ALERTS | 10.10.2023

Massachusetts Tax Relief Bill Signed Into Law

On October 4, 2023, Governor Maura Healey signed into law "An Act to improve the Commonwealth's competitiveness, affordability, and equity." The Act makes the following key tax changes:

Massachusetts Estate Tax

- The threshold for estates subject to Massachusetts estate tax is doubled to $2 million from the current $1 million, and no Massachusetts estate tax will be due where the federal taxable estate is $2 million or less.
- For Massachusetts residents, the Act clarifies that out-of-state real estate and tangible personal property are not subject to the Massachusetts estate tax.
- These changes are effective as of January 1, 2023, so they will benefit estates of decedents who died any time this year.

Short-Term Capital Gains

Short-term capital gains will now be taxed at 8.5%, instead of the previous 12%, effective as of January 1, 2023. Note, however, that if the Massachusetts "millionaires tax" applies, its 4% surtax will bring the rate on short-term capital gains to 12.5%.

Closing Millionaires Tax Loophole for Married Couples

Starting in the 2024 tax year (but not for 2023), married couples must file their Massachusetts tax returns using the same filing status (that is, jointly or separately) as their federal returns. This is intended to eliminate a "millionaires tax" loophole permitting dual-income taxpayers to file separate Massachusetts returns with no federal tax consequence, which would have allowed each spouse to avoid the 4% millionaires surtax on the first $1 million of taxable income.

In addition, the Act increased the Massachusetts rental deduction and the child tax credit and simplified income taxation for companies conducting business in multiple states. Furthermore, if in the future Massachusetts is required to refund excess income tax revenues to taxpayers (which happened in 2022 and prior to that, in 1987), refunds will be issued to all taxpayers equally, instead of in proportion to the amount of income taxes paid.

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