MassCPAs™ PulseCheck

MassCPAs™ Massachusetts Society of CPAs

2026 Public Policy and State Competitiveness Report

Executive Summary

Massachusetts remains a global leader in education, innovation and economic opportunity, but growing competitive pressures are increasingly shaping business and taxpayer behavior. Findings from the **2026 MassCPAs Public Policy and State Competitiveness Survey** show that high costs, tax burden and regulatory complexity continue to challenge the Commonwealth's ability to attract and retain residents, employers and investment.

Outmigration remains a measurable concern, particularly among high-income taxpayers. Both survey responses and IRS migration data indicate that Massachusetts is experiencing a net loss of income to lower-tax states, raising long-term fiscal and economic considerations. At the same time, members report that tax policy, including the 4% surtax, plays a significant role in client relocation decisions.

Businesses and accounting professionals are also navigating persistent workforce shortages, rising operating costs and increased complexity driven by federal tax changes. These pressures are contributing to cautious growth planning and reinforcing concerns about the state's overall competitiveness.

To maintain its economic strength, Massachusetts must prioritize policies that support competitiveness, including maintaining conformity with federal tax provisions, modernizing outdated tax structures, strengthening workforce development and ensuring a stable, predictable policy environment.

Introduction

The Commonwealth of Massachusetts marks its 250th anniversary this year, a time of pride and reflection as we recognize our leadership and contributions to the nation's history, economy and innovation. For generations, Massachusetts has been the home of a world-class education system, a highly talented workforce and global leadership across industries, and while it continues to offer extraordinary opportunities for individuals, families and businesses, our competitive advantage should not be taken for granted. Rising costs, both nationally and within Massachusetts, are placing increased pressure on residents, employers and businesses. Continued outmigration, particularly among high-income taxpayers and business leaders, raises concerns about long-term fiscal stability and sustained economic growth. Recent IRS migration data further underscores this trend, showing Massachusetts continues to experience a net outflow of high-income households, with a disproportionate share of adjusted gross income leaving the state relative to those moving in. This suggests that outmigration is not only occurring in terms of population but also represents a meaningful loss of taxable income.[1] At the same time, recent population growth in Massachusetts has largely been driven by international immigration. As federal immigration policies evolve and global migration patterns shift, the Commonwealth may face additional workforce and demographic pressures if these trends change.

As we celebrate this historic milestone, we must also confront the challenges ahead to ensure Massachusetts remains not only a great place to live, but a competitive place to work, invest and build a future.

For the fourth consecutive year, the Massachusetts Society of CPAs (MassCPAs) launched its Public Policy and State Competitiveness Survey to provide the Healey Administration and members of the Legislature with current, data-driven insights on how to attract and retain Massachusetts residents, workers and employers. The findings in this year's survey are consistent with prior years: Massachusetts is under significant pressure. MassCPAs members increasingly characterize Massachusetts as becoming less competitive compared to peer states, especially when it comes to attracting and retaining business investment. High costs, tax burdens and regulatory complexity continue to surface as the most significant barriers to growth.

Our members are also closely watching how Massachusetts responds to recent federal tax changes. In particular, members surveyed reported that Massachusetts tax policy plays a meaningful role in clients' decisions to consider relocating out of state. These conversations are no longer hypothetical;

Introduction (continued)

MassCPAs members have been and are continuing to assist clients on domicile planning and changes. At the same time, workforce challenges remain a top business risk. Firms continue to struggle with recruiting and retaining qualified professionals, and the high cost of living in Massachusetts compounds those difficulties. Talent shortages are limiting growth and adding strain to an already challenging business environment.

About the Survey

In January of 2026, MassCPAs surveyed in-state industry leaders as well as nearly 200 CPAs, representing thousands of Massachusetts businesses and taxpayers. MassCPAs members are trusted advisors to employers, entrepreneurs, investors and families across the Commonwealth. They have a unique, front-line view of how tax and fiscal policy decisions influence real-world behavior, from investment and hiring decisions to domicile changes and long-term planning.

With significant uncertainty at the federal level and its downstream effects on state policy, MassCPAs intentionally focused this year's survey on whether Massachusetts' current tax and fiscal policies are strengthening or undermining the Commonwealth's long-term competitiveness, revenue stability and ability to retain high-income residents and employers..

State of Play

While today's political and economic climate remains fluid, shaped by federal tax uncertainty and revenue volatility, Massachusetts cannot afford to be reactive. The Massachusetts Taxpayers Foundation (MTF) recently projected modest fiscal year 2026 (FY26) revenue growth of roughly 1%, with FY27 growth in the 2–3% range, while warning about ongoing uncertainty tied to federal tax changes and surtax volatility[2]. At the same time, the state lost more than 33,000 residents in the 12 months ending July 1, 2025, with business leaders, particularly in the life sciences sector, raising concerns

About the Survey (continued)

about the competitiveness impacts of the 4% surtax and overall cost structure.[3] Additional analysis of IRS data shows that Massachusetts has seen a net loss of income to lower-tax states such as Florida, New Hampshire and Texas, reinforcing concerns that outmigration is concentrated among higher earners who contribute significantly to the state's tax base.

Benchmark Trends

To measure year-over-year shifts in taxpayer behavior and sentiment, the 2026 Public Policy and State Competitiveness survey repeated several benchmarking questions from the 2025 survey. These questions track high-income client representation, relocation activity and the role of Massachusetts tax policy, including the 4% surtax, on domicile decisions.

High-Income Relocation Remains Widespread

The percentage of MassCPAs clients changing domicile in the prior 12 months remained notable in both years. In 2025, the most common response, 48%, was that 1–10% of high-income clients relocated, and that remained the most frequent response in 2026 with 40%. Notably, the share of members reporting that 11–25% of clients relocated increased from 12% in 2025 to 15% in 2026, suggesting that, for some firms, **relocation activity is still accelerating rather than slowing.** Overall, the data indicates that high-income outmigration is not isolated; it is ongoing and measurable among our members and their clients.

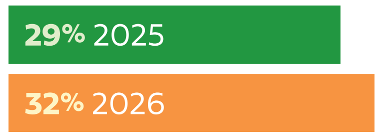
Massachusetts Tax Policy Remains a Central Factor

Across the last two survey years, members overwhelmingly indicated that Massachusetts's overall tax policy plays a significant role in relocation decisions. In 2025, 93% of members surveyed said tax policy was at least one reason clients were considering a move. In 2026, that figure remained nearly as high at 90%. Importantly, members who identified

Benchmark Trends (continued)

tax policy as the primary reason increased slightly, from 29% in 2025 to 32% in 2026. While the distribution between "primary" and "one of the reasons" shifted modestly year-over-year, the overall conclusion remains unchanged: **tax policy is a driver of domicile decisions for high-income taxpayers.**

Tax Policy as the Primary Reason Clients are Considering a Move



The 4% Surtax Continues to Influence Decisions

The survey also tracked how the 4% surtax specifically factors into relocation decisions. In both years, **upwards of 84% of members surveyed indicated the surtax is at least one factor in clients' consideration to move,** and a significant portion described it as the primary driver. The survey showed that the surtax remains a meaningful and frequently cited contributor to relocation discussions. The data suggests that the surtax is part of a broader tax competitiveness issue rather than an isolated issue.

Economic Competitiveness

When asked how MassCPAs members' clients view Massachusetts's current economic competitiveness compared to other states, responses indicate a continued challenge for the Commonwealth.

Forty-five percent of those surveyed said their clients view Massachusetts as less competitive than peer states, including 30% who characterized the state as slightly less competitive and 15% who described it as much less competitive. This comes at a time when outmigration remains a measurable concern. As stated above, **Massachusetts experienced net domestic outmigration of more than 33,000 residents during the 12-month period from July 1, 2024 – July 1, 2025,** according to reporting in the Boston Business journal[4]. Massachusetts business leaders, particularly in the life sciences sector, have warned that the 4% surtax on income above approximately $1.08 million, the 2025 threshold, may be contributing to the relocation of high-income earners to lower-tax states such as Florida, Texas and New Hampshire. Recent IRS-based migration data reinforces this concern, showing that many of the states gaining former Massachusetts residents have no income tax, highlighting the role tax differentials may play in relocation decisions among high earners.

While surtax collections have exceeded early projections, generating approximately $2.9 billion in FY26, well above the original $1 billion estimate, long-term revenue stability remains uncertain[5]. The state's consensus revenue projections show non-surtax revenue growth of roughly 1% in FY26 and just 2–3% projected for FY27, reflecting a slower growth environment. This suggests that while Massachusetts economy maintains strong, a large share of business leaders and high-income taxpayers perceive the Commonwealth to be losing ground relative to competing states.

Economic Outlook: Next 12 Months

Members were asked to describe their clients' overall outlook on the economy over the next 12 months. Reviews are mixed but slightly lean toward caution. A combined 36% of members surveyed reported pessimism, with 31% citing "somewhat pessimistic" and 5% "very pessimistic." This reflects ongoing economic uncertainty and the influence of cost pressures, fiscal policy questions and broader conditions.

What's Top of Mind for Accounting Professionals in Massachusetts and Beyond

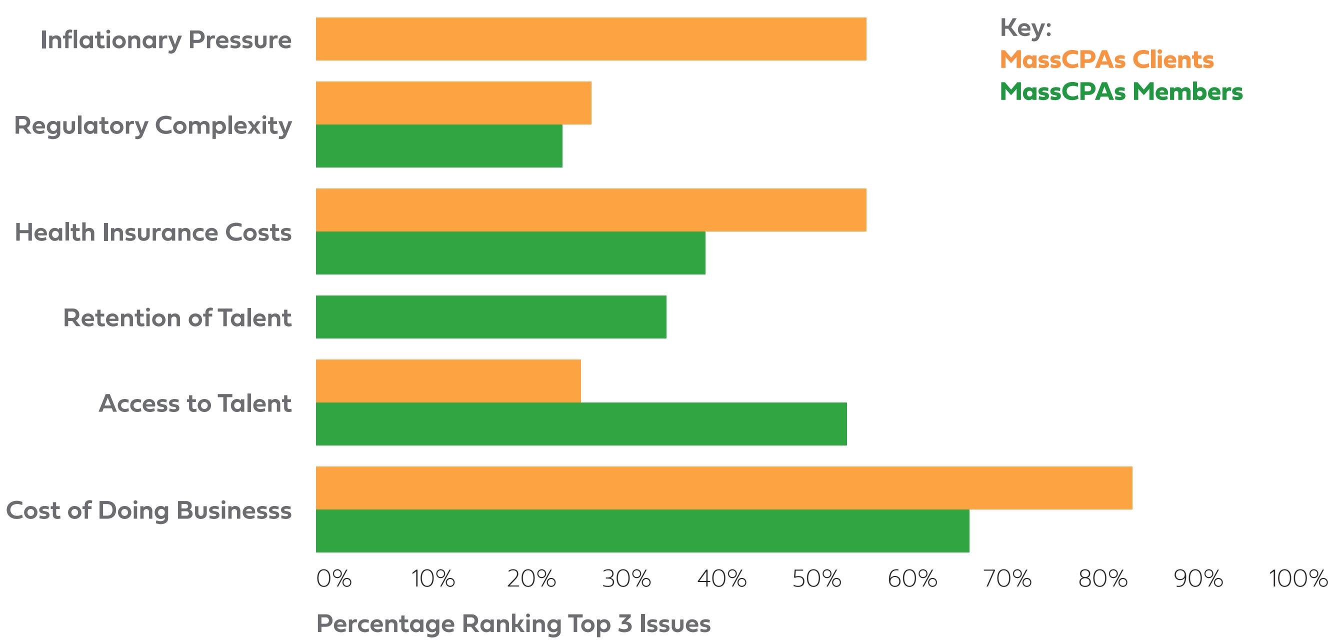
MassCPAs members ranked the top issues facing their clients, and cost pressures overwhelmingly dominate. The cost of doing business was the most frequently cited concern, selected as the top issue by 46% of members surveyed and appearing as one of the top three concerns for 86% collectively. Additionally, inflationary pressure ranked second, chosen as the top concern by 22% and appearing as one of the top three concerns for 58% collectively. And unsurprisingly, the cost of health insurance also remains a significant burden to our members' clients, appearing in the top three for 58% of members surveyed. Other notable concerns

Economic Competitiveness (continued)

include access to talent (ranked in the top three by 28%) and regulatory complexity (ranked in the top three by 29%). The findings reinforce that rising operational costs, work-force constraints and regulatory burdens remain central challenges for employers and high-income taxpayers alike. When members ranked the top issues affecting their own organizations vs. their clients, similar themes emerged. Cost of doing business again ranked first, cited as the top concern by 32% and appearing in the top three for 69% of members surveyed. Access to talent and accounting professionals followed closely, selected as the top issue by 30% and appearing in the top three for 56%. Unlike client responses, however, retention of talent emerged more prominently for member organizations, appearing in the top three for 37% of members surveyed. Additionally, the cost of health insurance (ranked in the top three by 41%) and regulatory complexity (ranked in the top three by 26%) also remain ongoing concerns.

Together, these findings underscore a consistent narrative that employers are navigating persistent cost pressures, labor market constraints and compliance complexity, all which factor into broader conversations about Massachusetts's long-term competitiveness.

Top Issues: MassCPAs Members vs. Clients



Accounting Industry Pressures in Massachusetts

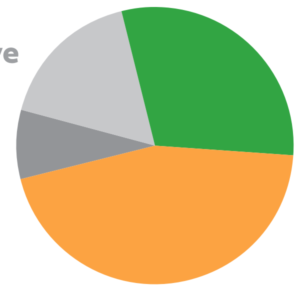
The 2026 survey results reflect what accounting firms across Massachusetts are experiencing on the ground: sustained workforce strain, cautious growth planning and a business climate defined more by complexity, nationally and locally, than clarity.

Hiring remains one of the biggest challenges facing the profession. **Nearly 70% of members surveyed report that hiring is either "somewhat" or "very difficult" compared to prior years.** These findings suggest that the workforce is shrinking. In a state with a high cost of living and competition for skilled professionals, firms are competing not only with each other, but also with private industry, remote employers and alternative career pathways for accounting graduates.

This does not end with recruitment. Accounting firms report that workload compression and burnout are nearly as significant as hiring challenges, with roughly six in 10 members surveyed identifying each as a top issue. Rising salary expectations add another layer of pressure, cited by nearly half of members surveyed, and retention of experienced professionals remains a concern as well. Despite these challenges, the outlook is measured and cautious. About half expect staffing levels to remain steady over the next 12 months, while more than four in 10 anticipate modest increases. This suggests that firms are growing carefully rather than aggressively, balancing opportunity with economic and policy uncertainty.

In the broader competitiveness question, **45% of members described Massachusetts as "slightly less competitive," while another 30% said it is "much less competitive" compared with other states.** Only 25% viewed the Commonwealth as more competitive, with 17% reporting it as "slightly more competitive" and 8% as "much more competitive." The Commonwealth continues to benefit from significant structural strengths, including a highly educated workforce and global leadership in life sciences, technology, and innovation. However, survey results also

Massachusetts Seen as Less Competitive: Only 25% view MA as more competitive



Accounting Industry Pressures in Massachusetts (continued)

show that **nearly half of members believe the state's competitiveness is slipping,** reflecting ongoing concerns about costs, tax burden, regulatory complexity, and broader economic headwinds.

Looking ahead, firms believe their growth will be shaped primarily by three forces: the availability of qualified talent, technological advancement, particularly artificial intelligence (AI), and overall economic conditions. Talent availability continues to be the defining challenge for the profession, but broader economic conditions and regulatory changes also remain important factors in long-term planning.

The accounting profession serves businesses in every sector of the Massachusetts economy. When firms report sustained hiring difficulty, burnout pressures and cautious expansion plans, it signals broader competitiveness challenges. Massachusetts remains a strong and attractive place to live and do business, but the data show that firms are operating under strain. Supporting workforce development, addressing cost pressures and maintaining a stable policy environment will be essential to ensuring that the Commonwealth's economic strengths continue to translate into long-term growth.

Impacts of Federal Tax Planning on Massachusetts

Nationally, federal tax legislation has had a measurable impact on tax planning and compliance obligations for Massachusetts practitioners and their clients. **The majority of members surveyed, 71%, report that the new federal laws under the One Big Beautiful Bill Act (OBBBA) have increased complexity or workload.** The most consequential findings are highlighted when members were asked about potential state decoupling from key OBBBA provisions, with 53% of those surveyed believing that decoupling would make Massachusetts less competitive.

Currently, there is legislation proposing the state decouple from several federal provisions, one of them being research and experimental (R&E) expenditures. Federally, this R&E provision was intended to improve near-term cash flow, reduce administrative complexity and better align deductions with

Impacts of Federal Tax Planning on Massachusetts (continued)

existing research and development (R&D) credit structures. Massachusetts decoupling from this provision would provide immediate cash flow for the Commonwealth but affect R&D businesses in the state.

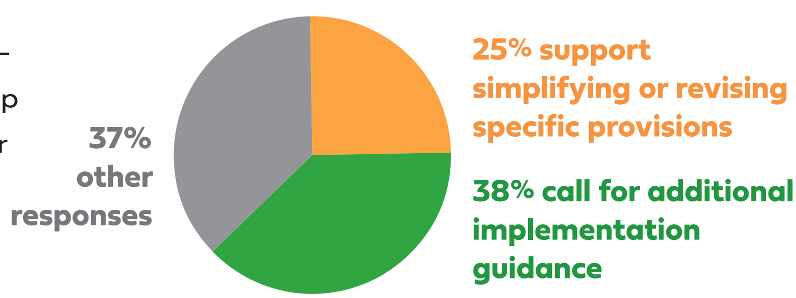
According to The University of Massachusetts Donahue Institute, Massachusetts represents just 2.4% of U.S. employment but accounts for more than 11% of national R&D employment and receives approximately $8.6 billion annually in federal R&D funding.[6] At the same time, venture capital investment in Massachusetts has declined 17% over the past year, falling to its lowest level in nearly a decade. Against this backdrop, even temporary decoupling or delayed conformity would reduce liquidity for research-intensive companies, introduce dual reporting requirements and weaken the Commonwealth's competitive position in one of its most critical economic sectors.

Timing is therefore central to the policy discussion. Delaying conformity, even for one year, prolongs uncertainty for businesses making investment, hiring and capital deployment decisions today. Stability and alignment between federal and state tax treatment reduce administrative burdens, provide predictability in a voluntary tax system and help maintain Massachusetts' competitiveness for investment and job creation.

In a period marked by federal tax changes, revenue uncertainty and slowing capital flows, delayed conformity risks compounding existing headwinds. Despite increased complexity, the accounting industry itself reports a relatively balanced impact. A combined 45% describe the overall effect of the OBBBA on the profession as positive, while 32% report a neutral effect and 19% characterize it as negative. While firms have adapted to an increased workload, our concern is that higher compliance demand does not necessarily translate into improved economic efficiency for taxpayers.

Members were clear about what they believe the state should prioritize moving forward, with 38% calling for additional implementation guidance and 25% support simplifying or revising specific provisions. In total, nearly 63% are seeking greater clarity. The data consistently points to one overarching theme: in a state where the economy is deeply driven by research, innovation and capital investment, predictability and timely conformity are not merely administrative preferences; they are core components of long-term competitiveness.

Members Seek Greater Clarity on Federal Tax Changes Affecting MA



Policy Recommendations

To address the concerns in this report and allow Massachusetts to remain competitive despite uncertain federal times, members identified key policy changes that could enhance business confidence and competitiveness.

Maintain Conformity with Federal R&E Provisions

Massachusetts's competitive strength is rooted in research and innovation, making conformity with federal treatment of R&E expenditures under Section 174 a critical policy issue. Survey results how that 71% of members report increased tax complexity from recent federal changes and 53% believe state decoupling from federal provisions would make Massachusetts less competitive.

R&E Conformity Alignment Is Critical to Competitiveness

71% report increased tax complexity

Massachusetts should maintain conformity with federal R&E provisions. Prolonged uncertainty or delayed conformity would increase compliance burdens, reduce near-term liquidity for innovation-driven firms and risk undermining one of the Commonwealth's most important economic advantages.

Reform the Sting Tax

For years, MassCPAs has strongly advocated for eliminating the sting tax, an additional entity-level tax imposed on certain larger S-corporations. Originally enacted in the 1980s, the sting tax was designed to protect tax benefits for small businesses while ensuring a level playing field between large S-corporations and C-corporations. However, the income thresholds triggering the additional excise tax, $6 million and $9 million, have remained unchanged since its inception.
As a result, an increasing number of small businesses now find themselves unfairly subject to this outdated tax. The recent addition of a 4% surtax has further compounded the issue, pushing many S-corporation

shareholders into a tax burden that exceeds Massachusetts's corporate tax rate of 8%, directly contradicting the law's original intent.

Survey data reinforces the competitive implications of this outdated framework. **Nearly half of members surveyed already perceive Massachusetts as less competitive than other states, and concerns about tax burden consistently rank among the most frequently cited barriers to growth.**

The addition of the 4% surtax has further compounded this issue. In many cases, S-corporation shareholders now face an effective tax burden that exceeds the Commonwealth's 8% corporate rate, directly undermining the original policy rationale for S-corporation treatment. This layering of entity-level tax and surtax exposure creates distortions in business structure decisions and acts as a deterrent to expansion, reinvestment and retention. In an environment where 53% of members surveyed believe that state tax policy divergence can reduce competitiveness, as seen in survey responses regarding decoupling, maintaining outdated thresholds that amplify tax exposure sends the wrong signal to growth-oriented businesses.

To address this issue, MassCPAs worked with Senator Michael Moore to introduce S.2043, An Act Relative to the Taxation of Small Business in the Commonwealth, which seeks to reform the sting tax and provide much-needed relief to affected businesses. We strongly support this legislation as a critical step toward maintaining a fair and competitive tax environment in Massachusetts.

Raise the Estate Tax Threshold

After years of advocacy, the tax reform legislation signed into law in 2023 brought a much-needed increase in the estate tax exemption to $2 million. While this represents meaningful progress, further improvements are necessary to enhance Massachusetts' competitiveness. Despite the 2023 reform, Massachusetts still ranks third lowest in the nation for estate tax exemptions. In contrast, neighboring states offer significantly higher thresholds: New York at $7.1 million, Vermont at $5 million and Connecticut aligning with the federal threshold of $13.99 million. Meanwhile, New Jersey repealed its estate tax entirely in 2018.

This disparity places Massachusetts at a clear disadvantage in retaining retirees, business-owners and generational wealth. The estate tax continues to influence domicile decisions, particularly for high-net-worth individuals who have greater flexibility in choosing

Policy Recommendations (continued)

where to live and invest. In a competitive regional environment, maintaining one of the lowest thresholds in the country sends the wrong signal.

To prevent continued outmigration of capital and investment, Massachusetts should eliminate the estate tax. In a state where innovation, entrepreneurship and family-owned businesses are core economic drivers, estate tax reform is not simply a revenue issue, it is a long-term competitiveness strategy. Allowing individuals to build, grow and transfer assets without penalty will strengthen economic stability, preserve family businesses and reinforce Massachusetts as a place where residents can invest and remain across generations.

Why Should Massachusetts Eliminate the Estate Tax?

To retain capital and investment

Helps prevent outmigration of wealth and businesses

Supports long-term competitiveness strategy and innovation

Support the Governor's Workforce Development Initiatives

Workforce challenges remain one of the most significant threats to Massachusetts' long-term competitiveness. Members surveyed were concerned about talent recruitment and retention, particularly in a high-cost state where 45% of members surveyed view Massachusetts as less competitive than peer states and 36% express a pessimistic near-term economic outlook. Ongoing labor shortages only intensify these pressures.

Within the accounting profession, firms continue to face pipeline constraints, early-career attrition and fewer candidates pursuing licensure, trends that affect not only CPA firms, but also the businesses, nonprofits and municipalities that rely on financial expertise.

MassCPAs supports the Governor's workforce development initiatives aimed at expanding

Policy Recommendations (continued)

career pathways, strengthening employer-education partnerships and promoting apprenticeships as an alternative entry point into high-demand professions. Apprenticeship models can provide hands-on experience, reduce financial barriers to entry and help diversify the talent pipeline. We also strongly support modernization of the CPA licensure pathway through our proposed pathway legislation, which would add an additional pathway to CPA licensure. Strengthening traditional and alternative pathways alike is essential to ensuring Massachusetts businesses have access to the skilled workforce needed to grow and compete.

Conclusion

As Massachusetts celebrates 250 years of leadership and innovation, the Commonwealth stands at an important crossroads. MassCPAs' 2026 Public Policy and State Competitiveness Survey makes it clear that while Massachusetts remains a global leader in education, research and innovation many employers and high-income taxpayers perceive growing competitive pressures. Rising costs, tax structure concerns, workforce constraints and policy uncertainty are influencing business planning and, in some cases, relocation decisions.

The message from our members is not that Massachusetts lacks strength, it is that those strengths must be actively protected. Stability, predictability and a competitive tax and workforce environment are essential to retaining residents, attracting investment and sustaining long-term revenue growth.

MassCPAs stands ready to work with the Administration and Legislature to advance thoughtful, data-driven policies that reinforce the Commonwealth's economic foundation. With deliberate action, Massachusetts can remain not only a historic leader, but a forward-looking state where businesses grow, families stay and opportunity continues for generations to come.

References

[1] Jon Chesto, "Massachusetts millionaires tax draws scrutiny as IRS data shows outmigration of high earners," Boston Globe, March 20, 2026. The article analyzes recent Internal Revenue Service (IRS) migration data showing a net outflow of adjusted gross income from Massachusetts to lower-tax states, particularly among higher-income households.

[2] Massachusetts Taxpayers Foundation, FY 2026 Fiscal Update & FY 2027 Consensus Revenue Hearing, MTF Bulletin (Dec. 22, 2025).

[3] Hannah Baratham-Green, "Massachusetts lost more than 33,000 residents in the past year as business leaders warn of competitiveness challenges," *Boston Business Journal (*Feb. 5, 2026).

[4] Hannah Baratham-Green, "Massachusetts lost more than 33,000 residents in the past year as business leaders warn of competitiveness challenges," *Boston Business Journal (*Feb. 5, 2026).

[5] Massachusetts Taxpayers Foundation, FY 2026 Fiscal Update & FY 2027 Consensus Revenue Hearing, MTF Bulletin (Dec. 22, 2025).

[6] University of Massachusetts Donahue Institute, research on Massachusetts' R&D economy and federal research funding, cited in Massachusetts Competitiveness Index, prepared with the Massachusetts Taxpayers Foundation and the Massachusetts Competitive Partnership.