

October 30, 2025

Representative Adrian Madaro, Chair
Joint Committee on Revenue
State House, Room 34
Boston, MA 02133

Senator James Eldridge, Chair
Joint Committee on Revenue
State House, Room 511-C
Boston, MA 02133

Dear Chair Madaro and Chair Eldridge,

On behalf of the Greater Boston Chamber of Commerce and its 1,200 members, I write to provide testimony in opposition to H.3110/S.2033, "*An Act combating offshore tax avoidance*." With the passage of the One Big Beautiful Bill Act (OBBBA) in July 2025, significant changes were adopted to section 951A of the Internal Revenue Code that have implications for state approaches to Global Intangible Low-Taxed Income (GILTI), a term now eliminated under the Code and replaced with "Net Controlled Foreign Corporation Tested Income" (NCTI). Effective in December 2025, the IRS has yet to issue guidance addressing compliance and the technical aspects of these changes.

These federal changes, along with the inability of states to recognize foreign tax credits through deductions or exclusions that may offset federal tax liability, raise significant technical and competitiveness concerns with this legislation. Most importantly, aside from the technical challenges, this proposal would place Massachusetts well outside of the mainstream treatment of GILTI (now NCTI), worsening the business climate and again raising taxes on employers. As such, we urge the Committee to fully analyze the impending impacts of federal legislative changes and avoid the unintended consequences likely to occur with passage of H.3110/S.2033. The Chamber recommends the Committee give these bills an unfavorable report.

Intended to curb profit shifting to low tax nations outside the United States, the 2017 Tax Cuts and Jobs Act (TCJA) imposed the GILTI structure to incentivize multinational corporations to avoid offshoring profits to low tax foreign jurisdictions. Created as part of a worldwide effort to form a minimum tax structure, GILTI offered a process to recognize profits where they were created through a tax formula estimating likely returns and taxing profiting that were likely realized in the United States.

As mentioned, the OBBBA included changes to GILTI beyond its name change to NCTI. Originally, companies were required to calculate their qualified business asset investment (QBAI) exemption to account for operations or tangible assets held abroad. The OBBA removed the QBAI and instead created broader foreign tax credits to balance out NCTI – which includes all international income.

If the taxable threshold of NCTI was raised to 50%, it would effectively be a tax increase for businesses in the Commonwealth, particularly without incorporating other changes to the state code that mirror the federal approach, such as crediting 90% of foreign taxes paid to avoid double taxation. Unlike the federal government, the Commonwealth does not have foreign tax credits to offset taxes collected in high-tax jurisdictions. This runs contrary to the purpose of NCTI.

Additionally, if the taxable threshold of NCTI were to be raised from 5% to 50%, the Commonwealth would become an outlier. Only 11 states and Washington D.C. have a 50% threshold for NCTI. Comparable and competitor states such as California, Pennsylvania, Virginia, Michigan and North Carolina do not tax NCTI; and neighboring states New York and Connecticut have maintained a 5% threshold. Only three states have made changes to their NCTI treatment in recent years, including New Jersey – who reduced their threshold from 50% to 5%.¹

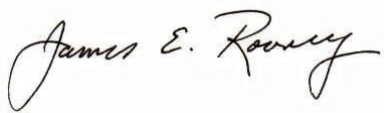
Raising the taxable NCTI threshold will impact the Commonwealth's competitiveness. At a federal level this policy acts as a minimum tax on foreign income and as an incentive to keep profits from being

moved offshore. At a state level the opposite would instead be the case – companies would be incentivized to move their headquarters and investments to a tax friendlier state or be responsible for a higher tax liability. Altering our tax code in a noncompetitive manner, especially at a time when other states are actively seeking to lure our talent and businesses outside the Commonwealth, runs contrary to our collective effort to ensure competitiveness.

Ultimately, this proposal was filed before the One Big Beautiful Bill Act made significant changes to section 951A of the Code. Electing to increase the NCTI threshold at a time of both economic uncertainty, an evolving approach to NCTI, and during a shifting federal landscape is inadvisable. We therefore urge the Committee to give H.3110/S.2033 an unfavorable report.

Thank you again for your consideration. Please reach out with any questions.

Sincerely,



James E. Rooney
President and CEO

¹<https://taxfoundation.org/data/all/state/gilti-state-tax/>