Corporate Fair Share for Transportation



How Massachusetts Can Invest in Equitable Transportation AND Make Our Tax System More Fair

RAISE UP MASSACHUSETTS

GREEN JUSTICE COALITION

Produced with union labor

Executive Summary

Raise Up Massachusetts is a grassroots coalition of community organizations, religious groups, and labor unions committed to building an economy that works for all of us. Since 2015, we've been campaigning for the Fair Share Amendment, which would raise billions of dollars for investment in transportation and public education while making our state tax system more equitable. Throughout the last year, we've also campaigned for corporations to pay their fair share to support investments in our transportation systems across the state.

The Green Justice Coalition is a partnership of community-based, environmental, and labor allies who lead campaigns that have a meaningful impact on working-class people and communities of color. Together, our members organize and advocate for a just transition to a sustainable economy that allows our communities to achieve environmental and economic justice.

After years of underinvestment, Massachusetts' transportation systems are at a crisis point. Because of the failures of our transportation systems, many working families in Massachusetts are struggling with lengthy commutes, high transportation costs, and a lack of opportunity. In order to build the modern, reliable transportation systems we need all across the Commonwealth, we need significant new revenue for investment in transportation.

At the same time, the benefits of economic growth have increasingly gone only to the very wealthy, and our state tax system is making things worse. Low- and moderate-income households in Massachusetts pay a larger share of their income in taxes than households with higher incomes do. And far too many large, profitable corporations that do business in Massachusetts use loopholes to hide their profits, exploit tax breaks to avoid paying their fair share of taxes, and take advantage of weak corporate disclosure laws to keep the public in the dark about just how little they contribute.

We need major investments in transportation, but we cannot continue to balance our budgets solely on the backs of low- and moderate-income people. Large, profitable corporations move their goods on our publicly-funded roads and bridges and bring their employees to work on our public transportation systems. They have a shared responsibility to help fund continued investments in transportation.

The Green Justice Coalition and Raise Up Massachusetts believe that any transportation revenue package considered by the Legislature this year must move us toward a more equitable and sustainable transportation system, and toward a more progressive tax system that reduces economic inequality. To do so, we support an economically progressive transportation revenue package that balances any regressive "user taxes" with revenue generated by ensuring that large, profitable corporations are paying their fair share.

In this report, we propose five principles for transportation spending:

- **Transportation should be sustainable**: New investment should help reduce the state's greenhouse gas emissions and increase the climate resiliency of our communities.
- **Transportation investments should be statewide**: Transportation spending should address the unique needs of residents in every region of the Commonwealth.
- **Public transit should be public**: Public ownership, operation, and management should form the baseline of our transit systems.
- **Public transit should be affordable**: Lower-income people, who are more likely to depend on public transit, should have access to affordable discounted fares.
- **Public transit should be equitable and accessible**: New investment should prioritize service to those historically left out of the full benefits of public transportation: people of color and working-class communities.

We also propose three principles for transportation revenue:

- **Fair**: Must be economically progressive, to bring the share of income paid by higher-income people more in line with that paid by lower-income people.
- **Sustainable**: Must be supported by the public and capable of surviving attempted repeal, so that we can count on the revenue to make necessary investments.
- **Adequate**: Must raise enough revenue to meet the Commonwealth's needs.

To meet these principles, we propose five specific revenue policies:

- **The Fair Share Amendment**: An additional tax of four percentage points on the portion of a person's annual income above $1 million, dedicated to transportation and public education. Would generate approximately $2 billion/year.
- **GILTI (Global Intangible Low Taxed Income) Tax**: A tax on a portion of corporations' US profits that are shifted to offshore tax havens. In a little-noticed move last year, lawmakers exempted 95% of this income from taxation, shielding offshore tax dodgers. Would generate approximately $250-350 million/year.
- **Tiered Corporate Minimum Tax**: A tiered tax to ensure that larger corporations pay a minimum corporate tax bill in proportion to the size of their business in MA, while small businesses continue paying the current corporate minimum tax of $456 per year. A revenue estimate is unclear due to a lack of adequate corporate disclosure, but the current corporate minimum tax generated $55.9 million in 2015.
- **End the Single Sales Factor Tax Cut for Mutual Fund Service Companies**: This tax cut was instituted to promote financial sector employment in Massachusetts but has failed to stop recipients from transferring jobs out of state. Would generate approximately $140 million/year.
- **Corporate Disclosure**: Laws to measure the effects of existing corporate tax loopholes, giving advocates and policymakers the information needed to identify corporate bad actors and generate additional future revenue by closing corporate tax loopholes.

Part 1: Who We Are

Raise Up Massachusetts
Raise Up Massachusetts is a grassroots coalition of community organizations, religious groups, and labor unions committed to building an economy that works for all of us. An economy that invests in families, gives everyone the opportunity to succeed, and creates broadly shared prosperity.

Since our coalition came together in 2013, we have nearly doubled wages for hundreds of thousands of working people by winning two increases in the state's minimum wage, won best-in-the-nation earned sick time and paid family and medical leave benefits for workers and their families, and started to build an economy that works for all of us, not just those at the top. Since 2015, we've been campaigning for major new investments in transportation and public education, paid for by asking the richest among us to pay their fair share.



Raise Up Massachusetts' daily work is coordinated by a Steering Committee made up of the following organizations:

- 1199SEIU United Healthcare Workers East
- AFT Massachusetts
- Alliance for Business Leadership
- Coalition For Social Justice (CSJ)
- Jewish Alliance for Law and Social Action (JALSA)
- Massachusetts AFL-CIO
- Massachusetts Communities Action Network (MCAN)
- Massachusetts Jobs with Justice
- Massachusetts Teachers Association (MTA)
- Massachusetts Voter Table
- Progressive Massachusetts
- SEIU Local 509
- SEIU State Council

A full list of Raise Up Massachusetts coalition members can be found at https://www.raiseupma.org/about-us/.

Green Justice Coalition

The Green Justice Coalition is a partnership of community-based, environmental, and labor allies who lead campaigns that have a meaningful impact on working-class people and communities of color. Together, our members organize and advocate for a just transition to a sustainable economy that allows our communities to achieve environmental and economic justice.

We work to demand equity in clean energy and environmental policy, ensure environmental justice protection and a just transition for all, and empower lower-income communities to benefit from renewable energy and environmental policies. Since 2012, the Green Justice Coalition's campaign victories include the establishment of an MBTA youth pass and discounted senior pass, rider/worker seats on the Regional Transit Authority Advisory Boards, comprehensive planning requirements for RTAs, and a cap on MBTA fare increases. We continue to campaign for equitable and affordable transit, including a reduced fare on the MBTA for low income riders.



The Green Justice Coalition is made up of the following organizations:

- Alternatives for Community & Environment
- Boston Climate Action Network
- Chinese Progressive Association
- Clean Water Action
- Coalition for Social Justice
- Community Labor United
- GreenRoots
- Neighbor to Neighbor
- New Roots AME Church
- Youth on Board/Boston Student Advisory Council

Part 2: The Need for Transportation Investment

Massachusetts' transportation systems are at a crisis point.

Greater Boston faces the worst traffic congestion in the country.[1] The MBTA recently voted to increase fares once again, placing more of a burden on transit riders who are paying more even as the system is plagued by delays, overcrowding, and safety problems. In other regions of the state outside Greater Boston, access to public transportation options is limited, roads and highways are decaying, and nearly 500 bridges in Massachusetts are structurally deficient.[2] None of the state's 15 Regional Transit Authorities (RTAs) can afford to provide late-night service, and many stop running after 6:30 p.m. and/or do not provide service on Sundays or on weekends.[3]



A recent report by an independent Safety Review Panel, which was commissioned by the MBTA's Fiscal and Management Control Board, found that years of budget and staff cuts have contributed to safety concerns throughout the MBTA. Among other things, the panel found that "deep budget reductions have resulted in the lack of resources in critical areas, which may be affecting the safe delivery of services."[4] If we continue to delay making major investments in our transportation systems, these problems will only get more dangerous and more expensive to solve in the future.

Because of the failures of our transportation systems, many working families in Massachusetts are struggling with lengthy commutes, high transportation costs, and a lack of opportunity. High fares, unsafe operations, inadequate service, overcrowding, and equipment failures make it risky and uncomfortable to use our buses, trains and paratransit. Communities of color and lower-income residents—who disproportionately rely on public transportation to meet their basic needs[5]—bear the brunt of the problems.



Photo Credit: MA Office of Travel and Tourism

As community, faith, environmental, and labor groups, we share a vision: that our transportation systems across the state should help support working families and lower-income people, not operate as a barrier to opportunity. For Massachusetts to support all of our residents and communities, and to compete against other regions around the nation and the globe, we need to invest in modern, reliable transportation: safer roads and bridges, public transportation that works, and safe ways to walk and bike.

In order to get there, there is nearly universal acknowledgment that Massachusetts needs significant new revenue for transportation. A February report by the Boston-area business group A Better City projected an $8.4 billion shortfall in statewide transportation funding over the next decade.[6] The Transportation Table, a group of business, industry, municipal, and non-profit leaders, recently called for $545-750 million in additional annual transportation investment over the next five years.[7]

The MBTA safety report reaffirmed the need for major infrastructure investments in the T, but also made it clear that those investments cannot come at the expense of the T's operating budget. The MBTA clearly needs transformative investments in personnel and staffing in order to make up for years of budget cuts, and to accelerate the necessary infrastructure investments while still ensuring the safety of T riders and workers.

But in recent years, the only group that has done more to pay for our transportation systems is public transit riders. MBTA fares have increased four times since January 2012, with the price of a subway ride on a Charlie Card rising from $1.70 to $2.40 (a 41% increase), and the price of a bus trip on a Charlie Card rising from $1.25 to $1.70 (a 36% increase). RTA riders are paying more for less service, after years of inadequate funding from the state forced RTAs to repeatedly raise fares and cut service.

How Corporations Benefit from Our Transportation Systems

Drivers, pedestrians, public transit riders, and cyclists aren't the only users of our transportations systems. Large, profitable corporations move their goods on our publicly-funded roads and bridges and bring their employees to work on our public transportation systems.

Massachusetts corporations clearly recognize this benefit. The Greater Boston Chamber of Commerce says that members "constantly point to transportation – improving commutes, reducing congestion, and having a world class public transportation system – as their top policy priority, and that "more investment is needed."[8] A group of business organizations led by the Kendall Square Association says "we all use and benefit from" public transportation and that "we should all invest in its repair and expansion."[9]

We strongly agree, and that means that large, profitable corporations, which benefit greatly from a reliable transportation system, have a shared responsibility to help fund continued investments in transportation.

Part 3: The Need for a More Fair Tax System

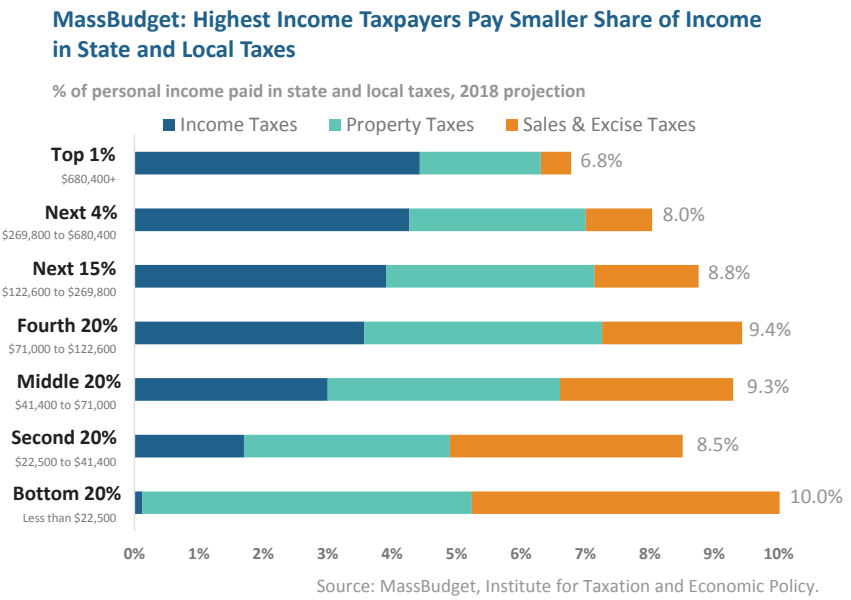
At the same time, the benefits of economic growth in Massachusetts have increasingly gone only to the very wealthy, and our state tax system is making things worse.

From 2009 to 2015, 58 percent of all income growth in Massachusetts went to the top 1 percent of families in the state. Massachusetts is one of only nine states in which the 1 percent captured more than half of all income growth over this period of economic recovery from the Great Recession.[10]

While Massachusetts's high level of economic inequality is caused by many factors, from our high-tech economy to our failure to properly invest in supports for working people over the last several decades, a big contributor is our state tax system. Instead of helping to reduce economic inequality, the structure of our state tax system is actually making things worse.

When it comes to individual taxes, our state and local tax system is upside down. Low- and moderate-income households in Massachusetts pay a larger share of their income in taxes than households with higher incomes do. In fact, the highest-income households in Massachusetts – those in the top 1 percent – pay a smaller share of their income in state and local taxes than does any other income group.[11] Income tax cuts made in the late 1990s and early 2000s now cost Massachusetts more than $4 billion annually, and the benefits mostly go to the highest-income households. The top 1 percent of households alone receives over a quarter of the total, a reduction of $1.15 billion in their annual taxes.[12]





Proposals to increase transportation-related user taxes and fees, such as the gas tax, tolls, and transit fares, would make this upside-down system even worse. According to the Massachusetts Budget and Policy Center, a 10-cent tax increase would cost, on average, 0.20 percent of income for the lowest-income households, and less than 0.001 percent of income for those in the top 1 percent. Low-and moderate-income individuals also often have less flexibility to change their commuting patterns or to buy a more fuel-efficient car, and many low-and moderate-income families live in communities with few viable alternatives to car travel.[13]

The situation is even worse when it comes to taxes on large corporations, which are largely owned by those individuals in the top 1 percent.[14] For decades, profitable Fortune 500 companies have manipulated the tax system to avoid paying even a dime in federal tax on billions of dollars in U.S. profits. And in 2017, congressional Republicans and the Trump Administration gave corporations a $140 billion annual federal tax cut. Given the relative size of our state economy, this likely translates into a tax cut for MA businesses of around $4 billion a year.[15]

A recent Institute on Taxation and Economic Policy report found that in 2018, 60 of America's biggest corporations paid zero federal income taxes on $79 billion in U.S. pretax income. Worse, instead of paying $16.4 billion in taxes at the 21 percent statutory corporate tax rate, these companies enjoyed a net corporate tax rebate of $4.3 billion. Corporations paying zero federal taxes in 2018 included Amazon, Chevron, Delta Airlines, Eli Lilly, General Motors, Gannett, Goodyear Tire and Rubber, Halliburton, IBM, JetBlue Airways, Netflix, Principal Financial, Salesforce.com, US Steel, and Whirlpool, among others.

This high level of corporate tax avoidance occurs in Massachusetts too: many large, profitable corporations that do business here use loopholes to hide their profits, exploit tax breaks to avoid paying their fair share of taxes, and take advantage of weak corporate disclosure laws to keep the public in the dark about just how little they contribute. Special business tax breaks, which apply only to businesses operating in specific industries or reward only certain kinds of business activities, cost the Commonwealth

Thousands of large corporations doing business in Massachusetts pay only $456 each year in state taxes on their profits. That's less than you'd pay for…

A year of bus passes for the MBTA ($660) or for regional transit systems in Worcester ($684), the Pioneer Valley ($648), or Brockton ($480).

5 months of turnpike tolls driving from Framingham to Boston (~$462)

2 months of commuter rail travel from Lynn or Dedham to Boston ($464)

A 1-month Zone 8 commuter rail pass & T pass ($478)

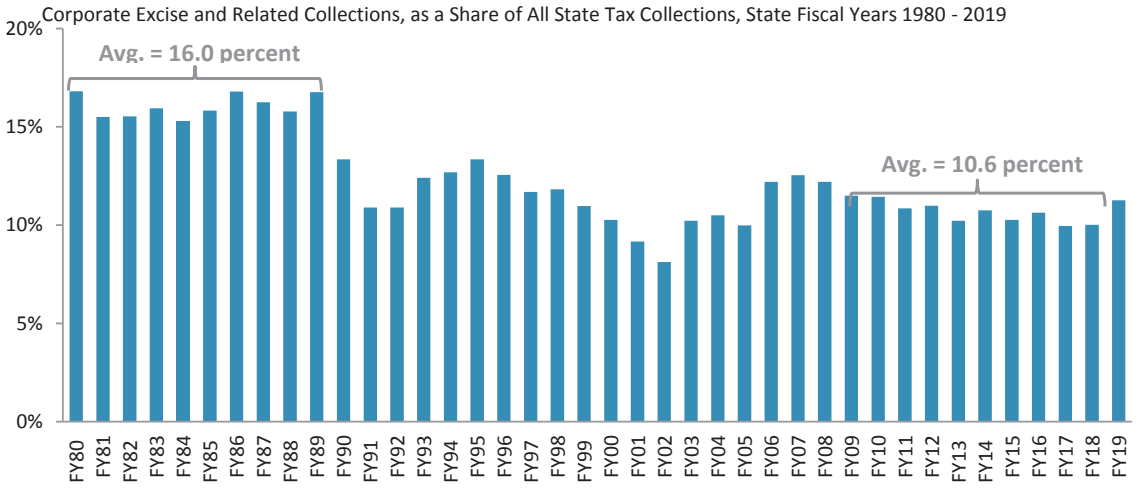
over $1 billion annually.[16] And while more recent data is not readily available, a 2004 Department of Revenue report found that 2,283 companies with gross receipts over $50 million — a third of all such large companies — paid only the existing corporate minimum tax of $456 per year.[17]

It's clear that large corporations are not paying their fair share of taxes in Massachusetts, even when compared to other states. A 2018 report by the Council on State Taxation (COST), a corporate trade association, ranked Massachusetts in the bottom fifth of all states in terms of overall business tax levels, and found that there are only eight other states in which businesses pay a smaller share of total state and local taxes.[18]

What's worse, things are moving in the wrong direction. In Massachusetts, corporate tax payments have dropped significantly as a share of total state tax collections, even as corporate profits haven risen nationally. In the 1980s, corporate tax payments provided 15 to 17 percent of the Commonwealth's total tax collections. But in the 2010s, they provided only 10 to 11 percent of the total tax collections used to invest in public goods and services.[19]

Had the corporate tax share not fallen since the 1980s, Massachusetts would have collected an additional $1.4 billion in corporate taxes in Fiscal Year 2019.[20] It's clearly time for large, profitable corporations to pay their fair share again.

MassBudget: Corporate Excise Collections Have Fallen as Share of Total MA Taxes



Source: MassBudget; Department of Revenue tax data.

Part 4: Our Transportation Spending Principles

We must invest in transportation systems throughout the state, with an emphasis on improving public transit through the Massachusetts Bay Transportation Authority (MBTA) and the state's fifteen Regional Transit Authorities (RTAs). As we rebuild our transportation systems, we must make sure that we are spending money in ways that benefit the public good.

The Green Justice Coalition and Raise Up Massachusetts propose five principles for transportation spending:

Transportation should be sustainable
New transportation investment should help reduce the state's greenhouse gas emissions and increase the climate resiliency of our communities.

Improving and expanding transit systems will encourage people to leave their cars at home, reducing pollution that drives climate change. We can make public transit even more environmentally sustainable by investing in alternatives to fossil fuels, such as electrifying transit fleets and building better bicycle infrastructure.

We have a responsibility to care for our public transit resources over the long term and adequately fund repair and expansion and ensure good jobs to retain employees over the long term.

Transportation investments should be statewide
Transportation spending should address the unique needs of residents in every region of the Commonwealth. That means giving more Massachusetts residents the option to travel by high-quality public transportation, walking, or biking, while still supporting car-dependent communities by investing in roads and bridges, and by ensuring universal access to broadband internet to enable telecommuting.



Public transit should be public
Public ownership, operation, and management should form the baseline of our transit systems, in order to:

- Make sure the public interest—not the profit motive—drives decision-making
- Allow democratic debate on funding and expenditures
- Strengthen opportunities for community oversight and input
- Provide good jobs with livable wages and a voice at work

Outsourcing operation and management through contracting, public private partnerships, or outright privatization can drive up costs, lower quality of service, and drive down job standards. Transit, a key public good in Massachusetts, should not be exempt from the protections of the Taxpayer Protection Act (Pacheco Law).

Public transit should be affordable

Public transportation in Massachusetts is increasingly unaffordable for lower-income people, who are more likely to depend on public transit as their primary means of transportation. A discounted fare would make it more affordable for people to get to work, school, the doctor, or wherever else they need to go.

A pilot project at MIT found that low-income people with access to a half-price fare took 30 percent more trips overall, and took more trips to access healthcare and social services.[21] People with incomes at or below 300 percent of the federal poverty level—equal to $37,370 for a single person—should have access to discounted fares set at 50% of the regular fare.

Public transit should be equitable and accessible

Transit systems in Massachusetts today do not provide the same level of service to all people, with people of color spending more time and money to get where they need to go.[22]



We must build an equitable and accessible transit system by ensuring that:

- New investment prioritizes service to those historically left out of the full benefits of public transportation: people of color and working-class communities.
- Paratransit services for people with disabilities is easily accessible and affordable, even for people living outside of urban centers.
- Cash payment is an option at all points of entry for the transit system, so there are no added barriers for people without mobile phones, credit or debit cards, or bank accounts. If cash payment is an obstacle to high-quality transit service in certain settings, such as on buses, then free service should be considered in those settings.
- Public transit systems should provide good jobs and ensure that:
    - » All the workers involved in our transit systems earn at least a living wage and have a voice on the job.
    - » The MBTA and RTAs train and hire people from communities that depend on them.

Part 5: Our Revenue Principles and Proposals

In order to raise the revenue needed to make these investments while moving Massachusetts toward a more progressive tax system that reduces economic inequality, Raise Up Massachusetts and the Green Justice Coalition propose three principles for transportation revenue:

Fair: Must be economically progressive, to bring the share of income paid by higher-income people more in line with that paid by lower-income people.

Sustainable: Must be supported by the public and capable of surviving attempted repeal, so that we can count on the revenue to make necessary investments.

Adequate: Must raise enough revenue to meet the Commonwealth's needs.

Some organizations, including corporate lobbyists that opposed previous attempts to raise revenue for transportation spending, are calling for the passage of a transportation revenue package that relies exclusively on regressive user taxes and fees, which disproportionately impact low- and middle-income people. These proposals include a sizable increase in the gas tax, higher tolls, and new fees on ride-hailing. Noticeably absent is any contribution from large, profitable businesses.

The Green Justice Coalition and Raise Up Massachusetts do not support a revenue package comprised entirely of regressive taxes and fees. To meet our principles and invest in transportation without making our tax system more inequitable, we propose five specific revenue policies:

Long-Term Revenue Proposal: The Fair Share Amendment

In 2013, community, labor, and faith groups in the Raise Up Massachusetts coalition first proposed the most progressive and sustainable way to raise substantial new revenue for transportation and public education: the Fair Share Amendment.

Because of constitutional restrictions dating to more than 100 years ago, when Massachusetts was one of the first states to create an income tax, Massachusetts has a single uniform income tax rate, currently 5 percent. The Legislature cannot set progressive or gradated tax rates that tax higher income levels at a higher rate, like the federal government and most other states with an income tax do.

The Fair Share Amendment is a proposal to amend the Massachusetts Constitution, creating an additional tax of four percentage points on the portion of a person's annual income above $1 million. The new revenue, approximately $2 billion a year, would be dedicated to spending on public schools and colleges, roads, bridges, and public transportation. To ensure that the amendment continues to apply only to the highest income taxpayers, who have the ability to pay more, the $1 million threshold would be

How Corporate Lobbyists Cost Massachusetts $8 Billion

The Fair Share Amendment should be in effect today. After it was first proposed in 2015, the Amendment received overwhelming support from Massachusetts voters in repeated public polling and passed two consecutive constitutional conventions with the support of large majorities of the Legislature. It was set to appear on the November 2018 statewide ballot and, once passed, would have generated an additional $2 billion a year for spending on transportation and public education each year starting in 2019.

But then, a corporate-financed lawsuit backed by over a million dollars in undisclosed donations, and led by five corporate lobbying organizations – Associated Industries of Massachusetts (AIM), the Massachusetts Competitive Partnership (MCP), the Massachusetts High Technology Council (MHTC), the Massachusetts Taxpayers Foundation (MTF), and the National Federation of Independent Business (NFIB) – led to the Fair Share Amendment being removed from the ballot on a technicality which applies to citizen-initiated amendments.

These five corporate lobbying organizations are led by some of the largest, most profitable businesses in Massachusetts, including Bain Capital (MHTC), Fidelity Investments (AIM, MCP, and MTF), the Kraft Group (MCP and MHTC), Liberty Mutual (MCP), Santander Bank (MTF), and State Street Corporation (AIM, MCP, and MTF). Our current transportation and education funding crisis is their responsibility.

Raise Up Massachusetts is now engaged in a campaign to place a legislative-initiated version of the Fair Share Amendment on the 2022 statewide ballot. The technicality that derailed the earlier citizen-initiated measure does not apply to this legislative-initiated version. Still, revenue from the new Fair Share Amendment will not be available to spend on investments in transportation and public education until 2023. Those four lost years represent $8 billion in revenue we could be using right now to invest in roads and bridges, schools and colleges, and public transportation infrastructure.

adjusted each year to reflect cost-of-living increases.

Legislation introduced by Sen. Lewis (S.16) and Rep. O'Day (H.86), which is supported by both Raise Up Massachusetts and the Green Justice Coalition, started the legislative process of amending the constitution. In June 2019, the Fair Share Amendment received a Constitutional Convention vote of 147 legislators in favor to 48 opposed. Now, it must receive a second 50% votes of the Constitutional Convention during the 2021/2022 legislative session order to be placed on the November 2022 ballot for voters to decide.

Near-Term Revenue Proposals: Corporate Fair Share

For too long, big corporations and the wealthy have made sky-high profits moving their goods on our publicly-funded roads and bridges and bringing their employees to work on our public transportation systems, while working people throughout Massachusetts are asked to pay more and more to drive on congested roads and to ride on broken trains and delayed buses.

This year, Raise Up Massachusetts and the Green Justice Coalition support an economically progressive transportation revenue package that balances any regressive "user taxes" with revenue generated by ensuring that large, profitable corporations are paying their fair share.

We propose four specific policies:

GILTI (Global Intangible Low Taxed Income) Tax
Many multinational corporations who do business in MA dodge taxes by using provisions of the federal tax code to shift their US profits to offshore tax havens. Because the 2017 Republican tax law made this type of tax avoidance even easier for multinational corporations, Congress included an anti-abuse provision called "GILTI" ("Global Intangible Low-Taxed Income") in the law. It has no effect on local companies, only on large multinational corporations that declare certain profits off-shore.



Massachusetts' tax code automatically included GILTI because we mostly conform to the federal tax code, but in late 2018, state policymakers substantially repealed this provision without substantive legislative review or any public debate. While our neighbors in Maine, New Hampshire, Vermont, and Rhode Island, as well as states with

similar economies to Massachusetts such as New Jersey and Maryland, all conform to the federal tax code by including 50 percent of GILTI in their tax base, Massachusetts now includes only 5 percent.[23]

Massachusetts should do the same as other states and federal law, and tax a fair portion of those offshore profits by including 50 percent of GILTI in our tax base. Doing so would generate approximately $250-350 million/year in new state revenue.

Tiered Corporate Minimum Tax

Many large corporations who do business in MA use various tax breaks and loopholes to reduce their reported profits to tax authorities, allowing them to eliminate their tax burden. To ensure that all corporations pay some corporate tax regardless of how much they report in profits, the state has a corporate minimum tax, but it hasn't changed in 30 years. In 2015, 70 percent of all businesses that filed corporate excise taxes in Massachusetts paid only the existing corporate minimum tax of $456 per year.[24]

While that number might make sense for truly small businesses, it's clear that many large corporations pay only the corporate minimum tax as well. While more recent data is not readily available, a 2004 Department of Revenue report found that 2,283 companies with gross receipts over $50 million — a third of all such large companies — paid only the corporate minimum tax. 207 companies with annual sales over $1 billion — a quarter of all such very large companies —paid only the corporate minimum tax.[25]

Several other states, including New York, New Jersey, and Oregon, have a tiered corporate minimum tax, so that businesses with larger volumes of sales pay larger minimum amounts.

Increasing the corporate minimum tax for larger corporations would ensure that they pay a minimum in proportion to the size of their business in the state, while small businesses continue paying the current minimum. Under this proposal, the corporate minimum tax would reach $200,000 for companies with over $1 billion in Massachusetts sales (the highest of 10 tiers), while companies with less than $500,000 in Massachusetts sales would continue paying $456. A revenue estimate for this proposal is unclear due to a lack of adequate corporate disclosure, but the current corporate minimum tax generated $55.9 million in 2015.

End the Single Sales Factor Tax Cut for Mutual Fund Service Companies

For multi-state companies with significant operations in Massachusetts, the share of the company's total profits that will be taxed by the Commonwealth typically is tied to three factors: the share of its total payroll located in-state, the share of its total property holdings located in-state, and the share of its total sales made to in-state customers. However, since 1997, a special tax break has allowed certain mutual fund service corporations to use a single sales factor (SSF) approach, which bases the tax they pay the Commonwealth solely on the share of their total nationwide sales made to in-state customers.

This tax break came with a requirement that these corporations increase employment

Are User Fees the Only Way to Fund Transportation Spending? What About Bonding?

Some argue that only taxes and fees from the use of transportation – such as the gas tax, tolls, transit fares, and ride-hailing fees – should fund transportation spending. This is a different principle than is applied to many other public functions. For instance, we don't require public health to be supported by medical fees or fund law enforcement solely from criminal fines. It would greatly distort public functions if their public support depended on charging users (sidewalks and bike lanes, for instance). Nonetheless, some repeat a mantra that "transportation users should pay for transportation investments."

Massachusetts currently funds transportation spending from a variety of revenue sources, including general funds and the penny of the sales tax that goes to the MBTA. Large corporations are major users of our transportation system. To generate profits for their shareholders, these corporations depend on our transportation systems to transport their workforce and customers, and to deliver their goods to market. Taxes on corporate profits are a form of transportation tax, and large corporations should help fund investments in our transportation systems.

Others claim that we should only raise revenue for transportation spending from transportation sources that have traditionally been used for bonding (when the Commonwealth borrows money to finance long-term capital investments that get paid off over several years). The fact is, bonds can be backed by any dedicated revenue source or general funds. Legislators could choose to dedicate any ongoing revenue stream to transportation investments – as the Commonwealth currently issues transportation bonds by dedicating some future revenue from state gas taxes and federal transportation aid. For example, if it were financially advantageous, the legislature could dedicate a specified portion of corporate tax revenues to the Commonwealth Transportation Fund, where these revenues could be pledged toward repayment of transportation bonds.

And in addition to capital investments that require bonding, we also need major ongoing investment in the operating budgets of the Massachusetts Department of Transportation, MBTA and RTAs, to repair roads and hire additional bus drivers, maintenance workers, and professional project management staff, among other priorities.

Regardless of what gets dubbed "transportation revenue" or which revenues the Commonwealth uses to pay back bonds, asking large, profitable corporations to pay their fair share is the right way to invest in our transportation infrastructure and operations.

levels 5% a year for 5 years, and maintain the higher levels through 2003 only.[26] After 2004, these companies continued to receive the tax break even if employment levels dropped. By 2011, the Department of Revenue estimated that SSF for mutual fund service companies had deprived Massachusetts of about $1.7 billion in revenue.[27] In FY18 alone, the value of the mutual fund SSF tax break was estimated at $143 million.[28]

However, the tax cut has not prevented mutual fund service companies from moving jobs out of state. In 2011, Fidelity—one of the tax cut's biggest proponents—moved about 1,000 jobs to Rhode Island and New Hampshire.[29] In fact, from 2006 to 2017, Fidelity cut its number of Massachusetts employees by more than half, from 12,700 to 5,000.[30] The SSF tax break for mutual fund service companies is not serving its purpose of keeping jobs in Massachusetts, and we estimate it has deprived the Commonwealth of more than $2 billion in revenue since it was enacted. Ending single sales factor for mutual fund service companies would generate approximately $140 million/year in new state revenue.

Corporate Disclosure

Research and informed policy making to close corporate loopholes is made more difficult because of the lack of available information about how much taxes specific corporations pay. For instance, lawmakers and the public cannot currently find out which specific corporations pay only the corporate minimum tax.

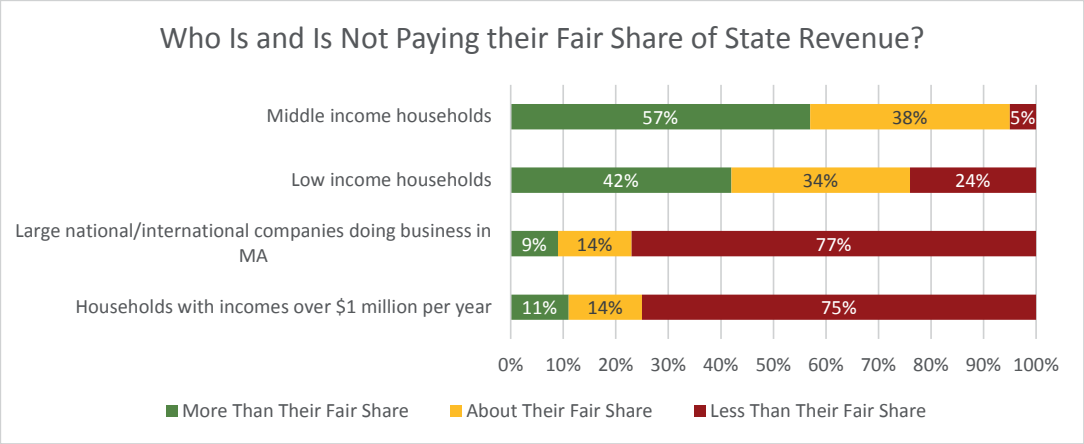
Publicly-traded corporations are currently required to file annual reports with the Massachusetts Secretary of the Commonwealth's office detailing their sales, profits, taxable income, and taxes paid, among other information. However, this information is not publicly available, as is the case with federal corporate tax returns. A simple change to state law would require this information to be made public and accessible, helping policymakers and advocates to identify corporate bad actors and measure the effects of existing or proposed corporate tax loopholes.

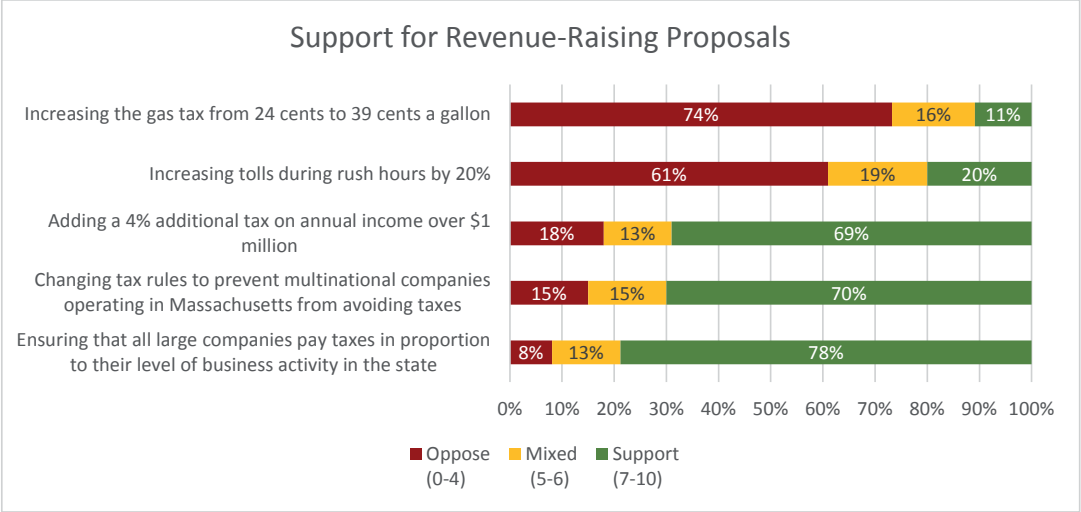
While this policy change would not immediately generate new revenue, it would allow future revenue to be generated by closing corporate tax loopholes.



Voters Agree!

An August 2019 statewide poll of likely voters in Massachusetts, conducted for Raise Up MA, found that voters strongly believe that the wealthy and large corporations aren't paying their fair share. In the poll, between 69 and 78 percent of voters supported our progressive revenue-raising proposals, while large majorities opposed raising regressive user taxes.[31]





Public polls have found widely varying levels of support for transportation user taxes, depending on how the proposals are framed, but support for progressive revenue proposals is consistently stronger. In an April 2019 report, the MassINC Polling Group wrote "in past polling…when specific taxes were tested, the most popular options were non-transportation revenues – specifically, raising taxes on corporations…In recent years, the [Fair Share Amendment] was consistently popular in polling." [32]

If we want sustainable, lasting revenue that we can count on to make the necessary investments in transportation, we need a balanced package that is popular with voters and economically progressive, so it is not vulnerable to a likely repeal effort.

Notes

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15 http://massbudget.org/reports/pdf/Rising%20Profits%20Falling%20Tax%20Shares.pdf

16 http://www.massbudget.org/report_window.php?loc=The-Growing-Cost-of-Special-Business-Tax-Break-Spending.html

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18 https://www.cost.org/globalassets/cost/state-tax-resources-pdf-pages/cost-studies-articles-reports/FY16-State-And-Local-Business-Tax-Burden-Study.pdf

19 http://massbudget.org/reports/pdf/Rising%20Profits%20Falling%20Tax%20Shares.pdf

20 http://massbudget.org/reports/pdf/Rising%20Profits%20Falling%20Tax%20Shares.pdf

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