

General Electric to Relocate Headquarters to Massachusetts


By

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Global business giant General Electric Co. announced January 13 that it is relocating its corporate headquarters from Connecticut to Massachusetts as part of a deal that includes a \$145 million state and local tax incentive package.


GE will begin relocating its Fairfield, Connecticut, corporate headquarters to Boston this summer and expects to complete the move by 2018, the company said in a statement.

"GE aspires to be the most competitive company in the world," CEO Jeff Immelt said. "We want to be at the center of an ecosystem that shares our aspirations. Massachusetts spends more on research & development than any other region in the world, and Boston attracts a diverse, technologically-fluent workforce focused on solving challenges for the world."

GE has considered relocating its headquarters for three years and formally launched a review committee in June 2015 after threatening to leave Connecticut because of the tax increases in that state's biennium budget. The company argued that the \$2 billion in tax increases would hurt its ability to remain competitive. (Prior coverage )

The budget originally approved by the legislature would have mandated combined reporting retroactively for income years starting on or after January 1, 2015. The budget bill (SB 1502) ultimately signed into law by Connecticut Gov. Dan Malloy (D) delayed by one year the implementation of mandatory unitary combined reporting and included several other business tax changes.

Following enactment of the budget, a tax study committee was formed to address concerns about high taxes from GE and other businesses (Prior coverage )

Malloy offered an incentive package to GE in August 2015, but it apparently was not enough to persuade the company to keep its headquarters in the state. The terms of the package were not disclosed. (Prior coverage )

GE considered 40 locations but chose Boston because of "the business ecosystem, talent, long-term costs, quality of life for employees, connections with the world and proximity to other important company assets," the company said.

The move will bring 800 jobs to Boston, specifically to the Seaport District, according to state officials. Massachusetts offered up to \$120 million through state grants and other programs, and the city offered up to \$25 million in property tax relief.

Additional incentives include \$1 million in grants for workforce training; up to \$5 million for an innovation center to forge connections between GE, research institutions, and the higher education community; commitment to existing local transportation improvements in the Seaport District; appointment of a joint relocation team to ease the transition for employees moving to Boston; and assistance for eligible employees looking to buy homes in Boston, according to Massachusetts Gov. Charlie Baker (R).

Reactions

Baker and Boston Mayor Martin Walsh (D) issued a joint statement praising GE's move. Walsh said the move "is the result of the city's willingness and excitement to work creatively and collaboratively to bring positive activity to our local economy and continue to grow our industries."

Massachusetts Rep. Jay Kaufman (D) told Tax Analysts January 13 that GE's move "is an affirmation of the fact that Massachusetts is open for business and that should send strong signals to counter the old reputation we've had."

When asked about the generous tax incentive package, Kaufman admitted that he is generally skeptical about tax incentives but said "if they are used deftly, it is a win-win."

"We won't know for some time whether this GE deal fits into this category of wise investments, but it was negotiated with the right metrics in place and with a better than reasonable shot at it," he added.

Joseph Donovan of Sullivan & Worcester told Tax Analysts that many people were probably surprised to find out that Massachusetts's tax system is friendly for technology-intensive companies like GE.


"You get a combination of incentives wired in, such as the investment credit, single-sales factor, and research and development credit," Donovan said. "It's not unusual for high-tech companies at the end of the day to have a low effective tax rate in Massachusetts."

Donovan also noted that Connecticut's sales and use tax base is much wider than that of Massachusetts.

Malloy said he was told of the move that morning on a call by GE CEO Jeff Immelt, who also told Malloy that GE will continue to have a presence in Connecticut and use Connecticut suppliers and small businesses.

"Of course I'm disappointed," Malloy said in a broadcast news briefing. "I know many in Connecticut share the disappointment and frustration. . . . You win some and you lose some. And luckily, we've won more than we've lost, but this hurts."

"Let's acknowledge that businesses have choices on where they can locate, and they weigh many factors in making those decisions," such as transportation infrastructure, Malloy said. "It's no coincidence that Boston is home to one of the largest transportation infrastructure projects in the country, as well as one of the largest international airports in America."

Malloy urged the state legislature to take up his proposal for a "lock box" to ensure that tax revenue intended for transportation is used exclusively for transportation -- not for other budgetary needs. (Prior coverage )

"I think in the not too distant future we'll be making announcements about companies coming to Connecticut, quite frankly," Malloy added.

Greg LeRoy of Good Jobs First called GE's move a "teachable moment." Despite GE's tax avoidance, which he said is well documented, the company defied right-wing stereotypes and the tax incentive package it was offered appears to be an afterthought, LeRoy said. State and local taxes as a cost factor amount to just 2 percent of a typical business's overall financial cost structure, he said.

"Tax breaks don't matter because they can't," LeRoy said. He also noted that GE's move is part of a bigger "back to the city movement" that has occurred among businesses in order to be surrounded by high amenities, maximum labor-market access, and mass transit access to workplaces.

Meanwhile, disappointed Republican lawmakers in Connecticut blamed Malloy for not doing enough to keep GE in the state.

"Connecticut's toxic business climate, combined with the Malloy administration's failure to take seriously the threats that it posed to our corporate community, has led us to this day that many of us feared was inevitable. Any doubt about the effect of punitive policies of ever higher taxes, hyper regulation and the uncertainties that they create for business have been erased because of GE's decision to move its corporate headquarters out of Connecticut," House Minority Leader Themis Klarides (R) said in a statement.

"The decision makers at GE and other valued companies are not stupid; they understand their businesses and what it takes to grow them and create and sustain good jobs. Business owners big and small do not trust the State of Connecticut to do the right things to allow them to plan for the long horizon -- for five and 10 years out," Klarides added.

Senate Minority Leader Len Fasano (R) said in a statement that the news was devastating and that GE made its decision because they "are sick and tired of the unpredictability of Connecticut's financial health, and how that volatility translates to knee jerk tax hikes and damaging service cuts."

"That uncertainty leaves people wondering: Where will leaders go next to find the money to fix future budget holes? Who wants to invest in a state if they can't be certain they won't be the next group squeezed in tough times?"

Neil Downing contributed to this report.