

Connecticut: General Electric reveals its plan to move its headquarters



David M. Kall | Friday, January 22, 2016

On Jan. 13, 2016, General Electric (GE) **announced** its decision to move its worldwide headquarters from Fairfield, Connecticut, to Boston. Citing its aspiration to “be the most competitive company in the world,” along with the facts that “[g]reater Boston is home to 55 colleges and universities. 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,” CEO Jeff Immelt asserted that the move would put his company at “the center of an ecosystem that shares our aspirations.”

The press release states that GE will receive no “material” financial impact related to the cost of the move. It also acknowledges that the state of Massachusetts and the city of Boston crafted a package of incentives that helped to offset GE’s relocation costs, and that provides benefits to the state and city. In addition, the company plans to sell its Fairfield offices, along with those in New York City to further neutralize the cost of the move.

Immelt’s press release also explains that he wants the headquarters to focus more on innovation. GE already had 5,000 employees across the Bay State, and with the move, there will be about 800 in Boston itself. This is where the newly established GE Digital Foundry will be placed, for co-creation, incubation and product development with customers, startups and partners.

In September of last year, we **described** Connecticut’s one-year delay of its unitary tax reporting

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requirement, though some lawmakers, along with GE and other corporations, pushed, unsuccessfully, for a repeal of the tax entirely. At that time, there was also speculation that GE would move to New York. However, Massachusetts promised GE incentives of \$120 million through grants and other programs, and Boston offered up to \$25 million in property tax relief, according to Massachusetts' Gov. Charlie Baker's [press release](#). GE will receive other financial incentives as well, including:

- \$1 million in grants for workforce training.
- Up to \$5 million for an innovation center to forge connections between GE, innovators from Massachusetts 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.
- Assistance for eligible employees looking to buy homes in Boston.

Noting that Connecticut lawmakers had engaged in a contentious fight over the state's corporate tax structure, the [Tax Foundation](#) pointed out that Massachusetts' tax climate is more favorable. It ranks 25th on the non-profit's [2016 State Business Tax Climate Index](#), as opposed to Connecticut's position at 44th.

In the Tax Foundation's analysis, both states' corporate income tax rates are similar; Connecticut's is 9 percent, while Massachusetts' is 8 percent. The important difference is in the states' individual income tax structures: Connecticut's individual income tax now has seven brackets with rates as high as 6.99 percent, whereas Massachusetts has a flat income tax at 5.1 percent.

The Tax Foundation suggested that Connecticut's several tax increases over the last few years played into GE's relocation decision.



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