

Introduction

The net outflow of people from Massachusetts is accelerating—and it increasingly includes those who we can least afford to lose. According to IRS data, the state lost over 26,000 residents in 2022 alone, with \$10.7 billion in net adjusted gross income (AGI) lost between 2020 and 2022—more than the total lost from 2012 to 2019. Most of that wealth—66 percent—went to just two states: Florida and New Hampshire, both of which have no income or estate tax.¹

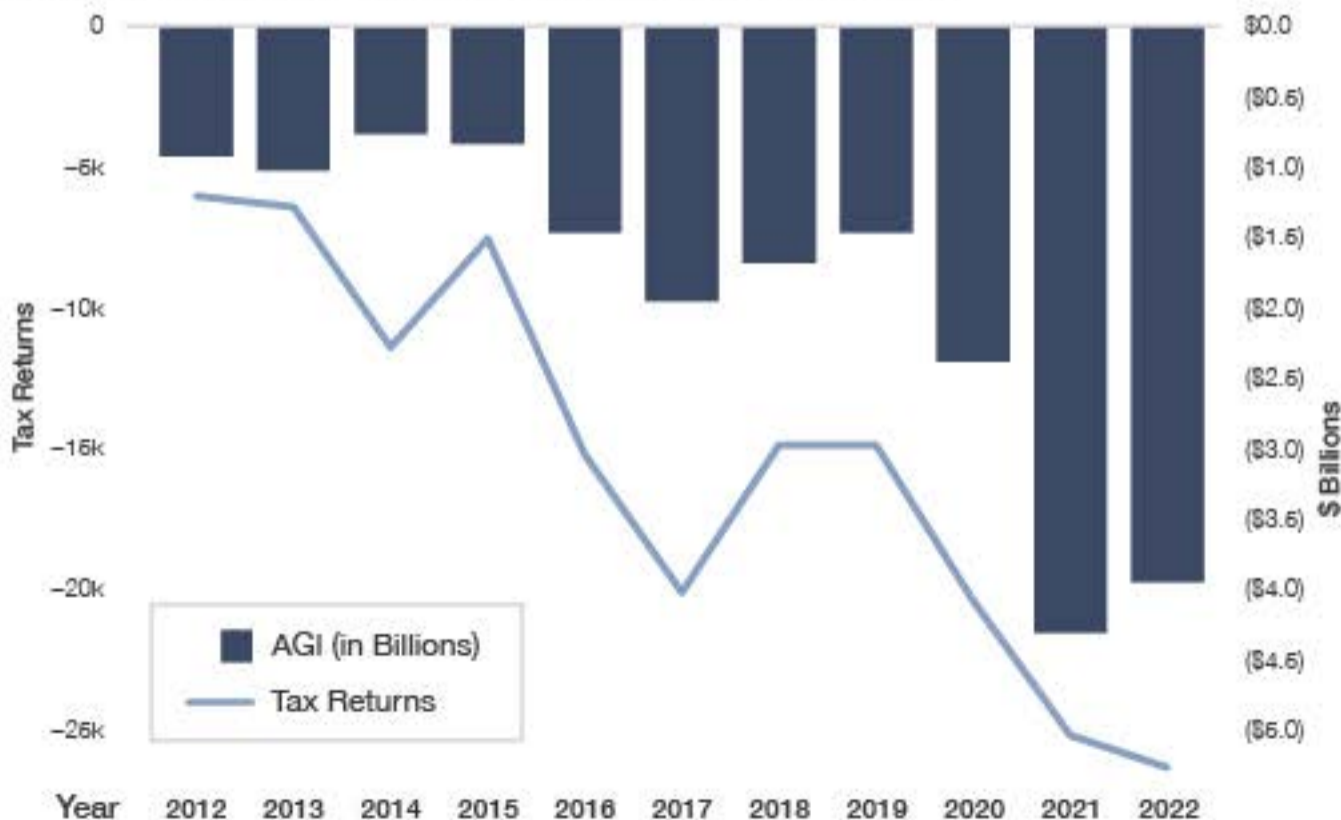
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A poll of more than 500 former Massachusetts residents by the Mass Opportunity Alliance found that 70.7 percent cited tax policy as a major reason for leaving, with housing and healthcare costs close behind. Nearly 70 percent were employed full-time or self-employed before moving, indicating a flight of working residents—not retirees. IRS data confirms this wealth migration. Although just 1 percent of MA taxpayers earn more than \$1 million annually, they made up 3 percent of those relocating to Florida and New Hampshire.²

Meanwhile, The Massachusetts Society of CPAs surveyed nearly 200 accountants representing 4,600 high-income clients. A staggering 70 percent of those CPAs said at least one of their clients changed primary residence in 2024, with tax policy, cost of living, and business climate the most commonly expressed concerns.³ Yet some studies continue to downplay the trend, often using flawed assumptions and incomplete data.

If we want to remain a state where people build businesses, raise families, and invest in the future, we must address the structural tax and cost pressures that are driving them out. That includes rejecting the proposed corporate surtax ballot initiative and enacting targeted reforms that reduce the burdens on multistate businesses, S corporations, startups, and mobile high-income earners.

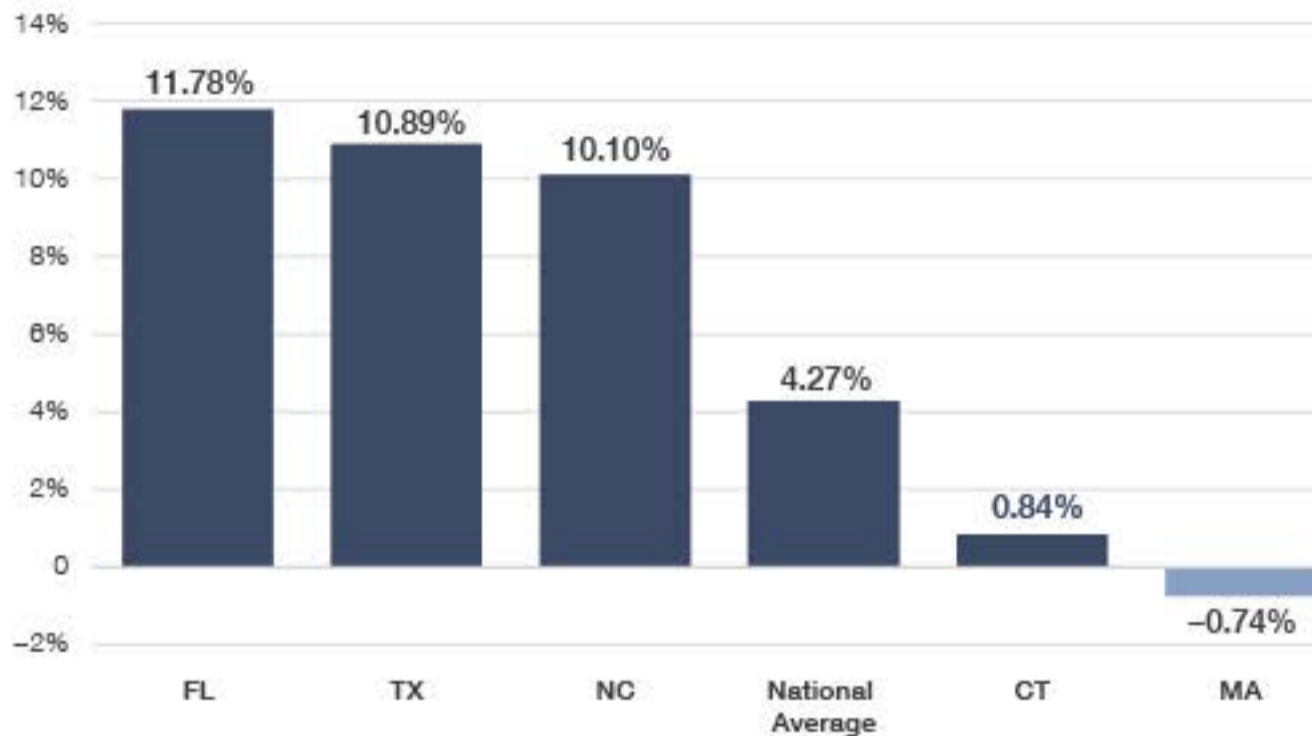
Figure 1. MA Net Income & Tax Filer Migration, by Tax Year



Massachusetts' Sputtering Job Engine

The Massachusetts job engine is not keeping pace with the nation—especially in the private sector. From January 2020 through March 2025, Massachusetts lost 24,100 non-farm jobs—making it one of just four states to see a net decline. By contrast, North Carolina, powered by growth in the Research Triangle and Charlotte areas—regional economies with similar industry profiles to Greater Boston—added a combined 254,900 jobs.⁴ Had Massachusetts matched that level of growth, the Commonwealth would have seen an estimated \$1.3 billion in additional income and sales tax revenue, as well as higher retention of young workers and stronger business investment.

Figure 2. Change in Private employment, Jan 2020–Mar 2025



Even more concerning is the fact that we are underperforming in the sectors that define Massachusetts' innovation economy. From 2020 to 2024, our share of national GDP in professional, scientific, and technical services—a cornerstone of our high-skilled labor market—fell by 6.6 percent. In contrast, states like Texas, Florida, and North Carolina gained market share. Massachusetts also lagged the national average in finance, real estate, and manufacturing. Only the information sector posted stronger growth than the U.S. average, but it still fell short of top-tier states.⁵

A Pioneer Institute analysis further found that Massachusetts' Gross State Product per capita for private industry grew just 11.9 percent from 2020 to 2024, ranking 30th among all states—far behind Florida (17.2 percent), Texas (15.9 percent), and New Hampshire (14.8 percent).⁶ High corporate taxes, restrictive professional licensing, permitting hurdles, and poor zoning practices all discourage business growth. Additional barriers like parking mandates for new housing and outdated business registration systems further hinder expansion and job creation.

Attract Talent and Capital to Reignite Job Growth

Reform Interstate Sales Taxation to Stop Penalizing Multistate Firms

Massachusetts is one of 19 states that imposes a “throwback rule,” which allows the state to tax income from sales of tangible goods in states where the seller is not taxable.⁷ These untaxed out-of-state sales are “thrown back” into the Massachusetts tax base, often resulting in higher tax liability for in-state companies. This policy undermines the state's

single sales factor apportionment, which was designed to attract multistate corporations by limiting taxation to Massachusetts-based sales. It disproportionately impacts manufacturers and businesses that sell into multiple states but are not taxed in those jurisdictions. Several states—including Alabama, Missouri, Vermont, West Virginia, and Arkansas—have recently repealed their throwback or throw-out rules.⁸ The “throw-out” rule, currently used only in Maine, excludes these sales from the denominator of the sales factor, thus striking a middle ground between adopting a throwback rule and eliminating it.

Maintaining the throwback rule punishes interstate commerce and contradicts Massachusetts’ broader competitiveness goals.⁹ This reform would reduce the over-taxation of untaxed out-of-state sales, better align Massachusetts with competitor states, and reinforce the pro-growth intent of the single sales factor apportionment policy.

Recommendation: *Replace the throwback rule with a throw-out rule.*

Raise the S-Corp Status Threshold to Protect Small Businesses

Massachusetts imposes a unique status—known as the “big net”—on S corporations with gross receipts above \$1 million, 1 percent on receipts between \$1 to \$1 million and 2 percent above \$1 million.¹⁰ This structure, created to edge S corporations over with those of C corporations, is now outdated. Massachusetts is the only state with a gross receipts-based status applied only to S corporations.¹¹ The threshold has not been updated since 2008 and now often means businesses that have grown only because of inflation, not real value creation, must pay the extra 1 percent. The extra applies even to businesses that aren’t profitable. The House Finance Committee in 2017 has identified this tax as a major reason why businesses consider relocating. “It also drives our investment and living in a state already challenged by high cost and outmigration of talent.”¹²

Recommendation: Raise the S corporation status threshold to at least 50 percent and to the state’s median. This would protect small and mid-sized businesses from unintended tax burden and preserve Massachusetts’ appeal to entrepreneurs and high-growth firms.

Eliminate the Minimum Corporate Tax to Support Entrepreneurship

Massachusetts imposes an uncompetitive, including C corporations and inactive entities, to pay a 3.8% minimum corporate income tax—regardless of profitability or scale. When passed in 2012, the law was meant to give the state’s economic infrastructure more support than its physical presence. But in today’s digital business environment, it acts as a barrier to startups and management entrepreneurs. By contrast, New Hampshire, Florida, and Texas impose no such tax, and North Carolina—with a 3.8% minimum—is phasing out its corporate income tax altogether. Massachusetts’ minimum tax with the wrong legal structure makes businesses thinking about to launch, grow, or reorganize. The burden is high cost services such as research, professional services, and client service. These fixed costs will go up.¹³

Recommendation: Eliminate the minimum corporate income tax to encourage business formation and reduce fixed costs for startups and small firms. This would better edge Massachusetts with job-creating, job-providing, investment, and entrepreneurship.

Repeal Asset-Based Corporate Taxes to Spur Investment

Massachusetts’ corporate taxes include a second component—a tax on corporate property or net worth—set at \$1.50 per \$1 million of value. This applies only if a business isn’t profitable. Only in states we have thought and thought corporate assets, and other countries place no or capital stock tax as 2018, Massachusetts will have the nation’s highest tax rate on intangible corporate assets.¹⁴ The tax discourages firms from investing