

HOUSE No. 4361

The Commonwealth of Massachusetts



CHARLES D. BAKER
GOVERNOR

OFFICE OF THE GOVERNOR
COMMONWEALTH OF MASSACHUSETTS
STATE HOUSE · BOSTON, MA 02133
(617) 725-4000

KARYN POLITO
LIEUTENANT GOVERNOR

January 26, 2022

To the Honorable Senate and House of Representatives,

I am filing for your consideration a bill entitled “An Act to improve Massachusetts’ competitiveness and reduce the cost of living.” Filed alongside my House 2 budget recommendation, this comprehensive tax cut proposal will provide significant relief for housing and childcare costs, relieve the tax burden for very low-income residents, and improve the state’s competitiveness. The Commonwealth concluded last fiscal year with a \$5 billion surplus, and today, revenues continue to exceed benchmarks and our new budget proposal projects significant deposits to our Stabilization Fund. As a result, Massachusetts is in a strong fiscal position to be able to offer this substantial tax relief for our lowest-income residents.

This bill will double the maximum Senior Circuit Breaker Credit for more than 100,000 lower-income homeowners and renters aged 65 and older. Doing so will lessen their overall tax burden and further offset property tax payments for low-income seniors. The credit is adjusted annually for inflation, and in 2021, this change would have raised the credit to \$2,340. Additionally, for taxpayers claiming a rent deduction on their returns, this legislation will increase the cap on the deduction from \$3,000 to \$5,000, allowing Massachusetts renters to keep approximately \$77 million more annually.

For Massachusetts families with dependents, this tax relief package will double the dependent care credit to \$480 for one qualifying individual and \$960 for two or more, resulting in significant savings for working families. For those claiming the household dependent care credit, rates will also double to \$360 for one qualifying individual and \$720 for two or more.

Both adjustments will allow more than 700,000 Massachusetts families to retain a total of \$167 million that families can put toward critical individual needs like paying for childcare.

In this legislation, I also recommend increasing the adjusted gross income thresholds for “no tax status” to \$12,400 for single filers, \$24,800 for joint filers, and \$18,650 for head of households. Doing so will align the Commonwealth with the federal government and provide direct relief to more than 234,000 low-income Massachusetts filers who will no longer have to pay any state income taxes.

This proposal also seeks to maintain Massachusetts’ competitiveness through two additional measures. Massachusetts is one of only seventeen states and the District of Columbia with some form of an estate or inheritance tax. At \$1 million, the Commonwealth is tied with Oregon for the least competitive and lowest dollar exemption threshold in the country. This legislation will double that threshold to \$2 million and eliminate the current “cliff effect” that taxes the full amount below the threshold. Similarly, the Commonwealth’s 12 percent tax on short-term capital gains is markedly uncompetitive compared to the rest of the country. In 2019, more than 150,000 filers from every income level paid the tax, more than 61,000 of whom had incomes below \$112,000. The bill proposes to treat short-term capital gains the same as other income (5 percent), which will align the Commonwealth with most other states and make Massachusetts a more attractive place to live.

I am pleased to propose this comprehensive tax package targeted toward providing relief to low-income families and residents and improving the Commonwealth’s competitiveness. Several of the ideas in this legislation have been proposed in some form by members of the Legislature from both parties, and I look forward to working with the Legislature to enact this legislation promptly.

Respectfully submitted

Charles D. Baker,
Governor

HOUSE No. 4361

A message from His Excellency the Governor recommending legislation relative to improving Massachusetts' competitiveness and reducing the cost of living. January 26, 2022.

The Commonwealth of Massachusetts

In the One Hundred and Ninety-Second General Court
(2021-2022)

An Act to improve Massachusetts' competitiveness and reduce the cost of living.

Be it enacted by the Senate and House of Representatives in General Court assembled, and by the authority of the same, as follows:

1 SECTION 1. Subparagraph (9) of paragraph (a) of part B of section 3 of chapter 62 of the
2 General Laws, as appearing in the 2020 Official Edition, is hereby amended by striking out, in
3 line 109, the figure "3,000" and inserting in place thereof the following figure:- 5,000.

4 SECTION 2. Paragraph (1) of subsection (a) of section 4 of said chapter 62, as so
5 appearing, is hereby amended by inserting, in line 5, after the word "cent" the following words:-
6 provided, however, that any gain from the sale or exchange of capital assets held for 1 year or
7 less shall be taxed at the rate of 5 per cent.

8 SECTION 3. Paragraph (1) of subsection (a) of section 5 of said chapter 62, as so
9 appearing, is hereby amended by striking out, in line 6, the words "eight thousand dollars" and
10 inserting in place thereof the following figure:- \$12,550.

11 SECTION 4. Said subsection (a) of said section 5 of said chapter 62, as so appearing, is
12 hereby amended by striking out paragraph (2) and inserting in place thereof the following 2
13 paragraphs:-

14 (2) in the case of a husband and wife filing a joint return, \$25,100, or

15 (3) in the case of a person filing as head of household, \$18,800.

16 SECTION 5. Paragraph (2) of subsection (k) of section 6 of said chapter 62, as so
17 appearing, is hereby amended by striking out, in line 447, the figure “750” and inserting in place
18 thereof the following figure:- 1,755.

19 SECTION 6. Subsection (x) of said section 6 of said chapter 62, as most recently
20 amended by section 31 of chapter 102 of the acts of 2021, is hereby further amended by striking
21 out the figure “240” and inserting in place thereof the following figure:- 480.

22 SECTION 7. Said subsection (x) of said section 6 of said chapter 62, as so amended, is
23 hereby further amended by striking out the figure “480” and inserting in place thereof the
24 following figure:- 960.

25 SECTION 8. Subsection (y) of said section 6 of said chapter 62, as most recently
26 amended by section 33 of said chapter 102, is hereby further amended by striking out the figure
27 “180” and inserting in place thereof the following figure:- 360.

28 SECTION 9. Said subsection (y) of said section 6 of said chapter 62, as so amended, is
29 hereby further amended by striking out the figure “360” and inserting in place thereof the
30 following figure:- 720.

31 SECTION 10. Subsection (a) of section 6 of chapter 62C of the General Laws, as
32 appearing in the 2020 Official Edition, is hereby amended by striking out, each time it appears,
33 in line 4, lines 6 to 7 and line 17, the words “eight thousand dollars” and inserting in place

34 thereof, in each instance, the following words:- the thresholds specified in subsection (a) of
35 section five of chapter sixty-two.

36 SECTION 11. Section 2A of chapter 65C of the General Laws, as so appearing, is hereby
37 amended by striking out subsection (a) and inserting in place the following subsection:-

38 (a) A tax is hereby imposed upon the transfer of the estate of each person dying on or
39 after January 1, 1997 who, at the time of death, was a resident of the commonwealth. The
40 amount of the tax shall be equal to the credit for state death taxes that would have been allowable
41 to a decedent's estate as computed under Code section 2011, as in effect on December 31, 2000,
42 hereinafter referred to as the "credit". In the event that the federal gross estate of a person
43 includes real or tangible personal property located outside of Massachusetts at the time of death,
44 the tax shall be reduced by an amount equal to the proportion of such allowable credit as the
45 value of said real or tangible personal property located outside of Massachusetts bears to the
46 value of the entire federal gross estate wherever situated, as determined under Code section
47 2011, as in effect on December 31, 2000.

48 SECTION 12. Said section 2A of said chapter 65C, as so appearing, is hereby further
49 amended by adding the following subsection:-

50 (f) Effective for the estates of decedents dying on or after July 1, 2022, for purposes of
51 computing the tax imposed by subsections (a) and (b), the credit shall be determined based on
52 the value of the federal taxable estate after such estate is reduced by \$2,000,000. Estates of
53 decedents dying on or after July 1, 2022 are not required to pay any tax under subsections (a) and
54 (b) if the value of the federal taxable estate is \$2,000,000 or less. For purposes of this subsection,
55 the federal taxable estate is the federal gross estate less any Qualified Conservation Exclusion

56 elected under Code section 2031(c), as in effect on December 31, 2000, and further reduced by
57 the deductions allowable by the Code, as in effect on December 31, 2000.

58 SECTION 13. Sections 11 and 12 shall take effect for the estates of decedents dying on
59 or after July 1, 2022.

60 SECTION 14. Except as otherwise specified, this act shall take effect for taxable years
61 beginning on or after January 1, 2022.