

# TAXING THE GILTI

Key takeaways from our latest report

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.

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.



GLOBAL  
INTANGIBLE  
LOW-  
TAXED  
INCOME



## \$450 MILLION FOR MASSACHUSETTS

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.

## CHOICES HAVE CONSEQUENCES

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.**



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**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.

## \$429 BILLION U.S. TOTAL

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**.

