



Mass. lawmakers agree to repeal 'tech tax'

By Bob Salsberg
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BOSTON (AP) — Democratic legislative leaders agreed Thursday to repeal an unpopular new technology tax and said they would not propose any other taxes to make up for the lost revenue.

“It is now evident that the impact of the tax is broader than any of us ever anticipated or intended,” said Senate President Therese Murray, who made the announcement at a news conference with House Speaker Robert DeLeo and several state business leaders who had criticized the 6.25 percent sales tax on computer and software services.

A bill to repeal the tax, part of a transportation financing package approved in July, could be voted on within weeks, the lawmakers said.

Gov. Deval Patrick has said he was open to repealing the tax, which state officials had estimated would generate \$161 million in the fiscal year that began July 1. But the governor has also insisted that an alternative source of revenue would be required if the tax was eliminated.

DeLeo made clear Thursday that would not be the case.

“I want to emphatically say: There is going to be no proposal of any new taxes to make up for this revenue,” he said, adding that he anticipated no state budget cuts as a result of the repeal.

Instead, the lawmakers said they would look to a surplus from last year’s state budget and early projections of a surplus in the current year spending plan, along with one-time corporate tax settlements, to make up the difference.

Patrick said Thursday that he would wait until he saw the exact wording of the legislative proposal before deciding whether to support it, adding that it must be fiscally responsible and sustainable.

The outcry from technology companies appears to have caught state leaders off guard, prompting the highly unusual move to wipe away a tax that has only been on the books for weeks.

Murray and DeLeo stopped short of accepting blame for the misstep, noting that the proposal had been circulating on Beacon Hill for months with little or any negative feedback, and that the tax had actually been endorsed by some large business groups after the Legislature scaled back an earlier version proposed by Patrick.

“We did our due diligence,” said DeLeo. “We actually did spend quite a bit of time and study and research into the ramifications of the tax.”

It was only after the state budget had been finalized that business leaders began to speak out strongly against the tax, the lawmakers said.

“We in the business community underestimated the negative impacts of this tax,” acknowledged Dan O’Connell, president of the Massachusetts Competitive Partnership, at Thursday’s news conference.

The strongest opposition emerged from smaller software firms that said the tax was vague and confusing and could prompt them to shed jobs or send business to other states. Florida Gov. Rick Scott even used the tax in a pitch to woo Massachusetts businesses to relocate to his state.

Patrick and legislative leaders expressed concern that the controversy surrounding the new tax was creating a perception that Massachusetts had become a less friendly environment for innovative technology firms that had long been viewed as a pillar of strength for the state’s economy.

“The reputation damage that we have suffered will take time to repair,” said Chris Anderson, president of the Massachusetts High Tech Council, who urged lawmakers and the governor to engage with industry leaders on way to spur growth in the technology sector.

Kristina Egan, head of Transportation for Massachusetts, said the independent group was concerned about future shortfalls in transportation funding if the tax is repealed without a permanent replacement for the lost revenue.