

## Massachusetts Tax Law Changes

OCTOBER 4, 2023 | BY: THE LEADERSHIP TEAM



This afternoon, Governor Healey signed a comprehensive tax bill into law, bringing widespread changes to income and estate taxes in Massachusetts. These changes are largely taxpayer-friendly and represent the Commonwealth's first tax cuts in two decades. Most of the changes are effective for tax years beginning on or after January 1, 2023, with a notable exception.

Key highlights of the legislation include the following:

- A decrease in the Massachusetts short-term capital gains rate from 12% to 8.5%.
- The elimination of Massachusetts estate tax for all estates under \$2 million, retroactive to dates of death on or after January 1, 2023.
- An increase in the Massachusetts Earned Income Tax Credit from 30% to 40% of the federal credit.
- An increase in the child and dependent tax credit from \$180 to \$310 per eligible dependent (further increasing to \$440 in 2024 and later).
- Doubling of the senior circuit breaker tax credit, indexed to inflation.
- An increase in the rental deduction from \$3,000 to \$4,000.
- A septic system tax credit increase from \$6,000 to \$18,000 (with a cap of \$4,000 claimed per year) and increased credits for lead paint abatement.
- A change in the way refunds issued pursuant to Chapter 62F (triggered only upon certain tax revenue surpluses) would be allocated – making them equal for every taxpayer.
- A provision requiring that married individuals who file a joint federal tax return also file a joint Massachusetts tax return, effective for *tax years beginning on or after January 1, 2024*. This provision relates to the new Massachusetts millionaire's tax (effective in 2023) by limiting the ability of taxpayers to mitigate the tax by filing separate rather than joint returns. The Department of Revenue is expected to issue regulations addressing how this provision impacts married couples where one or both spouses are non-residents of Massachusetts.

If you have questions on how these changes may impact your Massachusetts income or estate tax, please reach out to your advisor. We will share more information as it becomes available.

### RELATED SERVICES

Individuals, Trusts & Estates Tax