The Global Intangible Low-Taxed Income (GILTI) provision was created to combat abusive corporate tax avoidance. Many large, profitable U.S. multinational corporations go to great lengths to reduce their taxes. In particular, they often aggressively shift income to subsidiary companies intentionally located in foreign low- and no-tax jurisdictions, using complex accounting maneuvers which cost the federal government and states billions per year.

In a costly 2018 decision, the Massachusetts Legislature voted to allow businesses to exclude 95 percent of GILTI from state taxation. The federal code excludes only 50 percent.

Note - GILTI revenue would not come from Massachusetts businesses that operate solely in-state or solely within the territorial United States. Purely domestic companies are unaffected.

Fourteen states - including Maine, New Hampshire, Rhode Island, and Vermont - are coupled to the federal GILTI provision, taxing 50 percent of this shifted income. Massachusetts taxes only 5 percent.

While the motivation for aggressive income shifting is primarily to avoid federal taxation, these complex tax avoidance schemes also deprive the states of the revenue they are due.

The costs of these U.S. corporations' income shifting are real. Economists at the Wharton School of Business estimate that $429,000,000,000 nationwide will be deemed GILTI in 2020.

By the year 2030, these preliminary estimates grow to $683,000,000,000.

Those are dollars that can be invested in essential areas, like education, and improvements to roads, bridges, and public transit systems statewide.

If lawmakers choose to recouple to the federal provision, the Commonwealth stands to gain as much as $450,000,000 in tax revenue annually. Those are dollars that can be invested in essential areas, like education, and improvements to roads, bridges, and public transit systems statewide.

The latest report in our corporate tax series, Taxing the GILTI, analyzes the impacts of corporate tax avoidance and offers solutions to help bring this revenue back to the Bay State.

Key takeaways from our latest report:

- **Global Intangible Low-Taxed Income**
- **$450 Million for Massachusetts**
- **Choices Have Consequences**
- **14 States**
- **$429 Billion U.S. Total**

Read the full report: Bit.ly/TaxGILTI