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

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

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

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

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

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

**Long-Term Revenue Proposal: The Fair Share Amendment**

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

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

The Fair Share Amendment is a proposal to amend the Massachusetts Constitution, creating an additional tax of four percentage points on the portion of a person’s annual income above $1 million. The new revenue, approximately $2 billion a year, would be dedicated to spending on public schools and colleges, roads, bridges, and public transportation. To ensure that the amendment continues to apply only to the highest income taxpayers, who have the ability to pay more, the $1 million threshold would be
How Corporate Lobbyists Cost Massachusetts $8 Billion

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

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

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

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

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

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

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

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

We propose four specific policies:

**GILTI (Global Intangible Low Taxed Income) Tax**

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

Massachusetts' tax code automatically included GILTI because we mostly conform to the federal tax code, but in late 2018, state policymakers substantially repealed this provision without substantive legislative review or any public debate. While our neighbors in Maine, New Hampshire, Vermont, and Rhode Island, as well as states with
similar economies to Massachusetts such as New Jersey and Maryland, all conform to the federal tax code by including 50 percent of GILTI in their tax base, Massachusetts now includes only 5 percent.  

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

**Tiered Corporate Minimum Tax**

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

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

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

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

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

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

This tax break came with a requirement that these corporations increase employment
Are User Fees the Only Way to Fund Transportation Spending? What About Bonding?

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

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

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

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

Regardless of what gets dubbed “transportation revenue” or which revenues the Commonwealth uses to pay back bonds, asking large, profitable corporations to pay their fair share is the right way to invest in our transportation infrastructure and operations.
levels 5% a year for 5 years, and maintain the higher levels through 2003 only. After 2004, these companies continued to receive the tax break even if employment levels dropped. By 2011, the Department of Revenue estimated that SSF for mutual fund service companies had deprived Massachusetts of about $1.7 billion in revenue. In FY18 alone, the value of the mutual fund SSF tax break was estimated at $143 million.

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

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

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

While this policy change would not immediately generate new revenue, it would allow future revenue to be generated by closing corporate tax loopholes.
An August 2019 statewide poll of likely voters in Massachusetts, conducted for Raise Up MA, found that voters strongly believe that the wealthy and large corporations aren’t paying their fair share. In the poll, between 69 and 78 percent of voters supported our progressive revenue-raising proposals, while large majorities opposed raising regressive user taxes.31

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

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