



MLSC Tax Incentive Program Divestiture Policy (Effective December 7, 2018)

Tax Incentive Program

The Life Sciences Tax Incentive Program, established as part of the MLSC's enabling legislation, authorizes up to \$30 million in tax incentives each year for companies engaged in life sciences research and development, commercialization and manufacturing. The primary goal of the program is to incentivize life sciences companies to create new long-term jobs in Massachusetts.

The MLSC takes its obligation to be good stewards of the Commonwealth's tax dollars very seriously. The ability to create and retain jobs is the primary criterion that the MLSC uses to make tax incentive awards to companies. It is therefore imperative that companies provide accurate information regarding actual full-time permanent Massachusetts employees (over 35 hours per week) and meet projected employment targets.

Compliance with Tax Incentives

MLSC tax incentives are monitored for compliance purposes based on a company's "baseline" employee headcount at the time of the award, and the company's projected net increase in headcount in the tax year following award. Baseline and projected headcounts are summed to create a "total projected headcount" metric that is used for MLSC agreement and compliance purposes.

Divestiture Policy

Decreases in a company's baseline headcount or projected headcount growth have implications for the agreement governing the tax incentive award and the amount of the award. Reductions in a company's baseline headcount may occur due to divestitures. A company that has received tax incentives from the MLSC and subsequently reduces the "total headcount" as a result of a divestiture during the time period governed by the tax incentive award (the "divesting company") will only be permitted to count the employees retained on its payroll towards its "total headcount" for reporting purposes. The MLSC will not take into account the number of employees retained in Massachusetts by the acquiring company for purposes of the divesting company's "total headcount".

This straightforward, transparent, and highly replicable approach for dealing with divestitures will ensure that the citizens of the Commonwealth can rely on companies being held accountable for complying with their agreed-upon job creation and retention targets.

NOTE: The Center reserves the right to modify any portion of this Policy at its sole discretion. It is the responsibility of companies to check the Center's website for any modifications to this Policy. The Center, the Commonwealth, and its subdivisions accept no liability and will have no obligation to accommodate companies who rely on an out-of-date policy.