

HOUSE No. 2965

The Commonwealth of Massachusetts

PRESENTED BY:

Erika Uytterhoeven

To the Honorable Senate and House of Representatives of the Commonwealth of Massachusetts in General Court assembled:

The undersigned legislators and/or citizens respectfully petition for the adoption of the accompanying bill:

An Act to study estate tax reform and its costs.

PETITION OF:

NAME:	DISTRICT/ADDRESS:	DATE ADDED:
<i>Erika Uytterhoeven</i>	<i>27th Middlesex</i>	<i>1/20/2023</i>

HOUSE No. 2965

By Representative Uyterhoeven of Somerville, a petition (accompanied by bill, House, No. 2965) of Erika Uyterhoeven that the Commissioner of Revenue conduct a study of estate tax reform and its costs. Revenue.

The Commonwealth of Massachusetts

**In the One Hundred and Ninety-Third General Court
(2023-2024)**

An Act to study estate tax reform and its costs.

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. The Commissioner of Revenue is hereby directed to perform a thorough
2 study and prepare a detailed report concerning the Commonwealth’s estate tax and potential
3 reforms to said tax. The study and report shall address each of the topics listed in Section 2 of
4 this Act. The Commissioner shall complete the report no later than December thirty-first, two
5 thousand twenty-four, shall deliver copies of the report and supporting appendices to the Speaker
6 of the House of Representatives, the President of the Senate, the chairs of the Committees on
7 Ways and Means, and the co-chairs of the Joint Committee on Revenue by said date, and shall
8 publish the report and supporting appendices on the Department of Revenue’s website by said
9 date.

10 SECTION 2. The study and report ordered by Section 1 of this Act shall address each of
11 the following topics and questions, along with other matters that the Commissioner deems
12 pertinent:

13 (a) In recent years, what percent of annual deaths in the Commonwealth result in estate
14 tax liabilities? How would that percentage change if the exemption threshold was raised to two
15 million dollars?

16 (b) What percent of total deaths in recent years have taxable estates larger than three
17 million dollars? Five million dollars? Ten million dollars?

18 (c) What would be the revenue impact of increasing the estate exemption threshold from
19 one million dollars to two million dollars? What would be the additional revenue impact of also
20 providing that the tax on estates larger than two million dollars could not reduce the after-tax
21 value of the estate below two million dollars?

22 (d) What would be the revenue impact of instead excluding from taxation the first two
23 million dollars of all taxable estates? What would be the incidence of tax reductions from such
24 an exclusion among estates of different sizes?

25 (e) What would be the revenue impact of raising the marginal rate of tax on estates larger
26 than twelve million dollars to seventeen percent? To eighteen percent? What would be the
27 revenue impact of instead raising the marginal rate of tax on estates larger than fifteen million
28 dollars to seventeen percent? To eighteen percent?

29 (f) For estates of between one and two million dollars, for what portion of such estates
30 does a primary residence in Massachusetts constitute more than one-half of the value of the
31 estate? More than three-quarters? Same question for estates of between two and three million
32 dollars?

33 (g) What would be the revenue impact of granting to all estates of less than two million
34 dollars an exemption of up to five hundred thousand dollars of the value of a primary residence
35 in Massachusetts? Same question for an exemption of up to one million dollars of the value of a
36 primary residence in Massachusetts? How would the benefit of such exemptions be distributed
37 among all estates of between one and two million dollars? What percent of estates between one
38 and two million dollars would owe no estate tax if allowed each of such exemptions?

39 (h) If there were an exemption, for any estate of less than two million dollars, equal to
40 one million dollars multiplied by a fraction representing the percentage of the value of the
41 total estate consisting of a primary residence in Massachusetts, what would be the
42 revenue impact. How would the benefit of such an exemption be distributed among all estates of
43 between one and two million dollars? What percent of estates between one and two million
44 dollars would owe no estate tax if allowed such an exemption? Same questions if the same
45 exemption were available to any estate of less than three million dollars?

46 (i) Explain available mechanisms for using trusts, limited liability companies, and other
47 mechanisms to transfer assets without estate tax liability. How much revenue is currently lost
48 because of such strategies? To what extent would those lost revenues be avoided if
49 Massachusetts had a gift tax, at estate tax rates, modeled on the federal gift tax? What if a
50 Massachusetts gift tax, at estate tax rates, were instead modeled on the federal gift tax in effect
51 on December thirty-first of the year two thousand? Are there other ways to close major estate tax
52 avoidance strategies?