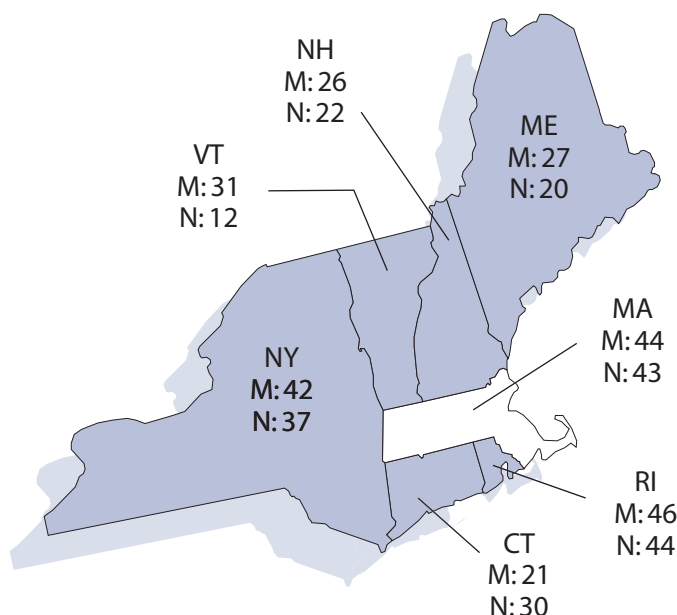


M = Rank for mature firms  
N = Rank for new firms



Massachusetts ranks 44th overall for mature operations and 43rd overall for newly established operations. Specifically:

- Massachusetts ranks 17th for new capital-intensive manufacturing firms. This operation has a total effective tax rate (TETR) of 7.9 percent, 30 percent below the national average. This firm benefits from the most generous property tax abatement incentive among all 50 states and a modest sales tax burden. However, this firm also has one of the 10 highest income tax burdens in the nation thanks to its throwback rule.
- The state ranks 49th for the new distribution center, which has a tax burden more than 66 percent higher than the national average. While this operation enjoys a low income tax burden thanks to the state's investment tax credit, it also bears the second-highest property tax burden in the nation, largely because

of the high tax rate on equipment. It also has an above-average unemployment insurance (UI) tax burden.

- The state ranks 31st for the mature corporate headquarters, which has a tax burden just 3 percent above the national average. While this operation enjoys a below-average sales tax burden, it bears above-average burdens for income and UI taxes, and one of the highest property tax burdens.
- The story for most of the model firms in Massachusetts is the same: high income taxes and high property taxes. Even though the state has a single-sales factor apportionment for manufacturers, its throwback rule subjects all of the firm's sales to the state's 8.25 percent income tax. And the state's high property tax rates – especially on equipment – are a disadvantage to every firm type.

# Massachusetts

## Corporate income tax

Main tax rate	8.250%
Applies to income over	–
Specific adjustments:	
- s.199 deduction disallowed	

Apportionment	Property	Payroll	Sales
Standard factors	25.0%	25.0%	50.0%
Manufacturing	–	–	100.0%
Throwback applies to tangible property sales			Yes
Interstate services income apportionment			IPA

## Sales and property tax

Metro areas examined		Sales tax	Property tax			
		Main rate <sup>a</sup>	Land	Buildings	Equipment	Inventory
Tier 1	Boston	6.250%	2.842%	2.842%	2.842%	–
Tier 2	Worcester	6.250%	3.328%	3.328%	3.328%	–
a. Manufacturing machinery is exempt from sales tax						

## Other taxes

Unemployment insurance		State	Gross receipts tax			Local	
Rate	Max. pay	capital tax	Mfg.	Services	Retail	income tax	
3.25%	\$14,000	0.260%	Tier 1	n/a	n/a	n/a	n/a
			Tier 2	n/a	n/a	n/a	n/a

## Incentives for newly established operations

Type	Incentive value	MC	ML	CC	DC	CO	RD	RT
Investment	Varies from 3-40% of eligible capital investment	✓	✓	✓	✓	✓	✓	
Job creation	n/a							
Withholdings	n/a							
R&D	10% of in-state R&D expenses, per federal concepts						✓	
Property tax	10% abatement x 5 years	✓	✓	✓	✓	✓	✓	

MC= Capital-Intensive Manufacturing Operation, ML= Labor-Intensive Manufacturing Operation, CC= Call Center, DC= Distribution Center, CO= Corporate Headquarters, RD= Research and Development (R&D) Facility, RT= Retail Store

## Results

	Newly established operations								Mature operations									
	Tier 2 operations				Tier 1 operations				AVG	Tier 2 operations				Tier 1 operations				AVG
	MC	ML	CC	DC	CO	RD	RT	MC		ML	CC	DC	CO	RD	RT			
TETR	7.9%	13.1%	38.5%	60.2%	19.8%	21.2%	41.9%		15.3%	15.6%	28.3%	44.2%	16.2%	14.1%	20.3%			
Index	69.5	112.0	154.5	166.5	122.7	143.7	128.4	<b>128.2</b>	120.4	133.6	134.7	144.2	103.4	109.4	119.6	<b>123.6</b>		
Rank	17	37	46	49	39	42	43	<b>43</b>	38	44	46	44	31	33	41	<b>44</b>		

MC= Capital-Intensive Manufacturing Operation, ML= Labor-Intensive Manufacturing Operation, CC= Call Center, DC= Distribution Center, CO= Corporate Headquarters, RD= Research and Development (R&D) Facility, RT= Retail Store