

TAXES AND TAX POLICY

A. State/Commonwealth/Province

Detail the tax structures and policies of the State/Commonwealth/Province, including types of taxes, bases and application and exemptions and credits, including:

1. Income Taxation

For residents and non-residents who earn over \$8,000 a year, Massachusetts assess a tax of 5.1% on both earned (salaries, wages, tips, commissions) and unearned (interest, dividends and capital gains) income. Certain short-term capital gains are taxed at 12%.

The Commonwealth offers certain Exemptions, Deductions, and Credits as described in the tables below. The Commonwealth offers an Earned Income Tax Credit (EITC) of 23% of the Federal deduction for filers who meet the Federal threshold.

Exemption	Description
Adoption	You're allowed an exemption for fees you paid to a licensed adoption agency to adopt a minor child. The exemption is for the full amount of the fees paid during the taxable year, and includes fees you paid in the taxable year to an adoption agency for the adoption process of a minor child, regardless of whether an adoption actually takes place during the taxable year
Age 65 or over	\$700 exemption for each taxpayer who is aged 65 or over by the end of the tax year. If filing a joint return, each spouse may be entitled to a \$700 exemption if each is age 65 or over on December 31st of the tax year.
Blindness	\$2,200 exemption for each taxpayer or spouse who is legally blind at the end of the taxable year. You're legally blind for Massachusetts purposes if your visual acuity with correction is 20/200 or less in the better eye, or if your peripheral field of vision has been reduced to a 10-degree radius or less.
Dependent	\$1,000 exemption for each dependent claimed who qualifies for a U.S. dependent exemption under the Internal Revenue Code. This exemption does not include you or your spouse. Dependent means either: A qualifying child, or A qualifying relative

Excess	If your allowable exemption amounts are greater than your Total Income (Form 1, Line 10 or Form 1-NR/PY, Line 12), you can deduct the difference from the income you report on Schedule B and Schedule D. Complete the "Schedule B, Line 36 and Schedule D, Line 20" worksheet section (from page 11 of the Form 1 instructions or page 16 of the Form 1 NR/PY instructions) or calculate the exemption online.
Massachusetts bank interest	\$200 (if married filing jointly) or \$100 (for all other filing statuses) for reporting Massachusetts bank interest. Massachusetts bank interest includes total amount of interest received or credited to deposit accounts (term and time deposits, including certificates of deposit, savings accounts, savings shares, and NOW accounts.)
Medical/dental	An exemption is allowed for federally allowed medical, dental and other expenses paid during the taxable year. Itemize deductions on your Form 1040 - U.S. Individual Income Tax Returns. If you itemize on U.S. Schedule A and have medical/dental expenses greater than 7.5% of federal AGI, you can claim a medical and dental exemption in Massachusetts equal to the amount you reported on U.S. Schedule A (Line 4).
Personal	If you file a Massachusetts tax return, you're entitled to a personal exemption whether you can claim a personal exemption on your federal return or not. Your personal exemption amount depends on your filing status.

Visit Massachusetts Department of Revenue, "Personal Income Tax Exemptions," <https://www.mass.gov/service-details/view-massachusetts-personal-income-tax-exemptions> for more details.

Deductions Allowed	
Alimony Paid	Losses from Criminally Fraudulent Investment Arrangements
Business Related Deductions	Medical Related Deductions
Child and Dependent Related Deductions	Moving Expenses
Claim of Right Deduction	Miscellaneous income tax deductions
Commuter Deduction	Out-of-State Employee Contributory Government Pension

Education Related Deductions	Rent Paid
Employee Business Expenses	Social Security (FICA) and Medicare Deduction
Compensation, Injury and Sickness Benefits	Nonresident and Part-Year Resident Deductions and Exemptions

Visit Massachusetts Department of Revenue, “Learn about Tax Deductions”
<https://www.mass.gov/guides/learn-about-tax-deductions> for more information.

In Fiscal Year 2017 (July 1 2016- June 30 2016) the Commonwealth collected \$14.496 Billion in income tax, representing about 57% of taxes collected by the Commonwealth.

2. Franchise Taxation

Massachusetts assesses a corporate tax of 8% on net income and either a property measure of \$2.60 per \$1,000 of tangible property or net worth measure of intangible property or a minimum of \$456. The corporate excise tax does not apply to corporations exempt at the federal level under Section 501, such as charitable non-profits, nor does it apply to banking and financial institutions, insurance companies and other companies that instead pay other forms of taxation on net income, franchise or gross premiums.

The Commonwealth offers certain Deductions and Credits to the corporate franchise tax, which are listed in the tables below.

Deductions Allowed	
Abandoned building renovation deduction	
Federal bonus depreciation deduction	
Dividend deduction	
Net operating loss deduction	
Solar and wind power deduction	

Visit Massachusetts Department of Revenue, “View corporate excise tax deductions,”
<https://www.mass.gov/service-details/view-corporate-excise-tax-deductions>

Credits Allowed	
Brownfields Tax Credit (BTC)	Certified Housing Development Tax Credit (CHDC)
Community Investment Tax Credit (CITC)	Conservation Land Tax Credit (CLTC)

Dairy Farmer Tax Credit	Economic Development Incentive Program Credit (EDIPC)
Economic Opportunity Area Credit (EOAC)	Employer Wellness Program Credit (EWPC)
Farming and Fisheries Tax Credit	Harbor Maintenance Tax Credit
Historic Rehabilitation Tax Credit	Investment Tax Credit
Life Sciences	Low Income Housing Tax Credit (LIHTC)
Film Incentive Tax Credit	Medical Device Credit
Research Credit	Vanpool Credit

Visit Massachusetts Department of Revenue, "Business Tax Credits," <https://www.mass.gov/service-details/business-tax-credits>

In FY 2017, corporate excise, financial institutions and insurance, and public utility tax collections totalled \$2.5 Billion or 10% of taxes collected.

3. Option Taxation, State/Commonwealth

Massachusetts allows some option taxes at the local level. All taxation relevant to the cities of Boston and Revere is captured below.

4. Property Taxation

a. Personal, including Equipment, Machinery or Tools

Local municipalities collect personal property taxes and motor vehicle excise taxes. See local taxation detail below.

b. Real

Local municipalities collect real property taxes. See local taxation detail below.

5. Sales and Use Taxation

The Massachusetts **sales tax** is 6.25% of the sales price or rental charge of tangible personal property (including gas, electricity, and steam) or certain telecommunications services sold or rented in Massachusetts. The buyer pays the sales tax, as an addition to the purchase price, to the vendor at the time of purchase. The vendor then sends the tax to Massachusetts. **Items exempt** from sales tax include food (except prepared food) and clothing under \$175, periodicals, admission tickets, utilities and heating fuel for residential uses, most transportation services, and personal and professional services such as accounting, insurance, legal and medical services, haircuts and car repair.

The Massachusetts **use tax** is 6.25% of the sales price or rental charge on tangible personal property (including phone and mail order items or items purchased over the Internet, and electronically transferred software) or certain telecommunications services on which no sales tax (or a sales tax rate less than the 6.25% Massachusetts rate) was paid, and which is to be used, stored or consumed in Massachusetts.

Massachusetts imposes a sales tax on meals sold by or bought from restaurants or any part of a store. The tax is 6.25% of the sales price of the meal. Generally, food products people commonly think of as groceries are **exempt** from the sales tax, except if they're sold as a prepared meal.

In FY2017, Massachusetts collected about \$6.2 Billion in sales and use taxes, representing 24% of total taxes collected.

6. Surtaxes

[Click here to enter text.](#)

7. Other Taxation (State/Commonwealth/Province)

Massachusetts assesses several other excise taxes including motor fuels, cigarette, estate, alcoholic beverage, room occupancy, deeds, and others.

Tax	Rates
Motor Fuel Excise	On gasoline and diesel is \$0.24 per gallon and the tax is included in the price charged at the retail level.
Cigarette and Tobacco Tax	\$3.51 per 20-count package Licensees: 40% Cigars & smoking tobacco & 210% smokeless tobacco
Estate	0.8% - 16% if the gross value of an estate, plus adjusted taxable gifts, exceeds the applicable exclusion amount of \$1,000,000.
Alcoholic Beverage	\$0.03 to \$4.05 per gallon based on proof
Room Occupancy	5.7% room occupancy excise tax on staying at a bed and breakfast establishment, hotel, lodging house, or motel. A local room occupancy excise tax up to 6% on top of the regular 5.7% rooms tax is allowed in Massachusetts. In the cities of Boston, Worcester, Cambridge, Springfield, West Springfield, and Chicopee, an additional 2.75% tax is charged for convention center funding.
Deeds	\$2.28 per \$500 of sales price (less mortgage assumed) of real estate.

Visit Massachusetts Department of Revenue, "Learn about Massachusetts tax rates," <https://www.mass.gov/service-details/learn-about-massachusetts-tax-rates>

In FY2017, Massachusetts collected \$2.2 Billion for these other types of taxes or 8% of all taxes collected.

B. Local

Detail the tax structures and policies of the local governments in your community, including types of taxes, bases and application and exemptions and credits, including:

1. Income Taxation

The cities of Boston and Revere do not collect an income tax.

2. Franchise Taxation

The Boston cable television franchise fee is 5% of annual gross revenues for the rights to distribute cable television services in the City of Boston. This fee is paid to municipalities to allow use of the public streets and rights-of-way and operate a cable television system within that municipality.

The City of Revere does not have a local franchise tax.

3. Option Taxation, Local

The City of Boston has the following local option taxes: rooms occupancy, meals, jet fuel, and recreational marijuana. The local room occupancy excise amounts to 6.0% of the total amount of rent for each hotel or motel room occupied. The City adopted local option tax on restaurant meals for 0.75% in 2009. The excise on the sale of jet fuel is 5% of the average sales price of the previous quarter, but not less than five cents per gallon. The City recently adopted a 3% local option tax on the sale of recreational Marijuana which will be effective as of July 1, 2019.

The City of Revere has two local option taxes. A room and board occupancy tax is 6.0%, and a local meals tax amounts to 0.75%.

Additionally, the Commonwealth imposes an excise in-lieu of property tax on motor vehicles, the proceeds of which are received by the municipality where the vehicle is principally kept. The excise is a uniform rate of \$25 per \$1,000 of vehicle valuation.

4. Property Taxation

Property tax rates in the section below are stated per \$1,000 of assessed value.

a. Personal, including Equipment, Machinery or Tools

Movable, physical property at a business is subject to the personal property tax, but there are exceptions. In general, all tangible property is subject to a personal property tax unless it's specifically exempted. Tangible property that faces another local tax is exempt from the personal

property tax (e.g.; excise taxes). All intangible property is exempt from the personal property tax. This includes stocks, bonds, cash, mortgages, and other evidence of property ownership. The personal property tax rate for FY18 is \$25.20 per \$1,000 of assessed value.

The City of Revere's FY18 personal property rate is \$25.36 per \$1,000 of assessed value.

b. Real

In effect since 1980, the Commonwealth's law known as "Proposition 2 ½" constrains the amount of property tax revenue that municipalities can raise each year from the existing tax base. Proposition 2 ½ limits the property tax levy in a city or town to no more than 2.5% of the total fair cash value of all taxable real and personal property. It also limits the total property tax levy to no more than a 2.5% increase over the prior year's total levy with certain provisions for new construction. Municipalities can exceed the annual levy limit through a voter override.

Massachusetts General Law (MGL), Chapter 121A allows local governments to suspend the imposition of property taxes at their normal rates in order to encourage redevelopment. Chapter 121A revenues are based on two separate sections of the law. The Urban Redevelopment Corporation excise (Chapter 121A, section 10) is collected in-lieu- of-corporate income tax for which the Commonwealth acts as the collector and distributes the proceeds to municipalities. In most cases, the formula for the 121A, section 10 excise in-lieu-of-tax is \$10 per \$1,000 of the current cash value of property plus 5% of gross income. In addition to the Section 10 payments collected by the Commonwealth described above, most 121A corporations have individual agreements with the City of Boston that result in additional payments made directly to the City.

The City of Boston's fiscal year starts on July 1 and ends on June 30. Property taxes are billed based on an assessed value and on a quarterly basis. The first and second quarter tax bills are estimates based on the prior year's property value and tax rate. The current year tax rate appears on the third quarter tax bill. Annual real property taxes will be determined based upon the final assessed valuation of the buildings, as determined by the applicable assessors.

Property tax revenue comprises roughly 70% of the City of Boston annual budget, and is therefore particularly critical in covering basic city services and supporting new initiatives. The City of Boston's FY18 tax rate is \$10.48 for residential and \$25.20 for commercial and industrial property. Boston offers a residential exemption that saves owner-occupiers of residential property up to \$2,538.47 off of their residential property tax bills. Personal exemptions are also available for the elderly, surviving spouses, the blind, veterans, and members of the national guard.

The City of Revere's FY18 tax rate is \$12.96 for residential and \$25.36 for commercial and industrial property.

In the City of Revere, all property tax exemptions have ownership and occupancy requirements. If a property is in trust the applicant must be the trustee and beneficiary of the trust or hold a life estate to meet ownership requirement. The following exemptions for FY2018 are as follows:

Elderly Exemptions, Revere	
Exemption	Eligibility Criteria
Clause 41C - \$500	Age 65 as of July 1 st of the fiscal year Married income < \$30,212, Assets < \$43,542 Single income < \$24,721, Assets < \$46,676
Clause 41C ½-(effective FY2019)	Age 65 as of July 1 st of the fiscal year Income limit is circuit breaker limit for single person who is not the head of household
Clause 17D - \$275.61	Age 70 or a widow/widower as of July 1 st of the fiscal year Assets < \$62,205

In the City of Revere, peacetime and wartime veterans who meet certain domiciliary requirements and were not dishonorably discharged may be eligible for veteran exemptions. If the spouse, not the veteran, owns the veteran's domicile, the spouse may be eligible for the exemption instead. Some of the exemptions are available to surviving spouses of veterans or surviving spouses and parents of service members. Some surviving spouses may receive the exemption even if they remarry.

To be a veteran, the person must meet certain active duty service requirements. For Clauses 22A, 22B, 22C, 22E and 22F exemptions, an applicant who owns a multi-family house only receives an exemption for the occupied portion.

Veterans Exemptions, City of Revere	
Exemption	Eligibility Criteria
Clause 22 - \$400	10%-99% war related disability as defined by the United States Department of Veterans Affairs
Clause 22A - \$750	Veterans who lost one hand, foot or eye or awarded certain service medals
Clause 22B - \$1250	Veterans who lost two hands, feet or eyes

Clause 22E - \$1,000	100% war related disability as defined by the United States Department of Veterans Affairs
Clause 22 P – Full exemption	Paraplegic veterans

To receive a blind exemption from the City of Revere, applicants must submit a current certificate from the Commission for the Blind with each year's application. In the first year an application for exemption is filed, a statement from a doctor certifying blindness according to the Commission's specifications may be substituted.

In the City of Revere, persons who do not have the financial means to pay their taxes because (1) they were called into active military service, or (2) they are older and have a physical or mental illness, disability or impairment, may receive a partial or full exemption at the discretion of the assessors. Assessors have the discretion to establish specific criteria for determining whether a taxpayer meets the statutory standard of financial hardship under Clause 18.

Persons who are having temporary financial difficulties and meet certain domiciliary requirements may receive a partial or full deferral at the discretion of the assessors. The taxpayer may be of any age and the financial hardship may be due to any number of reasons, including a change to active military status.

Seniors who are at least 65 years old, meet certain ownership and domiciliary requirements and whose annual gross receipts are within certain limits may be eligible to defer payment of their taxes. An applicant, and spouse if married, must have gross receipts of \$20,000 or less.

In the second and subsequent years that a taxpayer has received an exemption, excluding hardship exemptions, the City of Revere has adopted an optional additional exemption. The additional exemption is set at up to 100 percent of the personal exemption amount. The additional exemption cannot reduce the applicant's tax to less than the tax owed for the previous fiscal year or the tax owed in the current fiscal year on 10 percent of the fair cash value of the domicile. So effectively this will up to double their exemption and insulate the taxpayer from any significant tax increases from year to year.

5. Sales and Use Taxation

The cities of Boston and Revere do not collect a sales tax.

6. Surtaxes

In November 2016, 74% of Boston voters approved the Community Preservation Act¹ (CPA) by voting "yes" on a ballot question. By adopting the CPA, the City of Boston has created a

¹ <https://www.boston.gov/community-preservation-act>

Community Preservation Fund. The City finances this fund in part by a 1% property tax-based surcharge on residential and business property tax bills, beginning in July 2017. The City will use this revenue to fund the affordable housing, historic preservation, public recreation, and open space initiatives. The CPA surcharge is calculated by first deducting \$100,000 from the value of the property then recalculating the tax and applying any exemptions.

The vehicle rental surcharge is a revenue-sharing arrangement with the Commonwealth. Under this arrangement, all vehicle rental contracts originating in the City of Boston are subject to a \$10 surcharge. The City receives \$1 of this surcharge and the State receives the remainder.

In August 2016, Governor Charlie Baker signed bipartisan legislation creating a statewide regulatory framework for transportation network companies (TNCs). In addition to creating regulations for the industry, the law creates a \$0.20 per-ride assessment collected from TNCs that by statute shall not be charged to a rider or driver and sunsets after ten years. Municipalities receive half of the per-ride assessment, or \$0.10, for each ride originating in the municipality.

7. Other Taxation (Local)

In 2002, the City of Revere initiated a sewer mitigation fee and inflow/infiltration removal program to allow for the issuance of sewer connection permits for waste water discharges associated with new development. Under the city's sewer mitigation policy, all new wastewater discharge for residential and commercial development is assessed a sewer mitigation fee prior to the issuance of a sewer connection permit and building permit. The sewer mitigation fee is assessed to all multifamily construction (3 or more units) and residential subdivisions as well as commercial development within the City.

For **residential development**, the sewer connection fee is based on the DEP standard of 10 gallons/day for every bedroom multiplied by 10 (per a removal requirement of 10 gallons of infiltration and inflow for every 1 gallon of wastewater discharge) multiplied by \$1.30 (a portion of the cost to the City for the transport and treatment of 1 gallon of wastewater).

For **commercial development**, the sewer connection fee is based on the average daily wastewater discharge calculated for the commercial use multiplied by 10 and then multiplied by \$1.30. The sewer mitigation fee is used for sewer rehabilitation work within the project area sewer system for the purpose of removing infiltration and inflow of groundwater and stormwater from the sanitary sewer system.

Lastly, contributions to the Community Improvement Trust (CIT) Fund consist of 3% of the construction cost of any portion of a new development project that does not conform to applicable zoning is contributed to the CIT fund to support community improvement projects in the vicinity of the development site.

C. Projected Employee Tax Burden

Detail the typical State/Commonwealth/Province and local tax burden that a company worker might anticipate if HQ2 were built on Site and the worker lived in your community. Assume the worker earns \$100,000 annually, excluding benefits.

For tax year 2017, the following table outlines the taxes that would be paid by an employee residing in Boston and living in the following arrangements:

- 1) A single employee earning \$100,000 and living alone in a rental unit. Owns one five-year-old vehicle.
- 2) An employee earning \$100,000 married to another person earning \$100,000, living together in a rental unit. Owns one five-year-old vehicle.
- 3) An employee earning \$100,000 married to another person earning \$100,000, living together with two children under age 12 in a home they own with an assessed value of \$500,000. Owns one five-year-old vehicle.

	Single Filer	Married Filing Jointly	Married Filing Jointly, Two Children under 12
Earnings	\$100,000	\$100,000	\$100,000
Spouse Earnings		\$100,000	\$100,000
Total Earnings	\$100,000	\$200,000	\$200,000
Personal Exemptions	\$4,400	\$8,800	\$8,800
Dependent Exemptions			\$2,000
Dependent Deductions Maximum of: 1) Dependent Care Expenses up to \$4,800 per child (max \$9,600) 2) \$3,600 per child under 12 regardless of expenses (max \$7,200)			\$9,600
Amount Paid to Social Security and Medicare (up to \$2,000 per earner)	\$2,000	\$4,000	\$4,000
Rent Paid Deduction (up to \$3,000)	\$3,000	\$3,000	

Commuter Deduction (up to \$750 per person)	\$750	\$1,500	\$1,500
Student Loan Interest (up to \$2,500)	\$1,000	\$2,000	\$2,000
Prepaid College Savings Plan Deduction (up to \$2,000)			\$2,000
Total Exemptions and Deductions	\$11,150	\$19,300	\$29,900
Total Taxable Income	\$88,850	\$180,700	\$170,100
Total Income Tax (5.1% of Taxable Income)	\$4,531	\$9,216	\$8,675
Property Tax (\$10.48 per \$1000 of assessed value, \$2,538.47 Residential Exemption)			\$2,702
Vehicle Excise Tax (\$25 per \$1,000 of estimated value; minimum \$55 per car)	\$55	\$55	\$55
Sales and Use Tax, including Meals Tax (6.25% of eligible purchases. Assume 34.25% of total income is spent on eligible purchases.*)	\$2,141	\$4,281	\$4,281
Total Taxes (Income, Property, Vehicle, Sales and Use)	\$6,727 (out of \$100,000)	\$13,552 (out of \$200,000)	\$15,713 (out of \$200,000)
Effective State Tax Rate from All Taxes	6.7%	6.8%	7.9%

* The [Tax Foundation](#) estimates that, on average nationally, 34.25 percent of income is spent on purchases eligible for the sales tax.

D. Other. Detail any State/Commonwealth/Province tax legislation that has been proposed over the last two years that would positively or negatively impact the business community.

Sales Tax

There is a current proposal pending before the Massachusetts Legislature to reduce the state's sales tax from 6.25% to 5%. The proposal also creates a permanent sales tax holiday in August for items under \$2,500. It was introduced as an initiative petition, which is a citizen-driven

process. If the Massachusetts Legislature does not take action on the proposal by May 1st, 2018, the initiative is likely to be placed on the ballot in the November 2018 election. According to estimates from the Massachusetts Taxpayers Foundations, the ballot question could decrease state revenue between \$600M-\$650M in the FY2019 and upwards of \$1B in future fiscal years if approved.

Fair Share Constitutional Amendment

Pending a decision from the Massachusetts Supreme Court (see paragraph below), in November 2018, voters will decide whether to apply an additional 4% tax on the portion of an individual's taxable income above \$1 million. Furthermore the initiative adjusts the \$1 million income level annually to reflect cost of living increases (using the same method as federal income tax brackets). While the majority of states have graduated incomes taxes, the Massachusetts Constitution requires that the income tax be a flat rate, which is currently set at 5.1%. If approved, the Massachusetts Legislature will be directed to spend the additional state tax revenue on "resources for quality public education and affordable public college and universities, and for the repair and maintenance of roads, bridges, and public transportation." The tax would apply to the tax year starting January 1, 2019.

Although the constitutional amendment cleared citizen and legislative thresholds, the Massachusetts Supreme Court is currently hearing a case that challenges its legality. A business group brought the lawsuit on the basis that the initiative combines two unrelated issues (taxes and spending proposals). The Massachusetts Constitution requires ballot questions to be limited to related matters. At the time of publication, a decision is still pending.

An Act Further Regulating Employer Contributions to Health Care

In August 2017, the State passed and signed into law a bill that temporarily changes the existing employer medical assistance contribution, creates a temporary supplemental contribution, and modifies the unemployment insurance rate schedule. The updated contributions are effective for wages paid beginning January 1, 2018 and are time limited, expiring at the end of calendar year 2019. The modifications include:

- A decrease in the scheduled unemployment insurance experience rate
- A temporary increase in the existing Employer Medical Assistance Contribution (EMAC)
- A temporary supplemental contribution for employers with employees covered under MassHealth (the Massachusetts Medicaid program) or subsidized coverage through the ConnectorCare program.