



February 12, 2026

The Honorable Jamie 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 regarding An Act to manage federal tax changes in Massachusetts (H.4975)

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

Thank you for the opportunity to submit written testimony regarding **H.4975, An Act to manage federal tax changes in Massachusetts**.¹ With the federal administration aggressively implementing its own fiscal policies and priorities, states like Massachusetts have an opportunity to protect our own laws from being reshaped by wasteful and inequitable federal changes. The bill before you offers an opportunity for Massachusetts to take collective action to protect our immediate financial stability, to stand up for our values, and to reshape our state's fiscal policies for addressing federal corporate tax changes in the future.

[The Massachusetts Budget and Policy Center](#) (MassBudget) is a 39-year-old non-partisan, nonprofit research and advocacy organization. We provide [rigorous research and policy analysis](#), along with [strategic advocacy](#), in partnership with grassroots organizations that represent all communities throughout the Commonwealth. MassBudget has produced extensive research and holds critical expertise in revenue and [tax policy](#), among other public policy areas.

The bill before you takes steps towards protecting the Commonwealth from bearing the full brunt of the deep tax cuts enacted at the federal level in last summer's sweeping "One Big Beautiful Bill Act" (OB3). Governor Maura Healey has proposed a package of adjustments to the OB3 tax cuts-related changes that would limit the scope of some changes and would delay implementation of others. The governor's bill would also create a less abrupt process by which future large federal tax changes could enter the Massachusetts tax code.

The Committee on Revenue now has the opportunity to make needed improvements to the governor's proposed bill to preserve even more state revenue from the federal OB3 changes, avoid ill-advised and ineffective tax breaks for wealthy corporations, and better protect Massachusetts from future federal tax changes.

The bill before you delays adoption of the [five most costly federal corporate tax cuts](#) made in the One Big Beautiful Bill Act (OB3).² While the governor's proposed bill would reduce and delay the state's revenue

losses from these OB3 changes, the wealthiest investors would still receive enormous federal benefits from the federal tax cuts. The corporate and individual tax breaks in OB3 altogether will provide an [average annual federal tax reduction of \\$84,800](#) to the top 1 percent of Massachusetts households (those with incomes above \$1.1 million a year).³ By contrast, the lowest income 20 percent of Massachusetts households (those with incomes below \$27,100 a year) will see average federal tax cuts of just \$50 each from OB3. *High-income households and rich corporations do not need a second round of state-level tax cuts layered on top of the large federal tax cuts they will receive from OB3.*

We propose that the state instead opts out entirely from these five costly federal changes. We don't believe limiting and delaying implementation of these [ineffective and inequitable policies](#) is the solution.⁴ While the governor's proposal would eliminate the retroactivity of the corporate tax cuts in OB3 - a feature of her proposal that makes great sense and that we strongly endorse - eliminating these tax breaks entirely is a substantially better option.

By completely opting out of these five OB3 changes, Massachusetts can preserve \$278 million in FY 2027 alone (based on the Department of Revenue projections from fall 2025). The governor estimates that the partial measures in H.4975 would preserve only \$108 million of that revenue. Fully opting out of all five federal changes would more than double these savings. All of this revenue can be invested in the many needs of people throughout the Commonwealth.

These corporate tax breaks are not targeted to boost investment in Massachusetts. All of these OB3 tax breaks reduce a corporation's tax obligations based on investments the corporation makes in its operations in *any* state across the nation, not necessarily in Massachusetts.⁵ **Unless Massachusetts opts out entirely from these federal tax breaks, we will forgo significant Massachusetts tax revenue to reward corporations for investments they make in Texas, Florida, New York, or any other state in the country.** A policy like this one won't incentivize corporations to invest in Massachusetts if it equally rewards them with a tax cut for investing in other states. This is a costly waste of state resources.

The proposed bill attempts to address this problem for only one of the five corporate tax breaks. The so-called "Opportunity Zones" (OZ) tax breaks were enacted in the federal 2017 Tax Cuts and Jobs Act and touted as a way to bring investment to economically depressed areas.⁶ In actuality, some ten years on, the research shows that the OZ program has failed to create many jobs in economically depressed communities.⁷ The chief impact has been to deliver large tax breaks to wealthy individuals and corporations, including through investments in business and building projects that would have occurred even without the OZ tax break. The Commonwealth currently forgoes tax revenue for investments made in Opportunity Zones in any state, not just in Massachusetts. The governor's proposed bill would keep this tax break only for OZ investments made in Massachusetts, reclaiming some revenue. But given how poorly the program has performed thus far, we urge that you eliminate this tax break altogether from the Massachusetts tax code.

Instead of automatically adopting federal corporate tax changes as soon as they are passed at the federal level, the bill before you proposes that Massachusetts delay these changes for up to one year (similar to the approach taken by the state of Maryland)⁸ if the change would increase or decrease state revenue by more than \$20 million per year. This is a step in the right direction. However, the Maryland policy - and

the policy proposed by Governor Healey - automatically adopts federal changes above the set threshold unless state lawmakers enact legislation over the course of a year to prevent adoption. We propose a safer and more deliberate approach: the Commonwealth should automatically adopt only those federal corporate tax changes with an estimated annual impact *below* the threshold. This would ensure that the Commonwealth would not adopt large federal tax changes - those with an annual cost above the threshold - unless legislators take affirmative action to enact these higher-impact changes. This approach would be better aligned with the approach Massachusetts takes to our personal income tax (PIT) code. Massachusetts adopts into our state PIT code only those federal provisions that state lawmakers vote to accept, as part of a process of updating our PIT that occurs every few years.⁹

The bill before you also makes changes to the funding and tax contributions for Paid Family and Medical Leave. In the absence of other policy changes, it appears that the bill would shift significant responsibility for contributing to medical leave costs from large employers onto their workers. Complying with IRS guidance need not reduce employees' take-home wages. Instead of shifting the cost of Paid Family Medical Leave onto employees of large businesses, we propose that you adjust the composition of other cost contributions to comply with the new IRS guidance. This could ensure that the costs of funding these important benefits are not shifted from large employers onto their workers.

Separate from H.4975, but relatedly, we also want to elevate three additional solutions for the Commonwealth to raise more progressive revenue in order to meet the critical needs of communities across the state.

We urge the Committee to move forward proposals:

- to give cities and towns the ability to enact a local option transfer fee on high-end real estate to raise revenue to help address local housing needs;¹⁰ and
- to include in corporate state tax calculations more of the profits that multinationals currently shift to offshore tax havens.¹¹ This would allow the Commonwealth to collect hundreds of millions of dollars a year¹² from multibillion dollar corporations that currently are using complex accounting schemes to avoid paying their fair share of state taxes.
- to end the special sales tax exemption for purchase of aircraft and aircraft parts which subsidizes the Commonwealth's wealthiest households and the form of transportation most destructive to the climate.¹³

In conclusion, we believe the legislature can make changes to H.4975 to better protect critical revenue resources and ensure our tax code remains equitable. We urge the Committee to consider and to incorporate the recommendations we have made regarding H.4975. MassBudget will continue to work alongside this Committee and with other partners to ensure the Commonwealth has the resources needed to support our communities as we navigate the fiscal challenges ahead.

Thank you for your time and consideration.

Respectfully submitted,

Phineas Baxandall, Ph.D.
Director of Research and Policy Analysis

Endnotes

¹ [Bill H.4975](#), An Act to manage federal tax changes in Massachusetts

² MassBudget report, November 10, 2025: [Protect Massachusetts's Fiscal Stability: Which OB3 Tax Changes to Opt Out of and Why - Mass. Budget and Policy Center](#)

³ Analysis by the Institute on Taxation and Economic Policy (ITEP), July 22, 2025, "[Analysis of Tax Provisions in Trump Megabill](#)"

⁴ MassBudget report, November 10, 2025: [Protect Massachusetts's Fiscal Stability: Which OB3 Tax Changes to Opt Out of and Why - Mass. Budget and Policy Center](#)

⁵ MassBudget report, November 10, 2025: [Protect Massachusetts's Fiscal Stability: Which OB3 Tax Changes to Opt Out of and Why - Mass. Budget and Policy Center](#). See also, Institute on Taxation and Economic Policy, "[Why States Shouldn't Go Along with OBBBA's Corporate Tax Breaks](#)"

⁶ Institute on Taxation and Economic Policy (ITEP), December 19, 2019, "[Opportunity Zones Bolster Investor's Bottom Lines Rather than Economic or Racial Equity](#)"

⁷ Institute on Taxation and Economic Policy (ITEP), November 12, 2025, "[State Dollars Shouldn't Subsidize Federal Opportunity Zones](#)"

⁸ In Maryland the threshold is set at \$5 million. See Institute on Taxation and Economic Policy, (ITEP) "[How Does Federal-State Tax Conformity Work?](#)"

⁹ See, for example, introductory discussion in Massachusetts Department of Revenue, [Draft Technical Information Release, November 21, 2025](#)

¹⁰ MassBudget report, February 13, 2025, "[Local Revenue Is A Key Tool to Advance Housing Affordability](#)"

¹¹ MassBudget report, March 19, 2025, "[By Taxing the GILTI, Massachusetts Can Reclaim Millions in Revenue Lost to Offshore Tax Dodging](#)"

¹² MassBudget report, April 28, 2025, "[Estimate of Potential GILTI Revenue](#)"

¹³ MassBudget, November 17, 2025, "[Testimony in support of An Act relative to the repeal of the sales tax exemption for aircraft and An Act to repeal the sales tax exemption for aircraft](#)"