

COVID-19 Response Tax Policy Principles:

Background

The COVID-19 pandemic is like no other event in modern history. It has forced businesses to close, economies to stall, unemployment insurance claims to skyrocket and state tax revenues to plummet while requiring people to self-isolate and quarantine in their homes for months.

As a result, the Commonwealth of Massachusetts faces a tax revenue shortfall (estimated to be \$6 billion) in FY2021 and likely for a few years thereafter. We recognize that a combination of measures to address the budget shortfall will be needed that may include reductions in spending for existing programs, use of the Stabilization Fund, borrowing and new revenue. As business and community leaders, we welcome the opportunity to work with you to generate thoughtful solutions that will meet the needs of the Commonwealth without overburdening taxpayers.

We have coalesced around the following tax policy principles and ask that you to keep these in mind as your consider policy ideas to generate revenues. The Massachusetts business community stands ready to assist in any way we are able during this process.

1. Maximize Federal Support

Before any tax policies are considered, Massachusetts should make all efforts to first obtain the maximum federal aid to avoid drastic cuts to program and large tax increases. Given the multi-year nature of the problem, withdrawals from the Rainy Day fund should be done judiciously.

2. Promote Simplicity

Any new tax policies should be easy to understand and administer. Complexity can lead to errors and jeopardize voluntary compliance.

3. Encourage Transparency

To ensure confidence in the tax system, taxpayers should understand what is being imposed and why.

4. Ensure Equity and Fairness

Any new tax policies should promote a fair and equitable tax system. Similarly situated taxpayers should be assessed similarly and any tax increases should not disproportionately burden any taxpayer group. If groups of taxpayers are currently better positioned to absorb new taxes, efforts should be made to offer credits to offset those increases in future tax years. Similar consideration should be given to provide relief for groups of taxpayers disproportionately impacted by the current economic crisis.

5. Prioritize Stability and Certainty

All tax increases should be low, broad-based and temporary. An established date on which they permanently sunset must be explicitly included, as should non-extendible language unless certain objective criteria are met. Any tax changes must not be retroactive to a previous tax year, tax code or have any rearview impact that negatively affects taxpayers.

6. Maintain Competitiveness

To maintain our competitiveness and to best protect valuable jobs in the Commonwealth, all business-related tax increases should be coupled with relief to businesses that will help with the economic recovery, like liability protections, unemployment insurance rate relief, health insurance premium assistance, etc.

7. Adopt an amnesty program

As a way to encourage voluntary compliance and obtain tax revenues that may have otherwise gone uncollected, create an amnesty program that waives penalties and/or interest.