



COMMONWEALTH OF MASSACHUSETTS

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Senator Menard Votes to Advance Tax Fairness and Competitiveness in the Business Community

Bill strikes balance between Governor and House proposals

BOSTON- Senator Joan M. Menard (D-Fall River) is pleased to announce that the Senate yesterday approved legislation to modernize and simplify the Commonwealth's corporate tax structure and establish an automatic rate reduction plan for businesses, from 9.5 percent to 8 percent, over a three-year period beginning in 2010.

"This legislation is a major step forward in strengthening our partnership with businesses during these difficult economic times," said Senator Menard. "These provisions provide the state with much needed revenue, while offering a long term tax relief plan for businesses."

Senate President Therese Murray (D-Plymouth) said the Senate bill "strikes a balance" between corporate tax proposals submitted by the Governor and the House of Representatives. "The Senate's proposal is a reasonable representation of everyone's interests that provides predictability and fairness," the President said.

The Senate proposal adopts the "check-the-box" reform to prevent corporations from claiming one status for Massachusetts taxes and another for federal and other-state taxes. It also adopts "combined reporting" to prevent multi-state businesses from moving their Massachusetts income to affiliates in lower-tax areas.

These reforms will bring the Commonwealth in line with its competitor states, making Massachusetts the last in the nation to adopt "check-the-box" and the 23rd state to implement combined reporting.

The proposal includes financial institutions in the combined reporting regimen and similarly reduces their proportional excise rate from 10.5 percent to 9.0 percent over three years, beginning in 2010.

For smaller corporations, which make up the majority of businesses in the Commonwealth, the bill also reduces excise rates over three years, beginning January 1, 2010. The rate for "S-corporations" with gross sales between \$6 million and \$9 million moves from 3 percent to 1.8 percent, and the rate for S-corporations with gross sales above \$9 million moves from 4.5 percent to 2.7 percent.

In addition to restructuring corporate taxation, the Senate proposal also adopts a one-dollar increase in the cigarette tax and applies it to existing inventories effective July 1, 2008.

The bill also ensures that businesses or Internet retail agents who resell hotel/motel rooms cannot avoid the tax on the full price of the room as paid by consumers.