No event in modern event history has forced businesses to close, economies to stall, a massive increase of individuals filing for unemployment assistance in the matter of weeks, or people to self-isolate and quarantine in their homes for months.

As MTF reported, the Commonwealth of Massachusetts faces an at least $6 billion tax revenue shortfall. Without the promise of financial relief from the federal government, Massachusetts leaders are left with the difficult task to piece together budget proposals that both close the financial gap and shift as much burden from the shoulders of individual taxpayers as possible. The next few years will be challenging and will require well thought out solutions from government, business and the community leaders.

We recognize that the Commonwealth will be unable to address the projected budget shortfall without a combination of new revenue, cuts to existing programs, and borrowing. We encourage the legislature to ensure that each of these strategies be temporary and guarantee that any new revenues, cuts and borrowing decrease as the economy begins to recover. We welcome the opportunity to work with you to generate ideas that will meet the needs of the Commonwealth without overburdening taxpayers. As a starting point, we encourage the Commonwealth to position itself to obtain the maximum federal funding from COVID and non-COVID related programs and suggest encouraging increased voluntary taxpayer compliance through amnesty programs.

As you consider policy ideas to generate revenues, we offer these principles, based on widely accepted tax policy principles of fairness, equity, stability and certainty, uniformity, and transparency. The Massachusetts business community stands ready to assist in any way during this process.

**COVID-19 Response Tax Policy Principles**:

1. **Maximize Federal Support** - Before any tax policies are considered, Massachusetts should make all efforts to first obtain the maximum federal aid and to borrow money over multiple fiscal years to avoid drastic cuts to program and large tax increases. Though we have a healthy rainy-day fund, we do not yet know what the next fiscal year looks like and utilizing that fund now may prove detrimental in the long run. Such funds must be used judiciously and only with consideration of a multiyear view.
2. **Promote Simplicity** - Any new tax policies should be easy to understand and administer. Complexity can lead to errors and jeopardize voluntary compliance.
3. **Encourage Transparency** - To ensure confidence in the tax system, taxpayers should understand what is being imposed and why.
4. **Ensure Equity and Fairness** - Any new tax policies should promote a fair and equitable tax system. Similarly situated taxpayers should be assessed similarly and any tax increases should not disproportionately burden any taxpayer group. If groups of taxpayers are currently better positioned to absorb new taxes, efforts should be made to offer credits to offset those increases in future tax years. Similar consideration should be given to provide relief for groups of taxpayers disproportionately impacted by the current economic crisis.
5. **Prioritize Stability and Certainty** – To ensure adequate revenues while minimizing the impact on any specific group of taxpayers, all tax increases should be low and broad-based and include an established date on which they *permanently* sunset and must be specifically non-extendible unless certain objective criteria are met. Any tax changes must not be retroactive to a previous tax year, tax code or have any rearview impact that negatively affects taxpayers.
6. **Maintain Competitiveness** - To maintain our competitiveness and to best protect valuable jobs in the Commonwealth, all business-related tax increases should be coupled with relief to businesses that will help with the economic recovery, like liability protections, unemployment insurance rate relief, health insurance premium assistance, etc.