income U.S. households. The top 5 percent of households receive [almost 60 percent](#) of these benefits, while the bottom 80 percent of households receive just 16 percent.^{xiv}

As the members of this Committee are aware, the Commonwealth faces a challenging fiscal situation, both in the current fiscal year and beyond. Significant reductions in federal funding are on the horizon. Equally or even more problematically, policy decisions taken at the federal level - from immigration, to trade, to healthcare, food security, energy policy and more - carry a substantial risk of slowing or reversing growth in the national and global economies. This in turn threatens state-level revenue collections in the coming years. Given the current economic and fiscal environment, it is an increasingly pressing matter for the Commonwealth to identify new, progressive state-level revenue sources and to begin collecting from these sources as soon as possible. By moving to 50 percent GILTI (NCTI) inclusion, we would be following the lead of the federal government and most of our neighboring states. We would be adopting a smart, proactive, progressive response to the fiscal threats we face.

MassBudget therefore urges the Committee to report these bills out favorably. It is clear that the Commonwealth will need substantial additional revenue in the years ahead in order to ensure the wellbeing of all our communities and to give every Massachusetts household the opportunity to thrive. Requiring multibillion dollar, multinational corporations to pay taxes on more of the profits they are shifting to offshore tax havens - in other words, requiring these few corporations to pay something closer to their fair share - is a step in the right direction. It is a step toward tax fairness for hundreds of thousands of smaller Massachusetts businesses, and toward providing people throughout the

Commonwealth with the building blocks for shared prosperity. This Committee's support of H.3110/S.2033 can help make this happen. We urge the Committee to report these bills out favorably.

Thank you for your time and consideration.

Respectfully submitted,

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ⁱ [Text of H.3110 and S.2330](#), *An Act combatting offshore tax avoidance*

ⁱⁱ MassBudget memorandum providing an estimate of the revenue to be gained from moving to 50 percent inclusion of GILTI (now NCTI) in state corporate income tax calculations: [Estimate of Potential GILTI Revenue](#), April 2025

ⁱⁱⁱ MassBudget report, [By Taxing GILTI Profits, Massachusetts Can Reclaim Millions in Revenue Lost to Corporate Offshore Tax Dodging](#), March 2025

^{iv} TaxNotes, [GILTI Is No Longer GILTI. How Will That Affect States?](#), July 31, 2025

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^{vi} MassBudget report, [By Taxing GILTI Profits, Massachusetts Can Reclaim Millions in Revenue Lost to Corporate Offshore Tax Dodging](#), March 2025

^{vii} MassBudget report, [By Taxing GILTI Profits, Massachusetts Can Reclaim Millions in Revenue Lost to Corporate Offshore Tax Dodging](#), March 2025

^{viii} MassBudget report, [By Taxing GILTI Profits, Massachusetts Can Reclaim Millions in Revenue Lost to Corporate Offshore Tax Dodging](#), March 2025

^{ix} MassBudget report, [Rising Profits, Falling Tax Shares: Fixing What's Broken](#), December 2023

^x MassBudget report, [Due to Single Sales Factor Apportionment, Multinational Corporations Cannot Dodge State Taxes by Reducing Workforce or Capital Investments in Massachusetts](#), August 2025

^{xi} MassBudget report, [Who Benefits from the New Tax Package?](#), October 2023

^{xii} MassBudget report, [Due to Single Sales Factor Apportionment, Multinational Corporations Cannot Dodge State Taxes by Reducing Workforce or Capital Investments in Massachusetts](#), August 2025

^{xiii} MassBudget report, [By Taxing GILTI Profits, Massachusetts Can Reclaim Millions in Revenue Lost to Corporate Offshore Tax Dodging](#), March 2025

^{xiv} MassBudget report, [By Taxing GILTI Profits, Massachusetts Can Reclaim Millions in Revenue Lost to Corporate Offshore Tax Dodging](#), March 2025