

Massachusetts Tax Expenditure Budget



MA Defines Tax Expenditures Broadly

State tax revenue foregone as a direct result of the provisions of any general or special law which allows exemptions, exclusions, deductions from, or credits against, the taxes imposed on income, corporations, and sales.

Source: M.G.L., Chapter 29, section 1



State Estimates Its Tax Expenditures Are Greater Than Tax Revenues

- The state calculates its fiscal 2013 tax expenditures to be \$26.6 billion. Total fiscal 2013 forecasted tax revenues are \$21.950 billion.
 - Items and services exempt from the Sales & Use tax account for approximately 70 percent of total expenditures.

Tax Expenditure Category	FY 2013 (billions)	Share of Total
Sales & Use	\$18.397	69.3%
Personal Income	\$6.842	25.7%
Corporate	\$1.324	5.0%
Total	\$26.563	100%

Sales & Use Tax Expenditures

Expenditure Name	FY 2013 (millions)	% of Sales & Use Total
Exempt Professional & Personal Services	\$9,519.0	52%
Exempt Purchases and Rentals of Real Estate	\$3,688.4	20%
Other Exempt Items	\$2,237.5	12%
Food, Clothing, and Medicine	\$1,413.5	
Utilities	\$824.0	
Items Covered Under Another Tax <i>(includes motor vehicle fuels, hotel/motel rooms, and alcohol)</i>	\$994.9	5%
Exempt Production Materials, Fuels, & Equipment <i>(primarily related to manufacturing)</i>	\$894.8	5%
Tax Exempt Organizations <i>(non-profits and governments)</i>	\$657.2	4%
All Other	\$405.1	2%
Total	\$18,396.9	100%

Personal Income Tax Expenditures

Expenditure Name	FY 2013 (millions)	% of Personal Income Total
Exemption for Employer-Sponsored Benefits	\$2,052.4	30%
Employer Contributions to Health Insurance	\$987.3	
Employer Contributions to Retirement Accounts	\$958.5	
All other	\$106.6	
Capital Gains Exemptions for Gifts, Estate Transfers, and Home Sales	\$1,580.6	23%
Exemption for Social Security and Public Pension Payments to Individuals	\$1,123.7	16%
Exemption/Deduction for Individual Contributions to Social Security & IRAs	\$625.8	9%
Exemptions/Credits for Military, Elderly, Low- Income, and Disabled Residents	\$558.4	8%
Family, Housing, and Education Related Exemptions/Credits	\$404.2	6%
All Other	\$497.5	7%
Total	\$6,842.2	100%

Total may not add up to 100% due to rounding.



Corporate Tax Expenditures

Expenditure Name	FY 2013 (millions)	% of Corporate Total
Tax Credits	\$416.1	31%
Research & Development	\$110.9	
Film	\$82.6	
Investment	\$56.5	
All Others	\$166.1	
Adjustments to Apportionment Formula		
The state assumes equal weighting of sales, payroll, and property for corporations to determine the apportionment of income to Massachusetts. This expenditure measures the impact of using the single sales factor for manufacturing, defense, and mutual fund companies.	\$262.2	20%
Exemption for Property Subject to Local Taxes	\$362.5	27%
Net Operating Loss Carry-Forward	\$90.6	7%
All Other	\$192.6	15%
Total	\$1,323.5	100%