

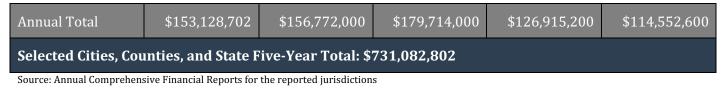
Exposing Wasteful Subsidies, Revealing Corporate Misconduct, Empowering Communities

## The Revenue Impact of Corporate Tax Incentives

The Governmental Accounting Standards Board (GASB) is the professional organization that establishes standards of accounting and financial reporting for state and local governments. In 2015, GASB added "<u>Statement No. 77 on Tax Abatement Disclosures</u>" to its Generally Accepted Accounting Principles (GAAP). GASB 77 requires most state and local governments (including school districts) to report tax abatement programs (if they have such a program/s) in their annual comprehensive financial reports (ACFRs), specifying the **amount of revenue reduced or foregone** as a result of these tax abatements programs. This new rule, GASB 77, allows the public to see how much money for public services is lost to tax breaks given to corporations. This fact sheet summarizes that foregone revenue for Massachusetts' five most populous cities, counties, and school districts and the state itself, where available.

Between fiscal years 2017 and 2021, the state of Massachusetts and its five largest cities and counties **lost over \$731 million** due to economic development tax breaks. For context, the state spent \$900 million on environmental affairs in 2021 alone. The tables below list **only** the five most populous cities and counties and the state itself; among this group, however, only five of the eleven entities disclosed any revenue lost to tax breaks. The true statewide total is presumably much higher.

Foregone Tax Revenue, Five Most Populous Cities, Counties, and State of Massachusetts					
	2017	2018	2019	2020	2021
City of Boston	\$17,084,000	\$9,066,000	\$12,679,000	\$24,649,000	\$18,408,000
City of Worcester	\$2,600,000	\$3,885,000	\$3,873,000	\$4,216,000	\$4,335,000
City of Springfield	\$215,000	\$1,761,000	\$1,328,000	\$1,279,000	\$1,500,000
City of Cambridge	\$465,702	No Disclosure	No Disclosure	No Disclosure	No Disclosure
City of Lowell	No Disclosure	No Disclosure	No Disclosure	\$1,029,500	\$1,022,600
Middlesex County	No Disclosure				
Worcester County	No Disclosure				
Suffolk County	No Disclosure				
Bristol County	No Disclosure				
Norfolk County	No Disclosure				
Massachusetts	\$132,764,00	\$142,060,000	\$161,834,000	\$95,742,000	\$89,287,000



**Note: School District data are excluded**. Massachusetts is one of the six New England states where most school districts do not issue their own financial reports; only a handful of regionalized school districts do. The budgets and finances of the remaining (local) districts are incorporated into the towns' financial statements. None of the regional reports include GASB 77, though they use GAAP accounting.

During this five-year period, Massachusetts and its reporting jurisdictions lost an average of \$146.2 million every year due to economic development tax breaks. Some of these abatements are in the form of Tax Increment Financing (TIF) agreements, which capture the increase in property taxes (and sometimes other taxes) resulting from new development and divert that revenue to subsidize the development.

## Key findings:

- From 2017 through 2021: **The City of Boston lost \$81.9 million,** 82% of which (\$66.7 million) was due to Chapter 12A and 12B urban redevelopment abatements, which provides tax breaks for redevelopment of blighted areas.
- **The City of Springfield's revenue loss increased by 598%,** from \$215,000 in 2017 to \$1.5 million in 2021, all due to TIF agreements.
- The State of Massachusetts lost \$621.7 million in abatements, 65% (\$406.1 million) of which was due to the film tax credits. The remaining revenue loss went to the state's economic development incentive program (19%) and to tax breaks for companies creating jobs in the life sciences (16%).

Again: these findings are only from a handful of Massachusetts cities, counties, and school districts. The state has a total of 351 municipalities, 14 counties, and 302 school districts.

For more information about these abatements, see <u>taxbreaktracker.goodjobsfirst.org.</u> For company-specific information, see <u>subsidytracker.goodjobsfirst.org.</u>