

The Commonwealth of Massachusetts

EXECUTIVE DEPARTMENT
STATE HOUSE, BOSTON 02133, March 22, 1972.

To the Honorable Senate and House of Representatives:

Massachusetts is caught in the midst of the current nation-wide economic slump. 195,000 people are now out of work in the Commonwealth. It is true that the condition of the Massachusetts economy is largely determined by national policy, and that no actions that we in the State government take can wholly change this critical situation. We cannot, however, use this as an excuse to do nothing. We must take every action we can to encourage a re-expansion of business activity and to ensure a full recovery of the Massachusetts economy when the national economy recovers.

With its highly skilled labor force and a well developed base of high technology industries, Massachusetts has a strong base for economic growth. However, Massachusetts has some faults which impede economic growth. It is in the area of removing these impediments that the State government can act.

One of the roadblocks to economic expansion is the reputation Massachusetts has as a poor place to do business. This reputation is largely unwarranted, and an important part of our task is to dispel it. But some aspects of the image are justified. We must correct these failings, as well. Besides correcting our image, we must create the state policies, incentives and assistance programs that will encourage immediate investment and expansion of job opportunities.

Today I am submitting the first of a series of messages to you which will ensure that this government is doing all it can to stimulate the Massachusetts economy, to foster long term growth, and to find employment for those 195,000 jobless as quickly as possible.

Investment Tax Credit

New investment is the key to economic growth and more jobs. Increasing new investment is the quickest way to reverse an economic slump. Consequently, governments place great emphasis on ways to encourage investment. Other state governments and the Federal government believe that an investment tax credit is dollar for dollar the most potent way to encourage new investment.

In 1970 the Commonwealth enacted a 1% investment tax credit for manufacturing and research and development corporations. This credit allows a firm to deduct one dollar from its state corporate excise tax for each one hundred dollars it invests in new equipment. Many firms have taken advantage of the existing credit.

I am proposing in Appendix A that the 1% credit be raised to 3% for a period of two years, effective January 1, 1972. Tripling the credit will make new investment, the key to new jobs, that much more enticing. Making the credit effective immediately for a limited period of time will encourage firms to invest immediately.

Reduction of the property measure of the Corporate Excise Tax

If Massachusetts is to encourage expansion, enlarging the investment credit is not enough. The 8% excise in the valuation of inventories and machinery penalizes investment and negates the investment credit.

The legislation in Appendix B would phase out this adverse tax. Starting with the tax year beginning January 1, 1972, the tax would be reduced by 1% each year, on the valuation of all tangible property.

Economic Review Policy

I have already filed legislation requiring a review of the environmental effects of state actions. Society and the economy are becoming too complex, and government actions have too great consequences for us to proceed in policy decisions without adequate information of this sort.

We must review state government actions for their effect upon the economy of Massachusetts as well. I will not permit us to abandon the protection of the environment whenever that is costly to business. However, I do want us to gather all the facts we can and to strike the best balance we can between the two.

I have issued an Executive Order establishing an Economic Impact Review Policy covering all executive departments. An Economic Impact Review Board will be set up within the Executive Office of the Department of Communities and Development.

This Executive Order commits the State to rigorous and systematic review of the probable economic impact of projects, regulations, etc., of public agencies. It would require all public agencies to submit an analysis of economic impact and to suggest

alternative methods of accomplishing the same policy objectives. If the Board concluded that the activity would have an adverse economic impact, it would suggest accompanying actions or programs which might mitigate the adverse impact.

I am submitting this proposal in the form of an Executive Order so that the policy might be continually improved as experience with it is gained. Then it will be formulated and submitted as permanent legislation.

Respectfully submitted,

FRANCIS W. SARGENT,
Governor

APPENDIX A

The Commonwealth of Massachusetts

In the Year One Thousand Nine Hundred and Seventy-Two.

AN ACT TO STIMULATE NEW AND EXPANDED INVESTMENT AND JOB OPPORTUNITIES IN MASSACHUSETTS BY INCREASING THE INVESTMENT CREDIT UNDER THE CORPORATION EXCISE LAW FOR MANUFACTURING AND RESEARCH AND DEVELOPMENT CORPORATIONS.

Be it enacted by the Senate and House of Representatives in General Court assembled, and by the authority of the same, as follows:

1 SECTION 1. Section 31A of chapter 63 of the General
2 Laws, as appearing in section 2 of chapter 634 of the acts of
3 1970, is hereby amended by striking out paragraph (a) and
4 inserting in place thereof the following paragraph: —

5 (a) A manufacturing corporation, or a business corporation
6 engaged primarily in research and development, which has been
7 deemed to be such under section thirty-eight C or forty-two B, or
8 a corporation primarily engaged in agriculture or commercial
9 fishing, shall be allowed a credit as hereinafter provided against
10 its excise due under this chapter. The amount of such credit shall
11 be three per cent of the cost or other basis for federal income tax
12 purposes of qualifying tangible property acquired, constructed,
13 reconstructed or erected during the taxable year. Qualifying
14 property shall be tangible personal property and other tangible
15 property including buildings and structural components of
16 buildings which are depreciable and acquired by purchase, as
17 defined under section one hundred and seventy-nine (d) of the
18 Federal Internal Revenue Code, as amended and in effect for the
19 taxable year, having a useful life of four years or more, used by
20 the corporation in the commonwealth, and situated in the
21 commonwealth on the last day of the taxable year.

1 SECTION 2. This act shall take effect with respect to
2 taxable years ending on and after December thirty-first, nineteen
3 hundred and seventy-two and before December thirty-first,
4 nineteen hundred and seventy-four.

APPENDIX B

The Commonwealth of Massachusetts

In the Year One Thousand Nine Hundred and Seventy-Two.

AN ACT TO STIMULATE NEW AND EXPANDED INVESTMENT AND JOB OPPORTUNITIES IN MASSACHUSETTS THROUGH THE ELIMINATION OF THE TANGIBLE PROPERTY MEASURE OF THE CORPORATION EXCISE OVER AN EIGHT-YEAR PERIOD FOR MANUFACTURING AND RESEARCH AND DEVELOPMENT CORPORATIONS.

Be it enacted by the Senate and House of Representatives in General Court assembled, and by the authority of the same, as follows:

1 SECTION 1. Chapter 63 of the General Laws is hereby
2 amended by striking out section 32, as most recently amended
3 by section 18 of chapter 796 of the acts of 1967, and inserting in
4 place thereof the following section: -

5 *Section 32.* Except as provided in sections thirty-two A and
6 thirty-eight B, every domestic business corporation shall pay, on
7 account of each taxable year, the excise provided in subsection
8 (a) or (b) of this section, whichever is greater. Liability for such
9 excise shall be incurred by corporate existence at any time within
10 such taxable year. In the case of a corporation whose taxable
11 year is a period of less than twelve calendar months, the portion
12 of the amount determined under clause (1) of subsection (a) shall
13 be multiplied by a fraction whose numerator is the number of
14 months included in the taxable year and whose denominator is
15 twelve.

16 (a) An amount equal to the sum of: -

17 (1) Seven dollars and ninety-eight cents per thousand upon
18 the value of: -

19 (i) its tangible property as determined to be taxable under
20 paragraph seven of section thirty if a tangible property
21 corporation; or

22 (ii) its net worth as determined to be taxable under paragraph
23 eight of section thirty if an intangible property
24 corporation; and

25 (2) Eight and fifty five hundredths per cent of its net income
26 determined to be taxable in accordance with the provisions of
27 this chapter. If two or more corporations participated in the
28 filing of a consolidated return of income to the federal
29 government, the portions of the excise computed under this
30 clause or clause (2) of subsection (a) of section thirty-two A,
31 thirty-nine or thirty-nine B may, at their option, be assessed
32 upon their combined net income, in which case the excise shall
33 be assessed to all said corporations and collected from any one or
34 more of them.

35 (b) One hundred and fourteen dollars.

1 SECTION 2. Said chapter 63 is hereby further amended by
2 inserting after section 32 the following section: —

3 *Section 32A.* Every domestic manufacturing corporation and
4 every domestic research and development corporation, as defined
5 in section thirty-eight C, shall pay, on account of each taxable
6 year, the excise provided in subsection (a) or (b) of this section,
7 whichever is greater. Liability for such excise shall be incurred by
8 corporate existence at any time within such taxable year. In the
9 case of a corporation whose taxable year is a period of less than
10 twelve calendar months, the portion of the amount determined
11 under clause (1) of subsection (a) shall be multiplied by a
12 fraction whose numerator is the number of months included in
13 the taxable year and whose denominator is twelve.

14 (a) An amount equal to the sum of: —

15 (1) (i) Seven dollars per thousand upon the value of its
16 tangible property, as determined to be taxable under
17 paragraph seven of section thirty if a tangible property
18 corporation: or

19 (ii) seven dollars and ninety-eight cents per thousand upon the
20 value of its net worth as determined to be taxable under
21 paragraph eight of section thirty if an intangible property
22 corporation; and

23 (2) Eight and fifty-five hundredths per cent of its net income
24 determined to be taxable in accordance with the provisions of
25 this chapter. If two or more corporations participated in the
26 filing of a consolidated return of income to the federal
27 government, the portions of the excise computed under this
28 clause, or clause (2) of subsection (a) of section thirty-two,
29 thirty-nine or thirty-nine B may, at their option, be assessed
30 upon their combined net income, in which case the excise shall

31 be assessed to all said corporations and collected from any one or
32 more of them.

33 (b) One hundred and fourteen dollars.

1 SECTION 3. Said chapter 63 is hereby further amended by
2 striking out section 39, as most recently amended by section 19
3 of chapter 796 of the acts of 1967, and inserting in place thereof
4 the following section: —

5 *Section 39.* Except as provided in sections thirty-eight B and
6 thirty-nine B, every foreign corporation shall pay, on account of
7 each taxable year, with respect to carrying on or doing business
8 in the commonwealth, the excise provided in subsection (a) or
9 (b) of this section, whichever is greater. Liability for such excise
10 shall be incurred by corporate activity or the renting of real
11 estate or tangible personal property within the commonwealth at
12 any time within the taxable year. In the case of a corporation
13 whose taxable year is a period of less than twelve calendar
14 months, the portion of the amount determined under clause (1)
15 of subsection (a) shall be multiplied by a fraction whose
16 numerator is the number of months included in the taxable year
17 and whose denominator is twelve.

18 (a) An amount equal to the sum of: —

19 (1) Seven dollars and ninety-eight cents per thousand upon
20 the value of —

21 (i) its tangible property as determined to be taxable under
22 paragraph seven of section thirty if a tangible property
23 corporation, or

24 (ii) its net worth as determined to be taxable under paragraph
25 nine of section thirty if an intangible property
26 corporation; and

27 (2) Eight and fifty-five hundredths per cent of its net income
28 determined to be taxable in accordance with the provisions of
29 this chapter. If two or more corporations participated in the
30 filing of a consolidated return of income to the federal
31 government, the portion of the excise computed under this
32 clause or clause (2) of subsection (a) of section thirty-two,
33 thirty-two A or thirty-nine B may, at their option be assessed
34 upon their combined net income in which case the excise shall be
35 assessed to all said corporations and collected from any one or
36 more of them.

37 (b) One hundred and fourteen dollars.

1 SECTION 4. Said chapter 63 is hereby further amended by
2 inserting after section 39A the following section: –

3 *Section 39B.* Every foreign manufacturing corporation and
4 every foreign research and development corporation, as defined
5 in section forty-two B, shall pay, on account of each taxable
6 year, with respect to carrying on or doing business in the
7 commonwealth, the excise provided in subsection (a) or (b) of
8 this section, whichever is greater. Liability for such excise shall
9 be incurred by corporate activity or the renting of real estate or
10 tangible personal property within the commonwealth at any time
11 within the taxable year. In the case of a corporation whose
12 taxable year is a period of less than twelve calendar months, the
13 portion of the amount determined under clause (1) of subsection
14 (a) shall be multiplied by a fraction whose numerator is the
15 number of months included in the taxable year and whose
16 denominator is twelve.

17 (a) An amount equal to the sum of: –

18 (1) (i) Seven dollars per thousand upon the value of its
19 tangible property as determined to be taxable under
20 paragraph seven of section thirty if a tangible property
21 corporation, or

22 (ii) seven dollars and ninety-eight cents per thousand upon
23 the value of its net worth as determined to be taxable
24 under paragraph nine of section thirty if an intangible
25 property corporation; and

26 (2) Eight and fifty-five hundredths per cent of its net income
27 determined to be taxable in accordance with the provisions of
28 this chapter. If two or more corporations participated in the
29 filing of a consolidated return of income to the federal
30 government, the portion of the excise computed under this
31 clause, or clause (2) of subsection (a) of section thirty-two,
32 thirty-two A or thirty-nine may, at their option, be assessed upon
33 their combined net income in which case the excise shall be
34 assessed to all said corporations and collected from any one or
35 more of them.

36 (b) One hundred and fourteen dollars.

1 SECTION 5. Notwithstanding the provisions of section
2 eighteen of chapter five hundred and forty-six of the acts of
3 nineteen hundred and sixty-nine, the surtax imposed by said
4 section shall not apply to taxes imposed under sections thirty-

5 two, thirty-two A, thirty-nine and thirty-nine B of chapter
6 sixty-three of the General Laws.

1 SECTION 6. Section 30 of said chapter 63 is hereby
2 amended by striking out paragraph 7 as appearing in section 1 of
3 chapter 634 of the acts of 1970, and inserting in place thereof
4 the following paragraph: —

5 7. The value of a corporation's tangible property taxable
6 under clause (1) of subsection (a) of section thirty-two,
7 thirty-two A, thirty-nine or thirty-nine B shall be the adjusted
8 basis, as defined under the applicable provisions of the Federal
9 Internal Revenue Code, as amended and in effect for the taxable
10 year, of such of its tangible property situated in the common-
11 wealth on the last day of the taxable year as is not subject to
12 local taxation nor taxable under section sixty-seven. Where the
13 value, as hereinbefore defined, of a corporation's machinery
14 situated in the commonwealth on the last day of the taxable year
15 as is not subject to local taxation exceeds the value, as
16 hereinbefore defined, of such of its machinery so situated on the
17 last day of the taxable year ending on or immediately after
18 December thirty-first, nineteen hundred and seventy-one, here-
19 inafter termed the "base amount", the excess, unless exempt
20 under any other provision of law, shall be exempt from taxation
21 under clause (1) of subsection (a) of section thirty-two A or
22 thirty-nine B. In the event of the merger, consolidation or any
23 other reorganization of any corporation which qualifies for an
24 exemption under this paragraph, the base amount for purposes of
25 computing such exemption for any successor corporation shall
26 not be less than the sum of the base amounts of each of the
27 predecessor corporations prior to the merger, consolidation or
28 other reorganization. If the commissioner finds that a
29 corporation has transferred its tangible property taxable under
30 clause (1) of subsection (a) of section thirty-two, thirty-two A,
31 thirty-nine or thirty-nine B for the purpose of reducing its excise
32 under this chapter, he may determine the amount of its tangible
33 property taxable under said sections on the basis of the average
34 of such tangible property held during the taxable year.

1 SECTION 7. Paragraph 8 of section 30 of said chapter 63, as
2 appearing in section 2 of chapter 756 of the acts of 1962, is

3 hereby amended by inserting, in line 2, after the word
4 “thirty-two” the words: — or thirty-two A.

1 SECTION 8. Paragraph 9 of section 30 of said chapter 63, as
2 appearing in section 2 of chapter 756 of the acts of 1962, is
3 hereby amended by inserting, in line 2, after the word
4 “thirty-nine” the words: — or thirty-nine B.

1 SECTION 9. Paragraph (a) of section 31A of said chapter
2 63, as appearing in section 2 of chapter 634 of the acts of 1970
3 is hereby amended by striking out, in lines 2 and 3, the words
4 “section thirty-two (b), thirty-nine (b) or” and inserting in place
5 thereof the words: — subsection (b) of section thirty-two,
6 thirty-two A, thirty-nine or thirty-nine B or section.

1 SECTION 10. Section thirty-one B of said chapter
2 sixty-three is hereby repealed.

1 SECTION 11. Section 38D of said chapter 63, as appearing
2 in chapter 701 of the acts of 1966, is hereby amended by striking
3 out subsection (e) and inserting the following subsection: —

4 (e) An industrial waste treatment facility which qualifies for
5 the deduction provided for by this section shall not be subject to
6 taxation under the tangible property measure of the excise
7 imposed by clause (1) of subsection (a) of section thirty-two,
8 thirty-two A, thirty-nine or thirty-nine B.

1 SECTION 12. Section 44 of said chapter 63, as most
2 recently amended by section 67 of chapter 698 of the acts of
3 1966, is hereby further amended by inserting, in the third and
4 fifth sentences, after the word “thirty-two” the words: — or
5 thirty-two A — and after the word “thirty-nine” the words: — or
6 thirty-nine B.

1 SECTION 13. Notwithstanding the provisions of sections
2 thirty-two A and thirty-nine B of chapter sixty-three of the
3 General Laws, as inserted by sections two and four of this act,
4 the rate of tax per thousand upon the value of tangible property
5 taxable under subclause (i) of clause (1) of subsection (a) of said
6 sections shall be as follows: —

7 (a) Six dollars for taxable years ending on and after December

8 thirty-first, nineteen hundred and seventy-three and before
9 December thirty-first, nineteen hundred and seventy-four.

10 *b.* Five dollars for taxable years ending on and after December
11 thirty-first, nineteen hundred and seventy-four, and before
12 December thirty-first, nineteen hundred and seventy-five.

13 *c.* Four dollars for taxable years ending on and after
14 December thirty-first, nineteen hundred and seventy-five and
15 before December thirty-first, nineteen hundred and seventy-six.

16 *d.* Three dollars for taxable years ending on and after
17 December thirty-first, nineteen hundred and seventy-six and
18 before December thirty-first, nineteen hundred and
19 seventy-seven.

20 *e.* Two dollars for taxable years ending on and after December
21 thirty-first, nineteen hundred and seventy-seven and before
22 December thirty-first, nineteen hundred and seventy-eight.

23 *f.* One dollar for taxable years ending on and after December
24 thirty-first, nineteen hundred and seventy-eight and before
25 December thirty-first, nineteen hundred and seventy-nine.

1 SECTION 14. Subsection (*a*) of section thirty-two A of said
2 chapter 63, as inserted by section 2 of this act, is hereby
3 amended by striking out clause (1) and inserting in place thereof
4 the following clause: —

5 (1) Seven dollars and ninety-eight cents per thousand upon
6 the value of its net worth as determined to be taxable under
7 paragraph eight of section thirty if an intangible property
8 corporation; and

1 SECTION 15. Subsection (*a*) of section thirty-nine B of
2 said chapter 63, as inserted by section 4 of this act, is hereby
3 amended by striking out clause (1) and inserting in place thereof
4 the following clause: —

5 (1) Seven dollars and ninety-eight cents per thousand upon
6 the value of its net worth as determined to be taxable under
7 paragraph nine of section thirty if an intangible property
8 corporation; and

1 SECTION 16. Sections one to twelve, inclusive, of this act
2 shall take effect with respect to taxable years ending on and after
3 December thirty-first, nineteen hundred and seventy-two.
4 Section thirteen of this act shall take effect upon passage.

5 Sections fourteen and fifteen of this act shall take effect with
6 respect to taxable years ending on and after December
7 thirty-first, nineteen hundred and seventy-nine. With respect to a
8 corporation which has elected to make a return to the federal
9 government on the basis of an annual period which varies from
10 fifty-two to fifty-three weeks, its taxable year shall be treated as
11 ending with the last day of the calendar month ending nearest to
12 the last day of such taxable year.