



January 24, 2024

Representative Paul McMurtry, Co-Chair  
Senator Pavel Payano, Co-Chair  
Joint Committee on Community Development and Small Business  
24 Beacon Street  
Boston, MA, 02133

**Re: H.228/S.130— An Act to Promote Downtown Vitality**

Dear Chairs McMurtry and Payano, and members of the Committee,

We, the undersigned mayors and managers of Gateway municipalities, ask you to report out favorably *An Act to Promote Downtown Vitality* (H.228/S.130) filed by Rep. Antonio Cabral and Sen. John Cronin, with the support of the Gateway Cities Legislative Caucus.

Small businesses districts in communities across the commonwealth need vibrant, walkable areas to attract enough foot traffic to succeed in today’s challenging commercial environment. Online retail and big box stores have siphoned dollars away from local economies, contributing to economic and cultural displacement. *An Act to promote downtown vitality* (H.228/S.130) seeks to reinvest 5% of remote retailer tax revenue back into our main streets and downtowns, helping to level the playing field by supporting district management.

Massachusetts has the foundation for small business success, with unique and walkable historic areas, urban squares, town centers, and rural villages. Yet we have lacked the governance models and financing structures to manage these places for 15-hour use, 7 days a week. That is changing. A burgeoning network of Business Improvement Districts (BIDs) has emerged over the last five years, and dozens of Cultural Districts have been established. Parking Benefit Districts represent a new management tool, and innovative public-private-civic partnerships have arisen.

However, other than MassDevelopment's Transformative Development Initiative (TDI) in Gateway Cities, the state has not been a strong partner in these efforts. Even TDI remains a temporary three-year intervention with no self-sustaining district management entity once the TDI Fellow's contract ends.

The Downtown Vitality Act would create a funding mechanism enabling all cities and towns in the commonwealth to benefit from district management tools—helping to cultivate thriving small business districts in every region of our state.

*An Act to promote downtown vitality* would transform our state into a national leader for supporting downtowns and main street areas. We can do this in a way that values and strengthens our state's diversity, builds entrepreneurship among immigrants and communities of color, and enhances cultural economic development and a unique sense of place.

We understand that the state's revenue picture has changed dramatically since the bill's successful hearing in October. However, we believe that is especially important to establish the Downtown Vitality Fund to help protect an essential component of our local tax base. Please see the attached analysis and recommendations from MassINC about the potential budgetary impact as currently written and how the Committee can refine the language to phase in the program in a manner that is more responsive to fiscal conditions.

We thank you for your consideration and look forward to further discussion on this matter. Please do not hesitate to contact us or André Leroux at [aleroux@massinc.org](mailto:aleroux@massinc.org) for more information.

Thank you,

Cathleen DeSimone, Mayor of Attleboro  
Felicia Penn, Town Council President, Barnstable  
Robert F. Sullivan, Mayor of Brockton  
Fidel Maltez, City Manager of Chelsea  
John L. Vieau, Mayor of Chicopee  
Paul Coogan, Mayor of Fall River  
Samantha M. Squailia, Mayor of Fitchburg  
Joshua A. Garcia, Mayor of Holyoke  
Daniel P. Rourke, Mayor of Lowell  
Jared Nicholson, Mayor of Lynn  
Brian DePeña, Mayor of Lawrence

Dean Mazarella, Mayor of Leominster  
Gary Christenson, Mayor of Malden  
Neil Perry, Mayor of Methuen  
Jon Mitchell, Mayor of New Bedford  
Edward A. Bettencourt, Jr., Mayor of Peabody  
Peter Marchetti, Mayor of Pittsfield  
Patrick Keefe, Mayor of Revere  
Dominick Pangallo, Mayor of Salem  
Domenic J. Sarno, Mayor of Springfield  
Shaunna O'Connell, Mayor of Taunton  
Eric D. Batista, City Manager of Worcester



**An Act to Promote Downtown Vitality, January 2024**

**Fiscal Analysis and Recommendations**

Contact: André Leroux, 617-251-3861, [aleroux@massinc.org](mailto:aleroux@massinc.org)

**How much tax revenue is 5% of the state’s remote retailer (online) sales tax collections?**

MassINC’s Policy Center spent several months in dialogue with the MA Department of Revenue requesting this data. Ultimately, DOR informed us that they cannot disaggregate sales tax proceeds. For example, when Walmart pays its sales taxes to the commonwealth, the state does not ask for a breakdown between online sales and in-person sales.

Comparative research from other states indicates that this is common. Most states, like Massachusetts, do not have the technology platform necessary to collect this information. However, it is possible. According to a survey conducted by the Brookings Institution, at least 14 states *do* collect this information; and according to their survey responses, many others would *like* to collect it. Long-term, we believe that DOR should move to such a tax collection platform. But that is not a solution for this legislative session.

As a result, MassINC sought alternative methods for estimating online sales tax collections using data that the state does collect and report. The best figure for our purposes is the final budget’s “Sales Tax - Regular” line item, which is the closest to a pure retail sales tax figure that we can get, and rightfully excludes taxes on meals, motor vehicles, cigarettes, fuels, alcohol, lodging, car rentals, and other special categories. For the final FY24 state budget adopted by the Legislature, the “Sales Tax - Regular” total is \$6.9 billion.

To estimate how much of this derives from online sales, we can look at existing research. Economic studies from across the country have consistently shown that online transactions now represent 15% of all retail sales. With this information, we can make an accurate projection:

“Sales tax-regular” FY24:	\$ 6,882,100,000
Online sales (15% of total):	\$ 1,032,315,000
5% of online sales tax:	\$ 51,615,750

Therefore, we can confidently estimate that 5% of remote retailer tax collections would be approximately \$50M annually. This would be enough for 206 grants of about \$250K each, ensuring widespread coverage of the state. However, very few communities currently have district management entities prepared to receive these funds, so we believe that an incremental ramp-up approach would be necessary.

**Alternative approaches amidst an uncertain fiscal environment**

We believe that depositing 5% of remote retail tax collections into a fund to support small business districts across the state is both modest and warranted. The commonwealth should return and reinvest a small portion of the wealth that has been siphoned away by remote retailers, and the benefits for our local communities will be considerable. However, we also understand the necessity of creating a balanced state budget.

As a result, we offer some additional calculations:

2.5% of online sales tax:	\$	25,807,875
1% of online sales tax:	\$	10,323,150

The Committee could choose a lower percentage of online sales tax collections to dedicate to the Downtown Vitality Fund. However, we believe that within a few years, local demand for this Fund will be significant, and setting too low a percentage in statute would require further legislative action.

Instead, building flexibility for the Fund to start small and grow over time is a more prudent approach.

There are currently only 10 Business Improvement Districts in Massachusetts, but at least half a dozen more are in the exploratory stage. There are also dozens of cultural districts, none of which have sustainable funding. Thirteen Gateway Cities currently participate in MassDevelopment’s TDI program, and they would all be candidates for establishing a district management entity (not to mention past participating districts).

**Recommendation**

Authorizing legislation should require the Governor to deposit up to 5%, of the sales taxes paid by remote retailers into the Downtown Vitality Fund. Until such time as the Department of Revenue tracks actual online sales tax data, this figure will be calculated by taking 15% of the “Sales Tax – Regular” line item included in the most recently approved fiscal year budget adopted by the Legislature and signed by the Governor.