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ViewPoint: GE deal proves ‘Taxachusetts’ label is more like the ‘Myth of Massachusetts’

When Massachusetts convinced General Electric that it should move its headquarters to Boston, it won 800 lucrative jobs as well as bragging rights as home of one of the most well-known companies in America. Now the state deserves to lose its unwarranted nickname: “Taxachusetts,” a moniker that has plagued the commonwealth – and has been inaccurate – for decades.

Massachusetts businesses do not bear unusually high tax burdens. The state ranks 25th in the nation in the Tax Foundation’s 2016 Business Climate Index, which bases its ratings on five different types of taxes. Granted, its corporate tax rank isn’t so great: 38 states currently have lower corporate rates. But Massachusetts fares much better in other categories, with the 13th-lowest individual income tax rate and the 18th-lowest rate for sales taxes.

In fact, the state’s tax rankings have been so middle-of-the-pack in recent years that in 2007, the Tax Foundation called Massachusetts a “beacon of moderation.” Yet the Taxachusetts epithet keeps clinging to the Bay State, like a barnacle on an old ship. Its incessant use says more about the power of branding than the state’s business environment. The state got its dreaded nickname more than 40 years ago, before

the Massachusetts Miracle, when the unemployment rate was in double digits and taxes here really were high. The Citizens for Limited Taxation formed in 1974, and anti-tax activists of that time were credited with the title.

Not only is the designation no longer true, but neither is the long-held premise that high taxes destroy the possibility of robust economic development. Business location decisions are not driven all that much by tax issues. State and local business taxes actually account for only 1 to 3 percent of total business costs, economists have estimated. In the 21st century, with technology changing so rapidly, the demand for a skilled workforce is much more important.

In the case of GE, taxes were the catalyst to persuade the company to move its headquarters out of Connecticut. The Legislature there voted last year to raise a variety of taxes, including extending its 20 percent corporate income tax surcharge through 2017. But the company probably didn’t even consider moving to states with the lowest corporate taxes, such as Wyoming or Missouri. It needed a workforce that could fulfill its goal of ensuring that all of its systems are as intelligent and connected as possible.

That meant considering only places with tech-savvy



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workforces, such as New York or California. But those states have much worse tax climates than here. New York has the second-worst business climate in the nation, superior only to New Jersey, says the Tax Foundation, which rates California as having nation’s third-

worst business climate.

So, it was basically a no-brainer for GE to choose Massachusetts, the land of moderate taxes and birthplace of the Internet of Things. And the Taxachusetts label? It should now go down in history as the Myth of Massachusetts.