

Massachusetts Lawmakers Plan to Repeal the New “Tech Tax” on Computer System Design and Software Modification Services

Written by Nicola Lemay, Earl W. Mellott, Christopher “Kip” Cawley

September 13, 2013

On September 12, 2013, Massachusetts legislators announced their intention to repeal (with retroactive effect) the recent expansion of the 6.25 percent Massachusetts sales and use tax to certain types of previously untaxed computer and software services.

The so-called “tech tax,” which became effective as of July 31, 2013, was included in a package of new taxes meant to generate funding for Massachusetts’ public transportation system. The “tech tax,” however, became the subject of widespread criticism throughout the tech industry and the broader business community, and opponents of the tax expressed concerns that the tax could constrict growth in the tech industry and deter businesses from doing business in Massachusetts. When asked about his thoughts on the issue, Massachusetts Governor Deval Patrick stated that he would support a repeal of the tax.

Massachusetts House and Senate leaders announced that a bill to repeal the “tech tax” will be introduced within a matter of weeks, and that no new taxes or budget cuts will be proposed to replace the revenue expected to have been generated by the “tech tax.” Rather, the Commonwealth will utilize existing and projected budget surpluses, and other sources of revenue, to cover the difference.

While the Massachusetts Department of Revenue may defer enforcement of the “tech tax” given the expected retroactive repeal of the tax, it has made no official announcement to date. Accordingly, the “tech tax” is still in effect as of the time of this Taxation Alert.

We plan to issue additional updates to inform you of any further significant developments relating to the deferral or repeal of the “tech tax.”

For more information about the Massachusetts “tech tax,” please click [here](#) for our prior Taxation Alert on the topic, dated August 1, 2013, or contact Nicola Lemay, Earl Mellott, Christopher R. K. Cawley or your Foley Hoag lawyer.

RELATED INDUSTRIES

- [Technology](#)
- [Professional Services](#)

RELATED PRACTICES

- [Taxation](#)

This communication is intended for general information purposes and as a service to clients and friends of Foley Hoag LLP. This communication should not be construed as legal advice or a legal opinion on any specific facts or circumstances, and does not create an attorney-client relationship.

United States Treasury Regulations require us to disclose the following: Any tax advice included in this document was not intended or written to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code.

Attorney advertising. Prior results do not guarantee a similar outcome. © 2017 Foley Hoag LLP. All rights reserved.

