



Massachusetts Taxpayers Foundation



The Costs of Doing Business in Massachusetts

September 2015

The Massachusetts Taxpayers Foundation is a nationally recognized, independent, nonprofit research organization whose purpose is to promote the most effective use of tax dollars, improve the operations of state and local governments, and foster positive economic policies. The Foundation's extensive track record of high quality research and analysis has earned it a reputation for objectivity and credibility among legislators, policymakers, the media, and interest groups of all kinds. Over the past 15 years the Foundation has won 16 national awards for its work on health care access and costs, transportation reform, business costs, capital spending, state finances, MBTA restructuring, state government reform, and municipal health reform.

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Cover image source www.freeworldmaps.net

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Message from the President

Founded in 1932, the Massachusetts Taxpayers Foundation is widely recognized as the state's premier public policy organization dealing with state and local fiscal, tax, and economic policies. Periodically, we have examined the cost components of doing business in the Commonwealth and how Massachusetts fares relative to other states in order to provide business leaders and policymakers with meaningful data to inform decisions.

In 1993, the report was entitled *The Competitive Disadvantage* to reflect the fact that business costs in Massachusetts were above average and often among the highest of all states. That report was followed by *An Economy in Transition: Reducing the High Cost of Doing Business in Massachusetts* in 1995 which documented that the state's high cost structure was a liability given the rapid technological advances that allowed companies to decentralize and provided greater freedom to choose location. While Massachusetts still had an advantage as a place to perform research and development and other highly skilled functions, when it came time for production those manufacturing facilities could be located elsewhere. A decade later *Fragile Progress: Reining in Massachusetts High Business Costs* was published. As the title indicates, in the 1990s Massachusetts had improved its relative position to other states in all five key areas, but more work needed to be done.

This report is the fourth such publication and the findings are clear. *Stalled Progress* shows that Massachusetts has made few gains over the past decade in bringing the cost components of doing business in line with other states and, in some instances, we have fallen farther behind. These high costs will present more of a challenge as globalization continues and the number of jurisdictions with which we compete increases. We also must heed the warning signs that our best attribute, a highly educated workforce, may not be enough to guarantee our continued economic success. In fact, economic success has been uneven throughout the state, other states are closing the gap in educational attainment, and private higher education – which has a major impact on the Massachusetts economy – is in a period of transition. In order to ensure economic opportunity for all residents of Massachusetts we need to pay closer attention to our cost infrastructure both because other states are not standing still and because we need to attract jobs for workers all along the skills and economic spectrums.

All of our reports acknowledge that a number of factors influence business decisions, some of which cannot be quantified easily. For example, the regulatory environment places a key role, but does not lend itself to measuring. There are some uniform measures that can be applied to some business areas across states and those are the ones on which we focus: health care, electricity, unemployment insurance, workers' compensation and corporate taxes, although the latter has become increasingly more difficult to compare given the complexity of tax laws.

This report will be followed by a separate publication that will examine the core industries that comprise our industry sectors, how that has changed over time and from which key sectors our future job growth is most likely to come. Together, these reports will provide decision makers with the data they need to inform our economic development strategy.



President
Massachusetts Taxpayers Foundation
September 2015

Executive Summary

The Foundation issued its first report in 1993 analyzing the costs of doing business in Massachusetts compared to the other 49 states. Much has changed since then and competition for businesses by states has increased as advances in technology make it easier to locate around the globe. States – and countries – are devising new ways to attract and retain businesses and entirely new industries have been created in the last 20 years. However, one key point remains unchanged: Massachusetts is a high cost state, and the gap is growing in several areas despite numerous efforts to reform costs.

The fact that so many different costs rank among the highest nationally makes Massachusetts businesses less competitive, and this is particularly pertinent for regions outside of Boston. While greater Boston boasts a strong economy that drives the statewide picture, this belies a more sobering perspective for much of the rest of the state where unemployment remains higher than pre-recession levels, wages are not only lower than the state average but also lower than the national average, and personal income is migrating from these areas into other states.

Several of the costs detailed in this report – health insurance, electricity, and state taxes – are the same for businesses located in the state’s struggling regions as they are for those thriving in the Boston area. This poses a challenge for lawmakers who must deal with the impact of state policies on costs in those different economies.

These costs are also important relative to other states. For example, other states with lower costs are emerging as leaders in the high technology sector while Massachusetts has lost ground since 2003. According to the National Science Foundation’s 2014 Science and Engineering indicators report in 2006, Massachusetts had a greater share of high tech workers than any other state; by 2010, it had fallen to sixth. On the other hand, Colorado, Maryland, and Virginia have all expanded the share of their workforce employed by high tech firms and rank in the top 10 nationally, with Virginia – which was not even considered a high tech state in the Foundation’s earlier reports – ranking first each year since 2006.

With this context, it is crucial that policymakers take a closer look at the statewide policies they enact that affect the costs to operate a business. Many cost drivers are rooted, both directly and indirectly, in policies over which the Legislature and Governor have control.

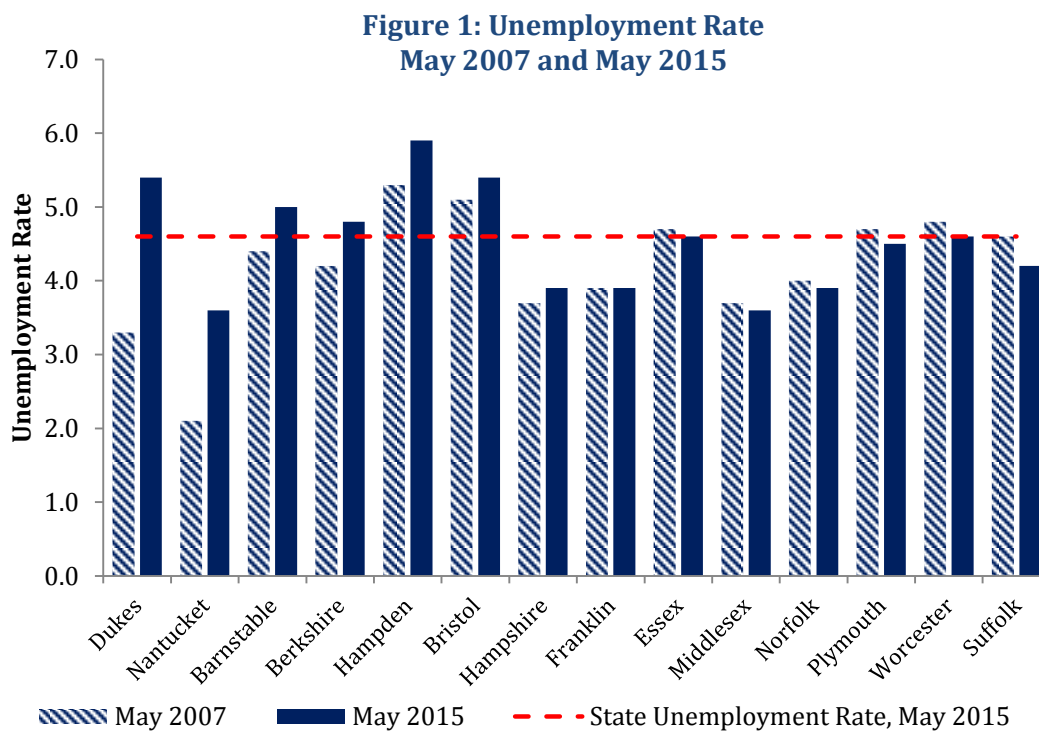
This report updates and expands upon past Foundation reports, issued in 1993, 1995, and 2003. It analyzes employment costs including benefits like health insurance, electricity prices, and tax structure and administration. The report also compares Massachusetts to other high technology states and large industrial states, based on the lists used in the 2003 report. High tech states are California, Colorado, Maryland, Minnesota, North Carolina, Texas, and Washington. Large industrial states are Florida, Illinois, New Jersey, New York, and Pennsylvania. For each data point, there is a full table with data from all 50 states in the Appendix.

COMPETITOR STATES	
High Tech	Large Industrial
California	Florida
Colorado	Illinois
Maryland	New Jersey
Minnesota	New York
North Carolina	Pennsylvania
Texas	
Washington	

The report is not intended to be an exhaustive analysis of every cost faced by every business in the state. Rather, it focuses on costs that both policymakers can change and the state’s employers have highlighted as influential in their decisions on expanding or maintaining a business in Massachusetts.

The Massachusetts Economy in Context

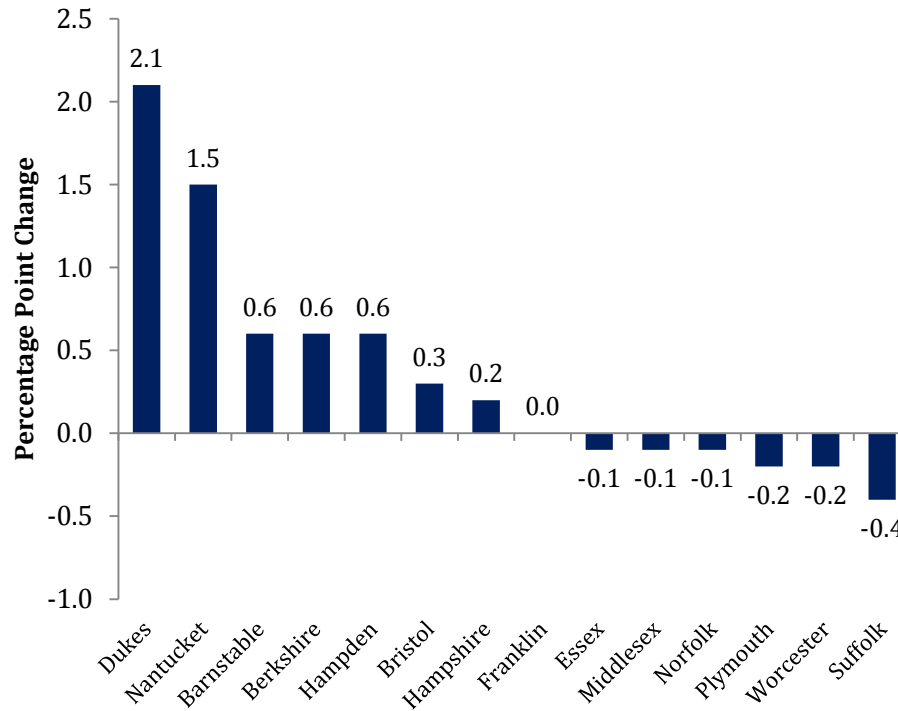
The state’s unemployment rate reached 4.6 percent in May 2015 for the first and only time since December 2007, the start of the recession.¹ However, a closer look reveals that unemployment rates are higher now than they were before the recession in several counties outside the metropolitan Boston area. As Figure 1 and Figure 2 show, in some regions, like Southeastern and Western Massachusetts – including Springfield – the unemployment rate is notably higher than it was before start of the recession in May 2007.²



¹ Unemployment rates are from the Bureau of Labor Statistics monthly reports. The Massachusetts unemployment rate was 4.7 percent in June 2015 and the preliminary rate for July 2015 is 4.7 percent.

² County unemployment rates are not seasonally adjusted. Therefore, this chart compares May 2015 – the month that statewide unemployment reached pre-recession levels – to the same month prior to the start of the recession (May 2007).

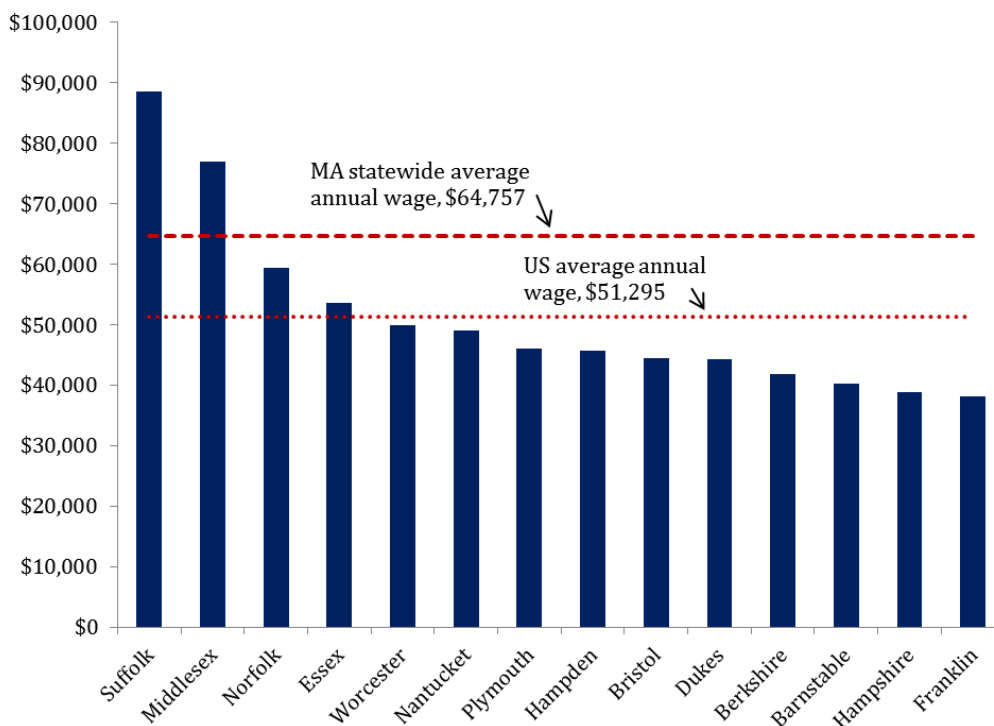
Figure 2: Change in Unemployment Rate, May 2007 to May 2015



Massachusetts is also a high-wage state, with some of the highest salaries in the country. However, the statewide average does not tell the whole story because higher wages are concentrated in the metropolitan Boston area. In fact, as Figure 3 shows, the average wage in the majority of Massachusetts counties is less than the 50-state average wage. In some counties, the disparity is large. In Franklin and Hampshire counties, which are both in western Massachusetts, the average annual wage is more than \$25,000 less than the statewide average, and more than \$10,000 less than the national average.³

³ Bureau of Labor Statistics, *Quarterly Census of Employment and Wages*, 2014 annual data. The average annual wage in this section differs from that in the Employment Costs section because that section uses Bureau of Economic Analysis (BEA) data. BEA data provides more detail on types of income and employment.

Figure 3: Average Annual Wage, 2014



Furthermore, Massachusetts is losing personal income to other states. Between 1993 and 2010, the state lost a net of more than 173,000 tax filers through migration to other states, resulting in a net total of \$13.3 billion (in 2010 dollars) in personal income leaving the state – including \$4.2 billion of that flowing into New Hampshire.⁴ Importantly, the effects of these outflows are not borne equally by each region of the state because some counties are losing more higher-income filers than others. In 2010, in seven of the state’s 11 counties the average net loss of income to other states was greater than the average wage and salary in that county for that year.⁵ This difference was especially pronounced in Bristol, Hampden, Norfolk, and Worcester counties where the average income loss per return was at least 30 percent higher than each county’s average annual wage for that year.

There are several factors that can drive income migration, and this report does not attempt to pinpoint one. However, the trend is clear and important to recognize because it illustrates the sensitivity of some taxpayers to cost and the need to focus on statewide economic growth rather than just the success of a specific region.

Key Findings & Recommendations

Massachusetts is a high cost state for both employers and residents, and when combined with a slow growing and aging population, these challenges pose risks to the state’s economic future. A key task for policymakers is to address the myriad issues over which they have control that may affect business and employment growth. The state needs to develop and implement a

⁴ Tax Foundation State to State Migration Data calculator, <http://interactive.taxfoundation.org/migration/>

⁵ MTF calculations from IRS data in IRS Individual Master File, Statistics of Income, February 2014, Individual Income Tax Returns: County-to-County Migration Inflow/Outflows for Selected Income Items, Calendar Years 2010-2011.

comprehensive economic development plan that includes not only the business costs discussed in this report, but also infrastructure, transportation, housing, education, and workforce training. For the greatest chance at long-term implementation and success, the plan must transcend transitions in the Legislature and gubernatorial administrations and engage businesses across the state.

The findings in this report focus on one aspect of an economic development plan: business costs. While there may be some variation in the costs outlined in this report within the state and between industries, businesses in Massachusetts generally have high costs compared to operations in other states. Importantly, the economic success in Boston cannot overshadow the burden that these costs pose to employers in other parts of the state.

1. The state needs better data collection and analysis for both policy development and evaluation.

As noted throughout this report, there have been numerous efforts at managing business costs in the two decades since the Foundation first analyzed the issue in 1993. However, there is limited analysis of the impact of these reforms, both relative to other states and on regions within Massachusetts, in part because of poor data collection and the lack of performance reviews. Lawmakers have no means to assess the results, positive or negative, and take corrective actions.

2: The business tax structure in Massachusetts is less of an outlier than other areas after making progress over the last two decades. However, the administration of business taxes is a glaring concern among businesses that must be addressed.

Policymakers in the state made a concerted effort in the 1990s to address its tax burden, but the progress in terms of tax rates and structure is undermined by the state's unpredictable administration of taxes. One way to improve this perception is to make the legislative process on tax matters more transparent and to provide clearer direction on administration of taxes.

3: The state has reversed any progress from its effort to control electric costs. The state must do a better job of balancing affordability, reliability, and environmental impact with its energy policies.

The state's electricity market restructuring in 1997 was intended to constrain the growth in energy prices, but electric costs now have the same gap compared to other states that existed prior to deregulation. The industry is rapidly changing, and the goals and purposes of past policies may no longer apply. The state should conduct regular analyses of these policies that take into account changes to the market since the policy was adopted and examine how well it balances affordability, reliability, and environmental impact. Furthermore, it is not enough to consider simple costs versus benefits; the state must also consider whether certain programs make economic sense.

4: Reforms in 2014 to make unemployment insurance rates fairer were an important first step. To control the costs of the overall system, the duration and level of benefits need to be reconsidered.

As noted in the section on unemployment, while the unemployment insurance rate table changes should reduce costs for some employers, the impact on overall system costs is limited because

benefits remained unchanged. Without addressing the duration and level of unemployment benefits, the state will be limited in its ability to control the costs for employers. Worth noting, the state is particular outlier in terms of the duration of benefits.

5: In Massachusetts, businesses pay more in property taxes than any other state or local tax, and that increases every year. At the same time, property taxes are becoming a more significant source of municipal revenues every year. Policymakers must strike a balance between the business tax burden and municipal needs.

Property taxes, the primary source of municipal revenues, totaled over \$6 billion for businesses in Massachusetts in fiscal 2013 – more than corporate income and sales taxes combined. That total accounted for nearly half of all property taxes collected by municipalities in the state in the same year. This heavy reliance on commercial, industrial, and personal property taxpayers is troubling for both businesses and municipalities. The state should consider a broader strategy to address property taxes and their importance in local budgets rather than focusing on temporary relief for certain taxpayers.

6: The state must continue to work towards competitive health care costs while keeping in mind the importance of the health sector to Massachusetts's overall economy.

Massachusetts has a unique health care market, and few places compare nationally and internationally. The state has among the highest quality providers in the world, and it is an important and significant part of the state's overall economy and employment. On the other hand, health care costs in Massachusetts are continually among the highest in the nation, and arguably the world.

Policymakers and other stakeholders all acknowledge that more must be done to curb the annual and long-term growth in health care costs. Indeed, this task is complicated by the importance of the large health sector to our overall economy and employment outlook. The state must be careful when crafting solutions to understand the impacts that changes can have on this sector and balance them with the need for a competitive business cost structure.

State Comparisons

1: Employment Costs

This section examines different aspects of employment costs in Massachusetts, including:

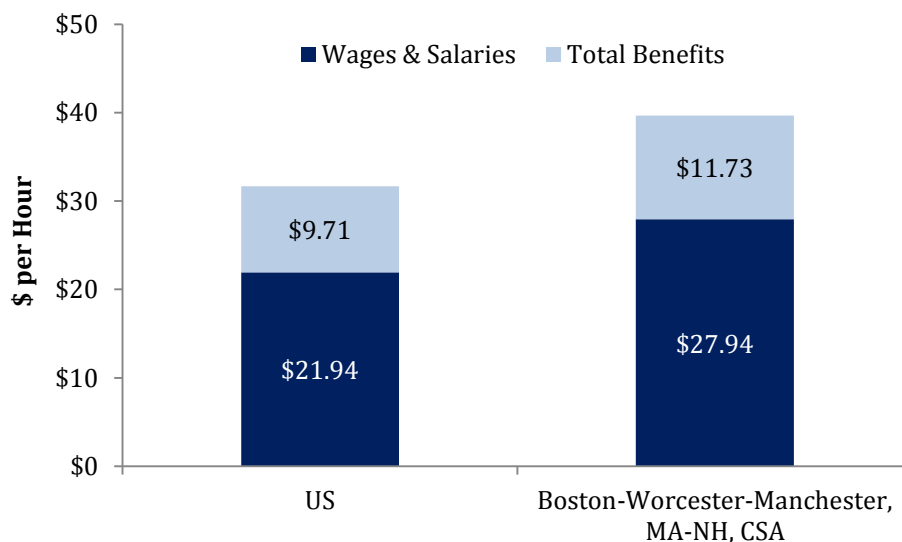
- Salaries and wages
- Employer-sponsored health insurance
- Unemployment insurance;
- Workers' compensation
- Other mandated benefits

Employment costs fall into two general categories: salaries/wages and benefits. Salary costs differ across the state to reflect different economies and job markets; salaries are also generally determined by employers and the employment market. In contrast, employers have less control over benefit costs, which account for approximately 30 percent of total compensation for private sector employees nationally. Importantly, these do not vary as widely in different areas of the state, and policymakers' decisions can have a significant impact on benefit costs.

As Figure 4 shows, the national average cost of employee compensation – which includes salaries, wages, and a variety of benefits like health care and retirement contributions – is \$31.65 per hour for private industry workers in 2015. Based on a 40-hour work week, this equates to total annual compensation costs of approximately \$69,800.

By comparison, average employee costs for private industry in Massachusetts are 25 percent higher, averaging \$39.66 per hour in 2015. This equates to a total of approximately \$82,500 for salaries, wages, and benefits, based on a 40-hour work week. Benefits, including those affected by state policies, cost \$2 more per hour than the national average, which is a substantial difference when applied to all employees over the course of an entire year.

Figure 4: Total Hourly Compensation Costs, U.S. vs. Massachusetts⁶



⁶ Source: U.S. Bureau of Labor Statistics (BLS), Employer Costs for Employee Compensation, March 2015, released June 10, 2015. The Massachusetts data is for the Boston – Worcester – Manchester, NH combined statistical area, as determined by the U.S. Office of Management and Budget.

1a: Salaries and Wages

Salaries are largely determined by employers and the employment market, and Massachusetts employers pay among the highest salaries in the country. This is generally positive because high wages help to drive the overall economy and, from a state revenue perspective, high-paying jobs result in greater income tax collections (as well as increased collections in sales tax revenues) with less demand for certain public services.

As shown in Table 1, the average annual wage for a private-sector employee in Massachusetts was \$61,140 in 2013, behind only New York and Connecticut.⁷ This is more than \$11,000 or 22 percent greater than the 50-state weighted average of \$50,123. Worth noting, particularly high wages in a handful of populous states drive the national average upward; the median wage among the 50 states is approximately \$45,000. Appendix Table 1 provides the data for all 50 states.

Table 1: Average Wage Per Employee, Private Employers, 2013

State	2013 Statewide Average Wage	Rank
New York	\$63,655	1
Connecticut	\$62,585	2
Massachusetts	\$61,140	3
New Jersey	\$58,548	4
California	\$57,596	5
Washington	\$54,061	6
Illinois	\$53,909	7
Alaska	\$53,392	8
Maryland	\$53,082	9
Virginia	\$52,772	10
US Average	\$50,123	

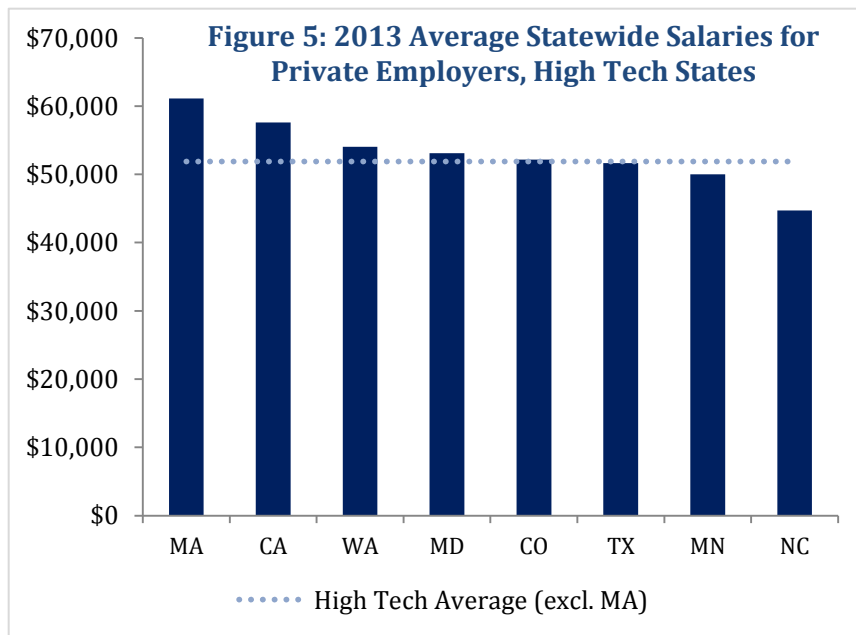
High salaries in Massachusetts are driven partly by the state's educated workforce. Greater educational attainment is clearly linked to higher salaries, as supported by an abundance of data and research.⁸ A greater proportion of Massachusetts residents hold at least a bachelor's degree than in any other state, with nearly 40 percent of residents age 25 and older holding post-secondary degrees.⁹ However, this also means that the majority of the state's population does not have a college degree, and they may not benefit directly from the associated salary differential. In addition, as noted in the introduction, annual wages in counties outside of the Boston area are noticeably lower.

⁷ Private sector employees include those employed by private non-profit entities, such as universities and hospitals.

⁸ For example, see Pew Research Center, February, 2014, "The Rising Cost of Not Going to College" or The College Board, "Education Pays 2013: The Benefits of Higher Education for Individuals and Society".

⁹ U.S. Census, 2009-2013 American Community Survey 5-Year Estimates, Educational Attainment of Population Age 25 and over.

Compared to other high tech states with well-educated workforces, the wages in Massachusetts are notably higher (Figure 5). In Maryland and Colorado, where approximately 37 percent of their population has a college degree, average salaries are approximately \$53,100 (approximately \$8,000 less than Massachusetts) and \$52,100 (approximately \$9,000 less than Massachusetts), respectively. For the broader group of high tech states, the average wage per employee is nearly \$53,500 per year, a difference of \$7,500 compared to Massachusetts. Furthermore, in emerging high tech states like Utah and Georgia, average salaries are much lower.



The minimum wage requirement is another way of considering employer costs for salaries and wages. A new \$9 per hour minimum wage for Massachusetts took effect on January 1, 2015, replacing the previous \$8

per hour wage that had been in effect since 2008. There are two additional enacted increases in the minimum wage of \$1 per hour each, effective on January 1 of 2016 and 2017. Based on average wage data from 2014, the enacted changes to raise the minimum wage to \$11 per hour will affect approximately 153,000 Massachusetts employees, or 4.6 percent of the workforce (including public and other non-private entities).¹⁰ No industry reports a median hourly wage of less than \$9 in Massachusetts.

As with overall salaries and wages, the state's current minimum wage of \$9 per hour is also one of the highest rates nationally, as shown in Appendix Table 2. While the average salary in Massachusetts is 22 percent greater than average salary in all 50 states, the state's current \$9 minimum wage is 12.5 percent greater than the national median of \$8 per hour and 24 percent greater than the federal minimum wage of \$7.25 per hour.

As of July 2015, 13 states including Massachusetts have already enacted statewide increases that will take effect over the next few years. Separate from these scheduled increases, 15 states index their minimum wage or will begin indexing in the next five years, including four that have also adopted scheduled increases (Alaska, Michigan, Minnesota, and Vermont). Based on enacted changes as of July 2015, Massachusetts is expected to have the highest statewide minimum wage in 2017, even when accounting for the effects of indexing.

In addition to statewide minimum wage increases, there is a growing number of targeted increases to minimum wage based on geography and industry. For example, Seattle adopted a \$15 minimum wage while the state of Washington maintained its \$9.47 per hour rate. To this point, Massachusetts also has wide variations in wage rates throughout the state, and a minimum

¹⁰ According to Occupational Employment Statistics from BLS, these are the total number of employees working in industries for which the average hourly wage is between \$9 and \$11 per hour in Massachusetts.

wage appropriate to wage levels in Greater Boston, or with the state average, may be out of line with realities in lower-wage regions like Franklin County.

1b: Health Insurance

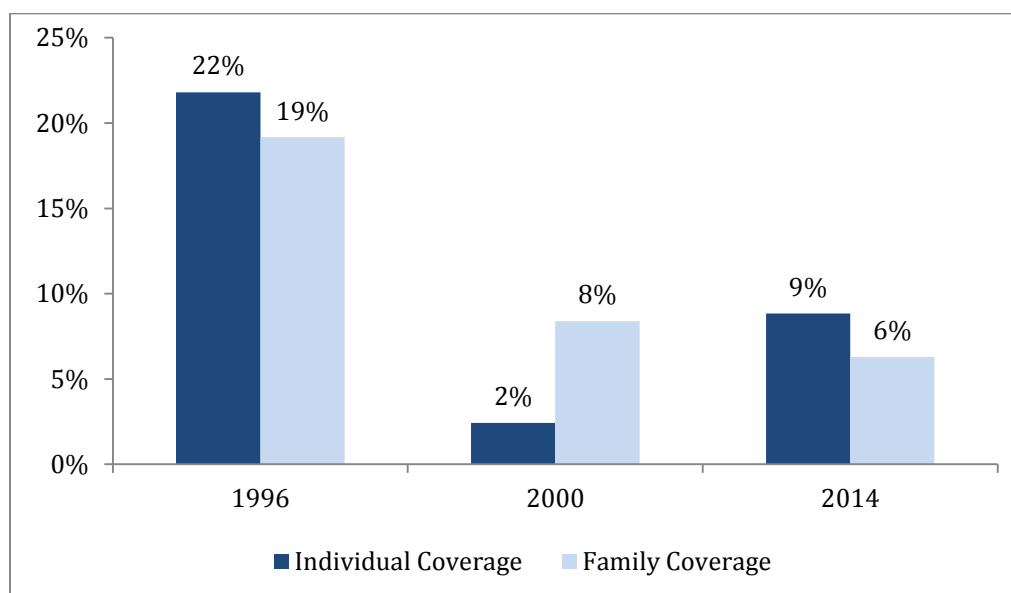
Health insurance is generally the most expensive benefit provided by employers and the high costs in Massachusetts are an ongoing challenge. In each of the Foundation’s previous business cost studies, Massachusetts ranked in the top three states for health insurance premium cost, with one exception (individual premiums in 2003). After having made some progress over the last decade in moderating our relative cost trend, Massachusetts has modestly improved its ranking for family coverage in 2015, but this improvement is partly because costs in other states are increasing as national health care reform is implemented.

Massachusetts Rankings for Cost of Employer-Sponsored Health Insurance¹¹

Type of Coverage	1993 Rank	1995 Rank	2003 Rank	2015 Rank
Individual	1	1	11	3
Family	1	1	3	5

As shown in Figure 6, at the time of the 2003 report, which used data from 2000, the gap between Massachusetts and the rest of the country had begun to shrink from the early 1990s when the state’s costs were more than 20 percent higher than the national average. However, costs remain high despite legislative efforts to address them since the 2003 report (in Chapter 288 in 2010 and with Chapter 224 in 2012), and Massachusetts again falls near the top of the list for employer-sponsored health insurance costs for both individual and family coverage.

Figure 6: Percentage by which Massachusetts Employer-Sponsored Premiums Exceed National Average, Historical Comparison



¹¹ The 1993 and 1995 studies were published before the Agency for Health Care Research and Quality published premium data; The state rankings in the 1993 and 1995 studies are based employer-sponsored costs per capita rather than premiums. Figure 6 in this section uses Agency for Healthcare Research and Quality data – which is used in the 2003 and 2015 reports – to provide a consistent comparison; the earliest available data from that source is 1996.

In 2014, Massachusetts employer-sponsored health insurance premiums averaged approximately \$17,700 for family coverage (Table 2). As Figure 6 shows, the average premium in Massachusetts is six percent higher than the national average. While Massachusetts rates may be comparable to other populous industrial northeast states like New Jersey and New York, they range as much as 11 percent higher than Colorado and nine percent greater than North Carolina, both high tech states.

Table 2: Total Health Insurance Premiums Employer-Sponsored Family Coverage, 2014

State	2014 Total Premium	Rank
Alaska	\$19,713	1
New Jersey	\$19,143	2
New Hampshire	\$18,126	3
Connecticut	\$18,123	4
Massachusetts	\$17,702	5
Delaware	\$17,514	6
Washington	\$17,445	7
California	\$17,444	8
West Virginia	\$17,433	9
New York	\$17,396	10
U.S. Average	\$16,655	

The disparity between Massachusetts and other states is similar when looking at individual coverage (Table 3). The average premium in Massachusetts for employer-sponsored individual coverage is nearly \$6,350, nine percent greater than the national average. The difference with some high tech states is even larger: average individual premiums in Massachusetts are more than 13 percent higher compared to North Carolina and more than 10 percent higher than Texas.

Table 3: Total Health Insurance Premiums Employer-Sponsored Individual Coverage, 2014

State	2014 Total Premium	Rank
Alaska	\$7,099	1
New Jersey	\$6,447	2
Massachusetts	\$6,348	3
New Hampshire	\$6,336	4
New York	\$6,307	5
Connecticut	\$6,223	6
Vermont	\$6,180	7
Rhode Island	\$6,156	8
West Virginia	\$6,149	9
Delaware	\$6,145	10
U.S. Average	\$5,832	

There are other trends in the health insurance market that set Massachusetts apart from other states and these may partly explain why the state’s costs are higher. Massachusetts has been slow to adopt consumer driven health care products that are popular in other areas of the nation; patients in the Commonwealth are far more likely to receive care in more expensive academic medical centers than the nation as a whole; and Massachusetts employers tend to have a richer benefit plan design than their counterparts in other states, although recent Center for Health Information and Analysis (CHIA) data suggest that employers have begun to “buy down benefits” in recent years as a way to manage costs.

An example of rich benefit design is that Massachusetts employers contribute almost the same percentage to family coverage (72.7 percent of \$17,702) on average as to individual coverage (75 percent of \$6,348) despite the large difference in absolute dollars that it represents. This may explain why more employees in Massachusetts enroll in family plans than the national average; in fact, Massachusetts is second only to Utah in the share of employees enrolled in family coverage.

1c: Unemployment Insurance

Employers in the state are required to provide unemployment insurance for employees. As noted in the 2003 report, there are several factors that determine an employer’s unemployment insurance (UI) costs, including the total amount of wages paid, the amount of wages subject to the tax, the tax rate, total claims, and an employer’s experience rating. The report goes on to note that state policies dictate UI tax rates, the wage base subject to the tax, the variation in rates based on experience, and the level and duration of benefits.

Massachusetts Rankings for Unemployment Insurance

1993 Rank	1995 Rank	2003 Rank	2015 Rank
3	3	7	5

Note: The 2015 ranking does not reflect 2014 UI system changes.

Eleven years after that report noted the system’s high costs, the state adopted changes to its UI system that addresses some of those areas. The reform raised the wage base from \$14,000 to \$15,000 on January 1, 2015 and reduced the subsidy that employers with fewer layoffs provide to employers with more frequent layoffs. While the data in this section is from 2014, the most recent available, and does not account for changes to the state’s unemployment insurance system effective on January 1, 2015 (see sidebar), Massachusetts is expected to remain in the top half of states for expense after taking into account those changes because there were no adjustments to the duration and level of benefits, both key factors in determining the cost of a UI system.

In 2014, the average cost for UI was \$640 per employee in Massachusetts, more than 60 percent greater than the U.S. average of \$393 per employee (Table 4). The 2014 legislation was estimated to reduce the average cost to employers by 17 percent, which would place average contributions at approximately \$530. This would drop Massachusetts’s ranking to 11th, just ahead of New York, based on 2014 data

Table 4: Average Unemployment Costs per Employee, 2014

State	Contributions per Covered Employee	Rank
Alaska	\$860	1
New Jersey	\$756	2
Oregon	\$737	3
Rhode Island	\$708	4
Massachusetts	\$640	5
Vermont	\$629	6
Pennsylvania	\$626	7
Connecticut	\$615	8
Wyoming	\$549	9
Illinois	\$535	10
US Average	\$393	

With that context in mind, the difference in Massachusetts unemployment costs moving forward is likely to remain stark compared to other high tech states, and still well above the national average. As shown in Table 5, the average cost per employee is less than \$500 in each high tech state, except Washington which is \$517.

Table 5: Average Unemployment Costs per Employee in High Tech States, 2014

State	Contributions per Covered Employee	Rank
Massachusetts	\$640	5
Washington	\$517	12
North Carolina	\$488	15
Minnesota	\$460	18
California	\$444	20
Colorado	\$355	27
Maryland	\$278	36
Texas	\$277	38

The generous benefit offerings of the Massachusetts unemployment system compared to other states are a key contributor to its high costs. As noted, both the duration and level of benefits affect the costs of a state's UI system. One key difference between Massachusetts and all other states is that it allows for a 30-week duration of benefits, which is the longest in the country.¹² Forty states provide 26 weeks of benefits.

Massachusetts also provides a higher dollar amount of benefits than many other comparable states. In 2012, the average weekly unemployment benefit for Massachusetts was \$392. In absolute terms, this was the third-highest weekly amount, partly driven by the state's high wages. The \$392 average weekly benefit was equal to 33.5 percent of the state's average weekly wage

¹² Massachusetts's 30-week benefit is suspended when the federal government has an extended benefit in place during periods of high unemployment.

for that year. While this percentage is not high compared to other states with lower overall salaries, it does stand apart from other high wage states where benefits equate to a smaller percentage of the average weekly wage. For example, the average benefit in New York equates to 25 percent of the average weekly wage, 27 percent in California, and 28 percent in Connecticut.

Maryland, with an average cost of just \$278 per employee, provides a particularly striking contrast to Massachusetts. In fact, Maryland’s cost per employee at the maximum rate is less than the *average* employee cost in Massachusetts. Notably, Maryland has the ninth highest average salary in the country, and the average weekly benefit was \$327 in 2012, equal to 33 percent of average weekly wages for that year. It also maintains a trust fund balance that is generally close to Massachusetts’s trust fund.

Sidebar: 2014 Massachusetts Unemployment Insurance Reform

Massachusetts enacted changes to its unemployment insurance system, effective January 1, 2015, that are not reflected in state comparison data. On average, employers’ costs were expected to decline by 17 percent. Adopted changes include:

- Adjusted rate table so that employers with fewer layoffs (positive employers) provide a smaller subsidy to those with more layoffs (negative employers).
- Raised the wage base from \$14,000 to \$15,000.
- Rates are frozen for 2015, 2016, and 2017.

1d: Workers’ Compensation

Workers’ compensation provides cash and medical benefits to employees injured at work and to survivors of employees killed at work. As the Foundation’s 1993 and 1995 reports note, workers’ compensation benefits grew rapidly in the late 1980s, and during that time the state had especially high statutory benefits which encouraged abuse. Through reform in the early 1990s, Massachusetts was successful in reducing workers’ compensation costs and has maintained those low costs over the last two decades.

Massachusetts Rankings for Workers' Compensation

1993 Rank	1995 Rank	2003 Rank	2015 Rank
14	N/A	32	49

Massachusetts now has the second lowest costs for workers’ compensation of the 50 states as shown in Table 6 and is approximately 40 percent lower than the national average. Importantly, Massachusetts continues to provide a high level of benefits.

Table 6: States with Lowest Workers' Compensation Costs, 2012

State	2012 Costs per \$100 Covered Wages	Rank
Michigan	\$0.99	41
Nevada	\$0.98	42
Colorado	\$0.95	43
Utah	\$0.94	44
Arizona	\$0.89	45
Indiana	\$0.86	46
Arkansas	\$0.80	47
Virginia	\$0.77	48
Massachusetts	\$0.76	49
Texas	\$0.75	50
U.S. Average	\$1.29	

Other factors have helped to keep workers' compensation costs low. For example, much of the state's employment consists of professional jobs, so employees are exposed to fewer occupational risks than in the past. In fact, workers' compensation costs have steadily declined nationally, and between 2008 and 2012, they were at the lowest in three decades. Trends that are driving down workers' compensation costs nationally include a dramatic reduction in occupational death and injury and claims and wider availability of other disability benefits programs, including paid sick leave and short- and long-term disability programs.

1e: Other Mandated Benefits

One area which the state is increasingly regulating is the time off employers must provide to all employees for illness and family matters. While such policies have advantages – for one, they can be used to attract employees and reduce turnover – such policies do create additional administrative burdens on businesses. For large businesses, this additional administration may be negligible, but for small employers it can be significant.

Initially, Massachusetts required employers of a certain size to provide unpaid sick time. In 2014, the state ballot included a measure to require employers with at least 11 employees to provide up to 40 hours of paid sick time per year. Voters approved the measure, making Massachusetts one of three states with a paid sick leave requirement for employers. The other states are Connecticut and California.¹³ For those businesses which did not already offer paid sick leave, there is an added direct cost from this mandate. With employee costs that are already among the highest in the nation, policymakers must be sensitive to the direct and indirect costs these policies impose on businesses in Massachusetts particularly when they are in addition to other statutorily required leave benefits. Table 7 outlines other mandated leave benefits:

¹³ On September 7, 2015, President Obama announced an executive order that requires federal contractors to provide up to seven days of paid sick leave to employees working on federal contracts.

Table 7: Massachusetts Mandated Employee Leave

Leave Type	Leave Requirement
Massachusetts Parental	8 weeks unpaid
Small Necessities	24 hours unpaid (~3 days)
Paid Sick	40 hours paid (~1 week)

2: Electricity Prices

Electricity is an operating cost for all businesses, and electric prices are especially important for certain employers. Manufacturers in particular cite electricity as a factor in determining where to invest because these costs directly affect their ability to compete with businesses in other states. This section focuses on commercial and industrial ratepayers who accounted for 62 percent of electricity use in Massachusetts in 2013 while acknowledging that residential customers also pay high electricity prices (residential customers account for nearly all other usage).

In the Foundation’s previous studies, the state’s electricity prices were in the 10 highest nationally, with the only exception being commercial rates in 2003, which were the 11th highest. In 2015, Massachusetts is still one of the costliest states for electricity for both industrial and commercial ratepayers despite reform efforts more than 15 years ago.

Massachusetts Ranking for Electricity Prices (¢/kWh)

Rate Category	1993 Rank	1995 Rank	2003 Rank	2015 Rank
Commercial	6	6	11	6
Industrial	2	4	4	3

As shown in Table 8, the retail price, or the total cost of generation and distribution, for industrial ratepayer averages 13.18 cents per kilowatt hour (kWh) – nearly twice the U.S. average of 6.84 cents per kWh, an enormous difference and the largest divergence from the national average of any cost in this study. Commercial ratepayers fare a little better with the average price of 14.23 cents per kWh approximately 40 percent greater than the national average of 10.28 cents per kWh (Table 9).

Average Retail Electric Prices, 2013

Table 8: Industrial

State	Cents/kwh	Rank
Hawaii	29.87	1
Alaska	15.83	2
Massachusetts	13.18	3
Connecticut	12.61	4
Rhode Island	11.82	5
New Hampshire	11.40	6
California	10.96	7
Vermont	10.84	8
New Jersey	10.80	9
Delaware	8.43	10
US Average:	6.84	

Table 9: Commercial

State	Cents/kwh	Rank
Hawaii	34.05	1
Alaska	15.58	2
New York	15.35	3
Vermont	14.66	4
Connecticut	14.63	5
Massachusetts	14.23	6
California	14.22	7
New Hampshire	13.52	8
Rhode Island	12.92	9
New Jersey	12.77	10
US Average:	10.28	

Problematically, the gap between Massachusetts and competitor states is growing. In the 2003 report, which was based on 2000 prices, the commercial rate in Massachusetts was 35 percent higher than the average price in other high tech states; in 2013, that difference grew to 45 percent. The trend is the same comparing industrial rates to the other large industrial states: in the 2003 report, the price in Massachusetts was 54 percent higher than the average, and that stretched to 78 percent by 2013.

Perhaps most striking is that the gap is expanding relative to other New England states that also face the same challenges regarding proximity to inexpensive fuel sources. As shown in Figure 7, following restructuring, Massachusetts commercial rates were 10 percent *lower* than the average among New England states. Now, they are five percent higher. For industrial rates, Massachusetts was five percent higher than the average in other New England states in 2000; in 2013, rates were 20 percent higher.

These are startling trends, underscored by the fact that restructuring in 1997 was intended to control the state’s electric prices. The progress that the state made from that legislation has been erased – the difference between Massachusetts’s electric prices and the U.S. average is now equal to what it was before deregulation (Figure 8).

Figure 7: Massachusetts Electricity Rates Compared to Average of Other New England States

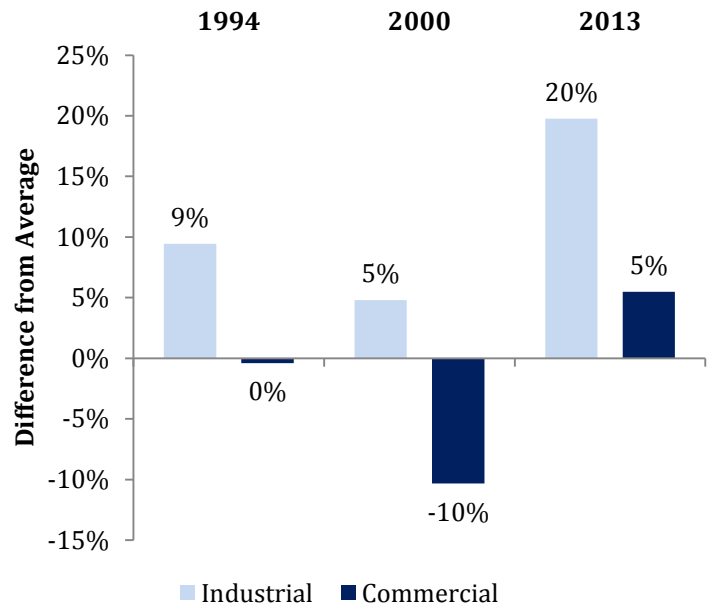
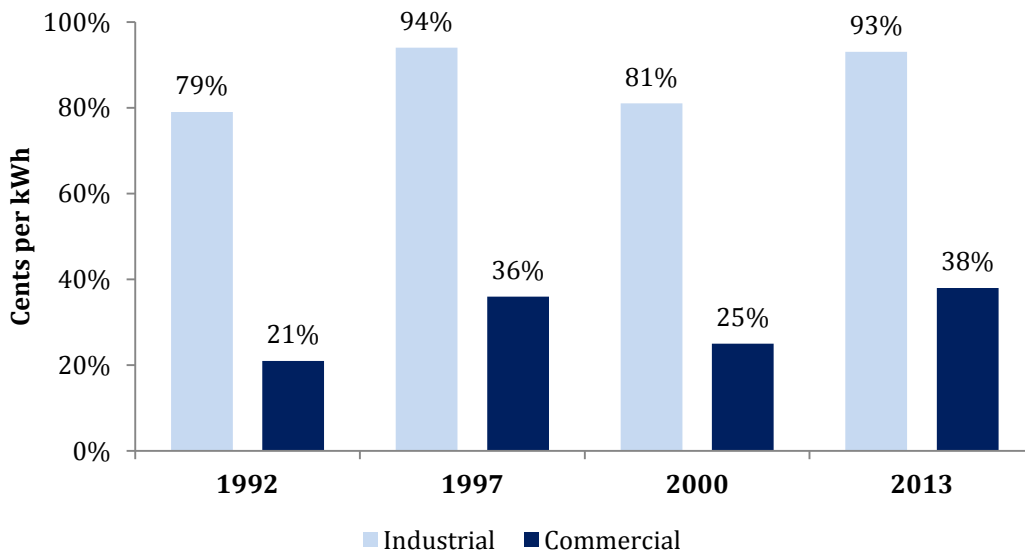


Figure 8: Massachusetts Electricity Rates Compared to National Average



Sidebar: Electric Prices

There are two main components to electricity prices: generation and delivery.

In 1998, the state's electric industry was deregulated. A primary purpose of deregulation, also referred to as "restructuring," was to create competitive supply.¹⁴ Prior to restructuring, electricity was automatically supplied by the local utility or distribution company which, in effect, was a geographic, vertically-integrated monopoly. Restructuring changed that, allowing customers to choose their own generation services to supply power.

Under restructuring, utilities still provide delivery services but customers have flexibility to choose generation services from the utility or another supplier. Industrial and commercial customers derive the biggest advantage from this option as large consumers and about 20 percent of customers from each category now receive their electricity from competitive suppliers.¹⁵

On the other hand, customers have no choice regarding electric delivery, and it is managed by a distribution company, which is the local electric utility. Delivery cost are comprised of multiple components, including distribution and transmission charges, as well as charges to fund energy efficiency programs and renewable energy sources that were included in the restructuring law.

The distribution portion of the delivery charge itself contains several components, a number of which are the direct result of state policy decisions. The distribution portion includes fees for residential heating assistance, storm fund replenishment, revenue decoupling, solar cost adjustments, and smart grid distribution, among others.

These charges can add substantially to energy costs. For example, the state's energy efficiency charge – a standalone charge that is separate from the distribution charge – adds almost a penny per kilowatt hour to prices. While this may not sound like a large difference it effectively increases commercial and industrial prices by approximately seven percent. This can have enormous impact for large volume commercial and industrial ratepayers totaling hundreds of thousands of dollars in a single year.

¹⁴ Massachusetts Executive Office of Energy and Environmental Affairs, Department of Energy Resources. For more information on competitive supply, see: <http://www.mass.gov/eea/energy-utilities-clean-tech/electric-power/electric-market-info/what-is-competitive-supply.html>

¹⁵ For the most part, residential customers have not switched suppliers because the effort and costs of switching suppliers is not worth the savings based on their electricity usage. Source: Energy Information Administration, Form EIA-861 data file, 2013.

3: Tax Structure & Administration

Businesses in every state pay a number of different taxes, including income, sales, and property taxes. Interstate comparisons can be difficult because not every state levies each of these three main taxes, nor is any state identical in terms of rates, exemptions, or taxing regimes. In addition, there is considerable variation in the combination of rules applied by states. For example, apportionment, sourcing, and throwback/throwout rules differ between states and these rules can be as important or more important than tax rates in determining a company's tax burden. Even within a single state, tax rates and tax rules can vary markedly among industry sectors, making meaningful interstate comparisons that much more difficult.

Because of this inherent difficulty in making interstate comparisons on tax matters, this section focuses on two aspects of a state's overall tax environment: the level of taxes paid by businesses, in particular property taxes, and the administration of taxes. Previous MTF studies looked primarily at the level of taxes collected, but businesses have cited both collections and administration as important factors in their decisions on whether to expand or not in Massachusetts.

There are significant and varied effects of tax structures and tax administration on business decisions. While businesses may not make a single, mass exodus out of a state because of its tax environment, it undoubtedly plays a role in business decisions on where to expand operations. As it becomes easier for a single business to operate in multiple remote locations it becomes increasingly important for policymakers to understand that they must foster an environment in which businesses seek to expand in Massachusetts.

Business taxes are sometimes viewed as "pass-through" taxes meaning that they are ultimately borne by a party other than the corporate entity. In economic terms, this is called the incidence of tax and refers to who typically bears the economic tax burden. The costs may be passed to consumers in the form of higher prices, employees in the form of lower wages, or shareholders in the form of lower dividends. The degree to which a company can pass through its taxes depends on the type of business, customers' sensitivity to pricing, and other factors. For example, businesses with low profit margins may not be able to pass on a higher tax rate without harming their competitiveness. Regardless of who ultimately bears the tax burden, a state's tax burden still matters greatly to businesses because it directly affects a business's cost structure, the pricing of its products, and its profitability.¹⁶

Historically, the Foundation's business cost studies have used corporate income per capita to compare tax burdens between states. With that measurement, Massachusetts's ranking remains relatively unchanged over 20 years.

¹⁶ For further information, see the Tax Foundation's *Location Matters: The State Tax Costs of Doing Business*, August 2015.

Massachusetts Rankings for Corporate Income Tax Collections per Capita

1993 Rank	1995 Rank	2003 Rank	2015 Rank
N/A	5	6	5

Table 10: Total State & Local Corporate Income Tax Collections Per Capita, 2012

State	2012 Total State & Local Corporate Taxes Per Capita	Rank
Alaska	\$934	1
New York	\$543	2
New Hampshire	\$396	3
North Dakota	\$321	4
Massachusetts	\$306	5
Delaware	\$298	6
Illinois	\$272	7
New Jersey	\$219	8
California	\$213	9
Minnesota	\$201	10

However, as noted earlier in this section, businesses pay a number of other state and local taxes in addition to the corporate income tax. According to the Council on State Taxation/Ernst & Young annual survey of state and local business taxes, in Massachusetts, businesses paid a total of approximately \$15.6 billion in corporate income, sales, property, and other taxes in fiscal 2013 (Table 11). This is equal to approximately 40 percent of total state and local tax collections that year.

Table 11: Total State & Local Business Taxes in Massachusetts, FY 2013

Tax Type	FY 13 (billions)	% of Total
Property	\$6.2	40%
Sales	\$2.5	16%
Excise (incl. utilities & insurance)	\$1.1	7%
Corporate Income	\$1.9	12%
Unemployment Insurance	\$1.9	12%
Individual Income Tax on Business Income	\$1.2	8%
License & Other Taxes	\$0.8	5%
Total	\$15.6	100%

Using this broader measure that captures all taxes collected from businesses, Massachusetts ranks 12th on a per capita basis, as shown in Table 12. While this may be a more accurate measure of a state’s overall tax burden for business, it also has its limitations because there are several factors that can impact a state’s ranking in both corporate income tax per capita and all business taxes paid per capita. For example Alaska (1st) and Wyoming (3rd) both have a combination of significant natural resources and small populations which can distort their per capita tax collections. North Dakota’s oil industry has grown exponentially in recent years but the population has not, so it appears to have a high per capita corporate tax burden. Similarly, tax burdens can appear higher in states with small populations but a significant corporate tax base. Delaware, which ranks 7th, is the most prominent such example.

Table 12: Total State & Local Business Taxes Collected, Per Capita, FY13

State	2013 Total Business Tax Collections Per	
	Capita	Rank
Alaska	\$8,003	1
North Dakota	\$6,493	2
Wyoming	\$4,458	3
New York	\$3,371	4
Vermont	\$2,871	5
New Jersey	\$2,716	6
Delaware	\$2,594	7
Texas	\$2,565	8
Hawaii	\$2,555	9
Illinois	\$2,506	10
Washington	\$2,438	11
Massachusetts	\$2,325	12
Minnesota	\$2,324	13
Rhode Island	\$2,278	14
Colorado	\$2,276	15
Maine	\$2,258	16
Nevada	\$2,221	17
New Mexico	\$2,204	18
Iowa	\$2,199	19
California	\$2,194	20
Nebraska	\$2,140	21
South Dakota	\$2,129	22
Connecticut	\$2,111	23
Pennsylvania	\$2,034	24
Kansas	\$2,003	25

State	2013 Total Business Tax Collections Per	
	Capita	Rank
Montana	\$1,971	26
New Hampshire	\$1,966	27
West Virginia	\$1,942	28
Wisconsin	\$1,915	29
Florida	\$1,913	30
Mississippi	\$1,838	31
Louisiana	\$1,836	32
Oklahoma	\$1,817	33
Arizona	\$1,809	34
Ohio	\$1,763	35
Tennessee	\$1,755	36
Maryland	\$1,718	37
Virginia	\$1,669	38
Kentucky	\$1,637	39
Indiana	\$1,583	40
Oregon	\$1,578	41
Utah	\$1,550	42
South Carolina	\$1,509	43
Alabama	\$1,489	44
Idaho	\$1,488	45
Arkansas	\$1,487	46
Michigan	\$1,455	47
Georgia	\$1,431	48
Missouri	\$1,406	49
North Carolina	\$1,391	50

There are other ways to gauge and compare the business tax burden in each of the 50 states that take into account more aspects of each state’s tax system.¹⁷ The Foundation includes these two measures of the business tax burden because they are simple comparisons but recognizes that each has flaws, as with most other comparisons of state business taxation.

Real Estate Taxes

In Massachusetts, businesses pay a greater amount of real estate taxes than any other type of state or local tax. In fact, Massachusetts businesses pay more in property taxes than corporate income, excise, and sales taxes combined (Table 11). In fiscal 2013, the state’s businesses paid \$6.2 billion in property taxes, amounting to nearly half of the total statewide property tax levy for that year.

Municipalities levy property taxes in Massachusetts and are permitted to use a separate rate for commercial and industrial parcels, as well as personal property (referred to as the CIP rate).¹⁸ The effect, known as the CIP shift, is that commercial and industrial property owners pay a greater share of taxes relative to the assessed value of their property. This is also sometimes called a split tax rate.

The maximum amount that can be shifted to CIP taxpayers varies by community. Generally, the share of a municipality’s CIP tax levy cannot be more than 1.5 times the CIP share of assessed value. In some cases, including Boston and Springfield, the maximum ratio is raised to 1.75. The ratio is based on the aggregate value and aggregate property tax levy, and determined separately from tax rates. For example, in Quincy, CIP properties make up approximately 18 percent of the city’s total assessed value. With the 1.75 CIP shift in place in Quincy, aggregate taxes on CIP properties account for approximately 32 percent of the total property tax levy.¹⁹

Statewide, CIP properties account for 35 percent of total assessed value. By contrast, CIP property owners pay nearly 62 percent of the statewide property taxes (Table 13).

Table 13: Fiscal 2014 Statewide CIP Shift

Property Classification	Statewide Share of Assessed Values	Statewide Share of Tax Levy
Commercial	29.7%	51.9%
Industrial	0.7%	1.2%
Personal	5.0%	8.7%
Total, CIP Statewide	35.4%	61.9%

¹⁷ For an example of an alternative study, see the Tax Foundation’s recent study, *Location Matters: The State Tax Costs of Doing Business*, August 2015, which compares tax burdens based on different types of model firms.

¹⁸ The Massachusetts Division of Local Services defines personal property as: “Movable items not permanently affixed to, or part of the real estate. It is assessed separately from real estate to certain businesses, public utilities, and owners of homes that are not their primary residences.”

¹⁹ For more information on the CIP shift and its effects in Boston, see Boston Municipal Research Bureau, *Boston’s Taxable Value Surpasses \$100 Billion*, May 20, 2015.

Of the 351 cities and towns in Massachusetts, 110 applied a CIP shift in fiscal 2014. Notably, municipalities employing the CIP shift frequently have a large business presence. In fact, three quarters of the state’s jobs through private employers are located in a community that applies at least some CIP shift. One-third of all private Massachusetts jobs, or nearly 1 million jobs, are located in a community that uses the 1.75 shift; nearly all such municipalities are in metro Boston (Table 14).

Table 14: Total Private Employment in Communities Using a CIP Shift of 1.75

Municipality	Employment	Municipality	Employment
Bedford	15,831	Nantucket	5,746
Billerica	19,552	Needham	18,928
Boston	510,049	Quincy	42,466
Braintree	25,730	Revere	7,024
Chelsea	11,704	Saugus	10,073
Dedham	14,449	Somerville	20,972
Everett	11,047	Wakefield	12,847
Fairhaven	6,977	Waltham	57,305
Lowell	27,261	Watertown	18,575
Lynn	19,428	Wilmington	17,598
Malden	10,955	Woburn	39,533
Medford	16,772		
Total		940,822	

Net Worth/Capital Stock Tax

One of the key business taxes for which Massachusetts is an outlier is the net worth, or non-income, component of the corporate excise.²⁰ Only 14 other states currently levy both an income and a non-income measure of the corporate excise tax, referred to as a capital stock tax or net worth tax, and some of those states have maximum payments.²¹ Massachusetts does not have a maximum payment amount.

As Table 15 on page 29 shows, among the states that levy both a capital stock tax and a corporate income tax, Massachusetts also has one of the highest corporate income tax rates. While Delaware has a higher rate and also levies a gross receipts tax, the corporate tax structure is not a deterrent because of its favorable regulatory environment and court system. Pennsylvania has a much higher corporate tax rate, but that is somewhat balanced by a capital stock rate that is significantly lower than Massachusetts. Louisiana is the only state that levies both measures at rates equal to or greater than Massachusetts.

²⁰ The state’s corporate excise consists of two measures: income and net worth.

²¹ Data on capital and stock taxes is from the Tax Foundation’s *2015 Facts & Figures, How Does Your State Compare?*, Table 33. The Tax Foundation defines capital stock taxes as those that are levied on the net assets of a company or its market capitalization.

Table 15: States That Require Corporations to Pay Both a Capital Stock Tax and Income Tax

State	Capital Stock Tax Rate	Capital Stock Maximum Payment	Maximum Corporate Income Tax Rate	Additional Excise/ Surcharges
Alabama	0.175%	\$15,000	6.50%	Surcharge of 3% of the taxpayer's total liability
Arkansas	0.3%	Unlimited	6.50%	
Delaware ²²	0.0350%	\$180,000	8.70%	Gross Receipts Tax of .1006% to .7543% depending on industry
Georgia	Based on a fixed dollar payment schedule. Effective tax rates decrease as taxable capital increases.	\$5,000	6.00%	
Illinois ²³	0.1%	\$2,000,000	7.75%	
Louisiana	0.3%	Unlimited	8.00%	
Massachusetts	0.26%	Unlimited	8.00%	
Mississippi	0.25%	Unlimited	5.00%	
Missouri*	0.006600%	Unlimited	6.25%	
Nebraska	Based on a fixed dollar payment schedule. Effective tax rates decrease as taxable capital increases.	\$11,995	7.81%	
North Carolina	0.15%	Unlimited	5.00%	
Oklahoma	0.125%	\$20,000	6.00%	
Pennsylvania	0.045%	Unlimited	9.99%	
South Carolina	0.1%	Unlimited	5.00%	
Tennessee	0.25%	Unlimited	6.50%	

*Tax is being phased out.

Source: Tax Foundation, *2015 Facts & Figures, How Does Your State Compare?*, Table 33

²² Delaware corporations can pay the capital stock tax based on authorized shares method, non-par, or assumed par value. Source: Tax Foundation, *2015 Facts & Figures, How Does Your State Compare?*, Table 33

²³ Illinois' corporate income rate includes two separate corporate income taxes, one at a 5.25% rate and one at a 2.5% rate. Source: Tax Foundation, *2015 Facts & Figures, How Does Your State Compare?*, Table 15

Tax Administration

Since our initial report on business costs in 1993, Massachusetts made several changes to its business tax code to make it more competitive. These steps include:

- reforming the method for taxing financial institutions;
- adopting single sales factor apportionment for manufacturing and defense corporations in 1995;
- adopting single sales factor apportionment of mutual fund service corporations in 1996; and
- changing the taxation of both life and property and casualty insurance companies in 1997.

More generally, as part of a comprehensive administrative reform package, Massachusetts eliminated its so-called pay to play provision that required taxpayers to pay a disputed tax liability upfront rather than waiting until an appeal was resolved. It also improved the operations of the Appellate Tax Board to make it a more efficient, taxpayer-focused agency.

Most recently, Massachusetts phased in a lower corporate income tax rate, reducing it from 9.5 percent to eight percent. This rate reduction was part of a comprehensive tax package that introduced mandatory unitary combined reporting to Massachusetts. While this new taxing regime impacts taxpayers differently in terms of their overall tax liability, the combined reporting law imposed administrative complexity almost universally to the tax return filing process and is symptomatic of a larger challenge for Massachusetts tax administrators that undercuts much of the progress made through the reforms of the 1990s.

Despite these changes, Massachusetts has long ranked as one of the bottom states in qualitative measurements of perceptions on predictability and fairness. As Table 16 shows, for nearly 15 years, the state's tax environment has been considered one of the worst in the country by businesses.

Table 16: Overall Impression of State Tax Environment²⁴

Year	Massachusetts Rank
2014	48
2011	47
2009	49
2007	47
2004	48
2000	50

All taxpayers, including businesses, value predictability. However, policymakers in Massachusetts are viewed as increasingly unpredictable with regards to tax policy. Corporate tax

²⁴ States with most positive impression are ranked highest, and the ranking is from the 2014 CFO Magazine State Tax Survey, a regular survey of tax executives across the country on state tax environments. The impression is based on fairness and predictability.

changes are regularly debated in the Legislature, and in some cases are adopted by the Legislature and quickly repealed or vetoed (for example, the computer and software services tax in 2013 and more recently, the changes to the FAS 109 deduction in the fiscal 2016 budget). Businesses generally prefer to operate in jurisdictions with more certainty and predictability, and a lack of both presents an added cost – both directly in terms of tax burden and indirectly in terms of administrative and compliance burden – for Massachusetts businesses.

4: Key Findings and Recommendations

Massachusetts is a high cost state for both employers and residents, and when combined with a slow growing and aging population, these challenges pose risks to the state's economic future. A key task for policymakers is to address the myriad issues over which they have control that may hinder business and employment growth. The Foundation's findings and recommendations in this section highlight business cost issues and suggest ways to address these obstacles and improve the state's economic well-being in an ever more competitive environment.

To begin, the state needs to develop and implement a comprehensive economic development plan. The plan should address a broad range of challenges that includes not only the business costs discussed in this report, but also infrastructure, transportation, housing, education and workforce training to develop employable skills, among other topics. The state has published economic development plans in the past, but for the greatest chance at long-term implementation and success, the plan must transcend transitions in the Legislature and gubernatorial administrations.²⁵

A comprehensive plan should also engage businesses across the state, both in creating the plan and implementing it. Businesses offer a well-informed perspective on the communities in which they operate, the skills that are necessary for employment now and in the future, and direct knowledge about the effects that business costs have on investment decisions.

State leaders have long pointed to the state's educated workforce and attractive quality of life as its strengths. However, the state faces challenges because of greater mobility, and other states are catching up in terms of educated population and quality of life. Businesses and other employers also point to the area's high cost of living, including housing, as a barrier to attracting employees. In short, a highly skilled workforce is unequivocally necessary for a strong economy but that alone is not sufficient to attract and retain businesses.

The findings in this report focus on one aspect of an economic development plan: business costs. While there may be some variation in the costs outlined in this report within the state and between industries, businesses in Massachusetts generally have high costs compared to operations in other states. Importantly, the economic success in Boston cannot overshadow the burden these costs pose to employers in other parts of the state.

1. The state needs better data collection and analysis for both policy development and evaluation.

As noted throughout this report, there have been numerous efforts at managing business costs in the two decades since the Foundation first analyzed the issue in 1993. However, there is limited analysis of the impact of these reforms in part because of poor data collection and the lack of performance reviews. Lawmakers have no means to assess the results, positive or negative, and take corrective actions.

²⁵ The state most recently issued a plan in 2011, titled "Choosing to Compete in the 21st Century".

The state's workers' compensation program underscores the value of data analysis and regular evaluation of policies because that has contributed to the long term success of that reform effort. The Workers' Compensation Advisory Council, a state board, issues a comprehensive annual report on the system that explains the program processes and benefits, provides detailed data and metrics, identifies trends of concern, and makes policy recommendations. This information helps to ensure that Massachusetts adapts as needed and maintains a program that balances employer costs with good benefits.

Similar analyses of other major policy changes are essential for policymakers, businesses, and other taxpayers. One example is the state's electricity restructuring law that is detailed in the next section.

Accurate data collection is necessary not only to evaluate reforms but also to develop them. For example, last year's unemployment insurance changes were made based on calculations by the Division of Unemployment Assistance that have since been substantially revised. The new calculations point to a significantly smaller trust fund balance than the initial data showed. A smaller trust fund balance could present a problem if there is another economic downturn before 2018.

Another tactic, one used by several states, is for dedicated staff to develop fiscal notes for all legislation. At a minimum, this can help policymakers to understand the effect of legislation on the state budget and taxpayers. For major pieces of legislation policymakers would benefit from dynamic analyses that take into account outside effects, such as changes in spending or employment decisions by businesses, that may result from policy changes.

2: The business tax structure in Massachusetts is less of an outlier than other areas after making progress over the last two decades. However, the administration of business taxes is a glaring concern among businesses that must be addressed.

The state made a concerted effort in the 1990s to address the tax burden by reforming the way several industry sectors are taxed and more recently by reducing the corporate tax rate. These changes and the state's flat personal income tax rate, which is paid by non-corporate entities like partnerships and S-corporations, are strengths. However, businesses repeatedly cite the state's tax environment as particularly unpredictable and unfair, two important factors in a state's competitiveness.

The numerous attempts to change our flat personal tax rate to a graduated one highlight this unpredictability and a pending ballot initiative adds new uncertainty for investors and certain small businesses who would be impacted by this tax increase should it be adopted. Importantly, despite the flat rate, exemptions and other deductions have made the state's income tax the most progressive by far of all of its major taxes. Furthermore, as a result of the state's high salaries, Massachusetts collects the fourth largest amount of income tax revenues, only surpassed by California, Illinois, and New York all which have substantially larger populations.²⁶

²⁶ U.S. Census, 2014 Annual Survey of State Government Tax Collections.

One important step for the state would be to conduct dynamic analyses of the economic effects of all tax legislation to help policymakers better understand the impacts of proposals. These analyses should be widely distributed, along with the methodology, assumptions, and data used in the calculation. Providing this information publicly and for an appropriate length of time will allow for thorough analysis and comment from the public and affected taxpayers.

In addition, Massachusetts should be more transparent throughout the legislative process and use narrower language that provides more direction, both to the revenue agency and to taxpayers. Where appropriate, the state should try to conform to uniform standards and to federal law. Currently, much of the state's tax legislation gives substantial interpretive latitude to the state's Department of Revenue (DOR) and this is a significant disadvantage because of its subjective nature and the uncertainty that results. For example, the codification of the economic substance rule allows the DOR commissioner to be both judge and jury by providing him/her with the discretion to disallow the tax consequences of a transaction by asserting it is a sham, establishing a high evidentiary standard for the taxpayer to disprove that claim, and allowing the commissioner to determine if that standard has been met.

3: The state has reversed any progress from its effort to control electric costs. The state must do a better job of balancing affordability, reliability, and environmental impact.

The state's electricity restructuring in 1997 was intended to constrain the growth in energy prices, but electric costs now have the same gap compared to other states that existed prior to deregulation. Strikingly, prices in Massachusetts have risen faster than other New England states that face the same geographic and natural resource challenges. Policymakers need to understand this trend, and how their policy decisions have had direct implications for electric ratepayers throughout the state.

One reason Massachusetts rates are high and have grown compared to regional competitors is tied to the numerous components of the state's electric price that are not directly related to generating, transmitting, or distributing electricity. For example, the energy efficiency fee is one of the largest such components and adds almost a penny per kilowatt hour to prices. While this may not seem to be a large additional fee, it effectively increases commercial and industrial prices by approximately seven percent – an enormous difference for large volume commercial and industrial ratepayers.

There are several examples of similar programs throughout the state's energy policies where profound review is needed including sources of supply, net metering, solar subsidies, and other charges included in electric prices. Since electricity prices are such a significant outlier for the state, there should be regular review of the size, scope, and necessity of these programs.

Regular review is particularly important because the industry is rapidly changing, and the goals and purposes of such policies may no longer apply. Any analysis should consider changes to the market since the policy was adopted and look at how well it balances affordability, reliability, and environmental impact. Furthermore, it is not enough to consider simple costs versus benefits; the state must also consider the broader economic effects of programs and whether government intervention is still necessary.

4: Reforms in 2014 to make unemployment insurance rates fairer were an important first step. To control the costs of the overall system, the duration and level benefits need to be reconsidered.

Notably, Massachusetts businesses paid a total of \$1.9 billion in UI taxes in 2013, the same amount they paid in corporate income taxes that year (excluding utilities and insurers who paid under a separate tax). As noted in the section on unemployment costs, while the UI rate table changes should reduce costs for some employers, overall system costs still will be comparatively high because benefits were unchanged.

Massachusetts is the only state that provides 30 weeks of unemployment benefits while 40 states provide 26 weeks of benefits. Massachusetts also provides a higher share of wage replacement than other high wage states. Additionally, the state is viewed as particularly favorable to employees in the adjudication and appeals process – so much so that there is a commission currently reviewing that process.

These factors all drive the system's costs and without addressing them, the state will be limited in controlling the costs to employers. More attention should be paid to providing a competitive UI benefit structure given the share of total business taxes paid that UI taxes represents, and the importance benefits play in the cost of unemployment insurance. For labor-intensive businesses, this per employee cost differential can be sizeable.

5: In Massachusetts, businesses pay more in property taxes than any other state or local tax, and that increases every year. At the same time, property taxes are becoming a more significant source of municipal revenues every year. Policymakers must strike a balance between the business tax burden and municipal needs.

Property taxes, the primary source of municipal revenues, totaled over \$6 billion for businesses in Massachusetts in fiscal 2013 – more than corporate income and sales taxes combined. That total accounted for nearly half of all property taxes collected by municipalities in the state. At the same time, municipalities are increasingly reliant on property taxes in the wake of several years of stagnant and slow-growing local aid.

This trend is troubling for both businesses and municipalities. To be sure, the CIP shift allows municipalities to maintain lower residential property taxes, a key advantage in regions where the cost of housing is already very high. On the other hand, the shift also means that business property taxpayers feel the effects the increased property taxes more acutely than residential property taxpayers. It also means that businesses play a significant role in local finances and make municipalities especially vulnerable to business decisions on where to invest.

Massachusetts offers a handful of incentive programs regarding property taxes, such as abatements and opportunity zones. Some of these incentives are determined on a case-by-case basis. However, property taxes apply to virtually all types of businesses, in all regions of the state. While being cognizant of the importance of property taxes in local budgets, the state

should consider a broader strategy to address property taxes rather than focusing on temporary relief for certain taxpayers.

6: The state must continue to work towards competitive health care costs while keeping in mind the importance of the health sector to Massachusetts's overall economy.

Massachusetts has a unique health care market, and few places compare nationally and internationally. The state has among the highest quality providers in the world, and it is an important and significant part of the state's overall economy and employment.

On the other hand, health care costs in Massachusetts are continually among the highest in the nation, and arguably the world. Policymakers and other stakeholders all acknowledge that more must be done to curb the annual and long-term growth in health care costs. For example, while Massachusetts is only six percent greater than the national average for family coverage, that equates to more than \$1,000 per employee.

Massachusetts deserves credit for being the first state to attempt systemic reform to address health care cost trends with enactment of Chapter 224 in 2012. This reform focuses on reducing aggregate health care cost growth, with the key goal being to keep statewide total health care expenditures at a year-over-year growth rate tied to growth in the state's potential gross state product. Many employers are seeking more aggressive cost benchmarks, such as inflation exclusive of health care or even year-over-year cost reductions.

However, because the state already has high health care costs, slowing the cost growth trend as set forth in Chapter 224 may not be enough to keep the state competitive. Furthermore, there are some troubling signals about costs for some employers. For example, the Division of Insurance most recently approved six percent rate increases in health insurance premiums for small businesses. The rating factors for the small group market, after having been postponed, are expected to raise costs in that market further when they take effect. With MassHealth costs rising at unsustainable rates, there is even more pressure on the commercial market to make up the MassHealth rate shortfall.

A scheduled, independent review of the effectiveness of Chapter 224, consistent with the data collection discussed in recommendation 1, should determine whether that benchmark is the appropriate one and if there are any unintended consequences that harm employers and employees. Indeed, this task is complicated by the importance of the large health sector to our overall economy and employment outlook. The state must be careful when crafting solutions to understand the impacts that changes can have on this sector and balance them with the need for a competitive business cost structure.

Appendix:
50-State Comparison Tables
List of Sources

Appendix Table 1: Average Wage by State

State	2013 Average Wage/Salary, Private Employers	Rank
New York	\$63,655	1
Connecticut	\$62,585	2
Massachusetts	\$61,140	3
New Jersey	\$58,548	4
California	\$57,596	5
Washington	\$54,061	6
Illinois	\$53,909	7
Alaska	\$53,392	8
Maryland	\$53,082	9
Virginia	\$52,772	10
Colorado	\$52,169	11
Delaware	\$51,757	12
Texas	\$51,652	13
Minnesota	\$50,026	14
New Hampshire	\$49,139	15
Georgia	\$48,727	16
North Dakota	\$48,462	17
Pennsylvania	\$48,239	18
Rhode Island	\$46,946	19
Arizona	\$46,763	20
Michigan	\$46,648	21
Wyoming	\$46,274	22
Oregon	\$45,513	23
Ohio	\$45,298	24
Louisiana	\$45,183	25
Missouri	\$44,747	26
North Carolina	\$44,696	27
Florida	\$44,534	28
Nevada	\$44,450	29
Tennessee	\$44,032	30
Wisconsin	\$43,862	31
Oklahoma	\$43,554	32
Kansas	\$43,549	33
Utah	\$43,188	34
Indiana	\$42,913	35
Hawaii	\$42,253	36
Nebraska	\$41,194	37
Alabama	\$41,037	38
New Mexico	\$40,855	39
Vermont	\$40,765	40
Kentucky	\$40,431	41
South Carolina	\$40,361	42
Iowa	\$40,210	43
Maine	\$40,047	44
Arkansas	\$39,784	45
West Virginia	\$39,561	46
Idaho	\$37,963	47
Mississippi	\$37,433	48
Montana	\$37,026	49
South Dakota	\$36,880	50
United States	\$50,123	

Appendix Table 2: Statewide Minimum Wage as of July 2015

State	Statewide Minimum Wage as of July 2015	Rank
Washington	\$9.47	1
Oregon	\$9.25	2
Connecticut	\$9.15	3
Vermont	\$9.15	3
California	\$9.00	4
Massachusetts	\$9.00	4
Rhode Island	\$9.00	4
Alaska	\$8.75	5
New York	\$8.75	5
South Dakota	\$8.50	6
New Jersey	\$8.38	7
Delaware	\$8.25	8
Illinois	\$8.25	8
Maryland	\$8.25	8
Nevada	\$8.25	8
Colorado	\$8.23	9
Michigan	\$8.15	10
Ohio	\$8.10	11
Arizona	\$8.05	12
Florida	\$8.05	12
Montana	\$8.05	12
Minnesota	\$8.00	13
Nebraska	\$8.00	13
West Virginia	\$8.00	13
Hawaii	\$7.75	14
Missouri	\$7.65	15
Arkansas	\$7.50	16
Maine	\$7.50	16
New Mexico	\$7.50	16
Iowa	\$7.25	17
Idaho	\$7.25	17
Indiana	\$7.25	17
Kansas	\$7.25	17
Kentucky	\$7.25	17
North Carolina	\$7.25	17
North Dakota	\$7.25	17
New Hampshire	\$7.25	17
Oklahoma	\$7.25	17
Pennsylvania	\$7.25	17
Texas	\$7.25	17
Utah	\$7.25	17
Virginia	\$7.25	17
Wisconsin	\$7.25	17
Georgia	\$5.15	18
Wyoming	\$5.15	18
Alabama	None	
Louisiana	None	
Mississippi	None	
South Carolina	None	
Tennessee	None	
Median	\$8.00	
Federal	\$7.25	

**Appendix Table 3: Employer-Provided Health Insurance Premiums by State
Individual Coverage**

State	2014 Average Premium	Rank
Alaska	\$7,099	1
New Jersey	\$6,447	2
Massachusetts	\$6,348	3
New Hampshire	\$6,336	4
New York	\$6,307	5
Connecticut	\$6,223	6
Vermont	\$6,180	7
Rhode Island	\$6,156	8
West Virginia	\$6,149	9
Delaware	\$6,145	10
Illinois	\$6,126	11
Maryland	\$6,059	12
Indiana	\$6,041	13
Ohio	\$5,930	14
Kentucky	\$5,914	15
Washington	\$5,910	16
Maine	\$5,903	17
Pennsylvania	\$5,888	18
Montana	\$5,876	19
Wisconsin	\$5,868	20
South Dakota	\$5,859	21
South Carolina	\$5,850	22
Colorado	\$5,848	23
California	\$5,841	24
Wyoming	\$5,840	25
Minnesota	\$5,832	26
Florida	\$5,767	27
Texas	\$5,740	28
New Mexico	\$5,725	29
Oregon	\$5,707	30
Louisiana	\$5,700	31
Oklahoma	\$5,649	32
Michigan	\$5,610	33
North Carolina	\$5,593	34
Georgia	\$5,570	35
Iowa	\$5,557	36
Nebraska	\$5,557	37
Utah	\$5,538	38
Alabama	\$5,526	39
North Dakota	\$5,521	40
Missouri	\$5,517	41
Mississippi	\$5,443	42
Nevada	\$5,426	43
Virginia	\$5,422	44
Kansas	\$5,365	45
Arizona	\$5,356	46
Hawaii	\$5,316	47
Tennessee	\$5,310	48
Idaho	\$4,978	49
Arkansas	\$4,846	50
United States	\$5,832	

**Appendix Table 4: Employer-Provided Health Insurance Premiums by State
Family Coverage**

State	2014 Average Premium	Rank
Alaska	\$19,713	1
New Jersey	\$19,143	2
New Hampshire	\$18,126	3
Connecticut	\$18,123	4
Massachusetts	\$17,702	5
Delaware	\$17,514	6
Washington	\$17,445	7
California	\$17,444	8
West Virginia	\$17,433	9
New York	\$17,396	10
Maryland	\$17,232	11
Indiana	\$17,223	12
Wisconsin	\$17,209	13
Illinois	\$17,193	14
Texas	\$16,967	15
Kentucky	\$16,711	16
Vermont	\$16,659	17
Virginia	\$16,601	18
Maine	\$16,514	19
Rhode Island	\$16,419	20
Minnesota	\$16,361	21
South Dakota	\$16,352	22
Oregon	\$16,330	23
Pennsylvania	\$16,328	24
Wyoming	\$16,299	25
Oklahoma	\$16,280	26
North Carolina	\$16,210	27
Georgia	\$16,209	28
Nevada	\$16,152	29
Nebraska	\$16,139	30
South Carolina	\$16,044	31
Tennessee	\$16,001	32
Ohio	\$15,974	33
Utah	\$15,963	34
Colorado	\$15,932	35
Louisiana	\$15,928	36
Florida	\$15,915	37
Iowa	\$15,899	38
New Mexico	\$15,766	39
Kansas	\$15,652	40
Michigan	\$15,608	41
Arizona	\$15,535	42
Missouri	\$15,493	43
North Dakota	\$15,446	44
Mississippi	\$15,092	45
Montana	\$15,005	46
Hawaii	\$14,848	47
Idaho	\$14,729	48
Alabama	\$14,352	49
Arkansas	\$14,143	50
United States	\$16,655	

Appendix Table 5: Unemployment Insurance Costs by State

State	2014 Average Contributions per Covered Employee	Rank
Alaska	\$860	1
New Jersey	\$756	2
Oregon	\$737	3
Rhode Island	\$708	4
Massachusetts	\$640	5
Vermont	\$629	6
Pennsylvania	\$626	7
Connecticut	\$615	8
Wyoming	\$549	9
Illinois	\$535	10
New York	\$529	11
Washington	\$517	12
Hawaii	\$505	13
Wisconsin	\$499	14
North Carolina	\$488	15
Nevada	\$468	16
Michigan	\$468	16
Minnesota	\$460	17
Montana	\$446	18
California	\$444	19
Delaware	\$406	20
Arkansas	\$400	21
West Virginia	\$390	22
Idaho	\$386	23
Iowa	\$362	24
Kentucky	\$356	25
Colorado	\$355	26
North Dakota	\$340	27
Maine	\$329	28
New Mexico	\$318	29
South Carolina	\$307	30
Kansas	\$303	31
Indiana	\$303	31
Utah	\$298	32
Missouri	\$287	33
Maryland	\$278	34
Ohio	\$277	35
Texas	\$277	35
Florida	\$272	36
Oklahoma	\$259	37
New Hampshire	\$259	37
Georgia	\$256	38
Virginia	\$247	39
Alabama	\$212	40
Arizona	\$202	41
Mississippi	\$174	42
Louisiana	\$159	43
Tennessee	\$148	44
Nebraska	\$145	45
South Dakota	\$137	46
United States	\$393	

Appendix Table 6: Workers' Compensation Costs by State

State	2012 Costs per \$100 Covered	
	Wages	Rank
Alaska	2.74	1
Montana	2.49	2
Oklahoma	2.22	3
California	1.85	4
West Virginia	1.85	4
Wyoming	1.85	4
Vermont	1.83	5
South Carolina	1.82	6
Wisconsin	1.77	7
Iowa	1.64	8
Idaho	1.63	9
Louisiana	1.61	10
North Dakota	1.57	11
Pennsylvania	1.51	12
New Mexico	1.50	13
Maine	1.48	14
Hawaii	1.43	15
New York	1.41	16
Washington*	1.39	17
Nebraska	1.37	18
Mississippi	1.36	19
New Jersey	1.36	19
South Dakota	1.35	20
Illinois	1.34	21
New Hampshire	1.28	22
Florida	1.27	23
Kansas	1.25	24
Delaware	1.24	25
Alabama	1.19	26
North Carolina	1.19	26
Georgia	1.16	27
Kentucky	1.16	27
Oregon	1.16	27
Connecticut	1.15	28
Tennessee	1.13	29
Missouri	1.11	30
Rhode Island	1.10	31
Maryland	1.07	32
Minnesota	1.07	32
Ohio	1.01	33
Michigan	0.99	34
Nevada	0.98	35
Colorado	0.95	36
Utah	0.94	37
Arizona	0.89	38
Indiana	0.86	39
Arkansas	0.80	40
Virginia	0.77	41
Massachusetts	0.76	42
Texas	0.75	43
United States	1.29	

*Costs based on employer share only

Appendix Table 7: Average Retail Electric Price, Industrial

State	2013 cents/kWh	Ranking
Hawaii	29.87	1
Alaska	15.83	2
Massachusetts	13.18	3
Connecticut	12.61	4
Rhode Island	11.82	5
New Hampshire	11.40	6
California	10.96	7
Vermont	10.84	8
New Jersey	10.80	9
Delaware	8.43	10
Maryland	8.36	11
Maine	8.34	12
Michigan	7.72	13
Florida	7.61	14
Nebraska	7.44	15
Wisconsin	7.40	16
Kansas	7.39	17
Colorado	7.34	18
North Dakota	7.13	19
Minnesota	6.98	20
Pennsylvania	6.97	21
South Dakota	6.97	22
Indiana	6.70	23
Arizona	6.66	24
Virginia	6.63	25
New York	6.58	26
Nevada	6.52	27
North Carolina	6.45	28
Wyoming	6.42	29
New Mexico	6.36	30
Mississippi	6.34	31
Missouri	6.29	32
Tennessee	6.29	33
Georgia	6.27	34
Ohio	6.22	35
West Virginia	6.20	36
Idaho	6.10	37
Arkansas	6.04	38
South Carolina	6.01	39
Alabama	5.95	40
Illinois	5.94	41
Louisiana	5.92	42
Utah	5.87	43
Texas	5.81	44
Oregon	5.80	45
Kentucky	5.66	46
Iowa	5.62	47
Oklahoma	5.49	48
Montana	5.43	49
Washington	4.23	50
United States	6.84	

Appendix Table 8: Average Retail Electric Price, Commercial

State	2013 cents/kWh	Ranking
Hawaii	34.05	1
Alaska	15.58	2
New York	15.35	3
Vermont	14.66	4
Connecticut	14.63	5
Massachusetts	14.23	6
California	14.22	7
New Hampshire	13.52	8
Rhode Island	12.92	9
New Jersey	12.77	10
Maine	11.74	11
Michigan	11.06	12
Wisconsin	10.74	13
Maryland	10.68	14
Alabama	10.51	15
Delaware	10.20	16
Mississippi	10.10	17
Tennessee	10.00	18
Georgia	9.99	19
South Carolina	9.88	20
Colorado	9.86	21
Arizona	9.85	22
New Mexico	9.74	23
Kansas	9.68	24
Indiana	9.60	25
Montana	9.54	26
Minnesota	9.42	27
Florida	9.39	28
Ohio	9.35	29
Pennsylvania	9.25	30
Nevada	9.01	31
Louisiana	8.96	32
Missouri	8.80	33
North Carolina	8.76	34
Oregon	8.68	35
Nebraska	8.60	36
Wyoming	8.57	37
Kentucky	8.56	38
South Dakota	8.51	39
Iowa	8.44	40
North Dakota	8.39	41
Utah	8.32	42
West Virginia	8.17	43
Illinois	8.14	44
Arkansas	8.05	45
Texas	8.02	46
Virginia	8.00	47
Washington	7.78	48
Oklahoma	7.77	49
Idaho	7.37	50
United States	10.28	

Appendix Table 9: Total State & Local Corporate Income Tax Collections, 2012

2012 Total State & Local Corporate Income Taxes Per		
State	Capita	Rank
Alaska	\$934	1
New York	\$543	2
New Hampshire	\$396	3
North Dakota	\$321	4
Massachusetts	\$306	5
Delaware	\$298	6
Illinois	\$272	7
New Jersey	\$219	8
California	\$213	9
Minnesota	\$201	10
Tennessee	\$193	11
Connecticut	\$176	12
Maine	\$175	13
Pennsylvania	\$169	14
Wisconsin	\$164	15
Kentucky	\$159	16
Vermont	\$154	17
Maryland	\$152	18
Iowa	\$140	19
Arkansas	\$139	20
New Mexico	\$136	21
Montana	\$134	22
Mississippi	\$133	23
Nebraska	\$128	24
North Carolina	\$128	25
Oregon	\$127	26
Indiana	\$123	27
Idaho	\$120	28
Oklahoma	\$119	29
Rhode Island	\$117	30
Kansas	\$111	31
Florida	\$107	32
Virginia	\$105	33
West Virginia	\$104	34
Arizona	\$101	35
Colorado	\$98	36
Utah	\$94	37
Alabama	\$86	38
Michigan	\$81	39
South Dakota	\$73	40
Louisiana	\$64	41
Missouri	\$63	42
Georgia	\$61	43
Hawaii	\$59	44
South Carolina	\$55	45
Ohio	\$30	46
Nevada	N/A	N/A
Texas	N/A	N/A
Washington	N/A	N/A
Wyoming	N/A	N/A

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