

Tax Relief for Massachusetts

Fact sheet and highlights

Included in this document are highlights of the Conference Committee's plan to provide responsible tax relief to Massachusetts' residents and businesses and make the Commonwealth more affordable, equitable, and competitive. The total impact for fiscal year 2024 will be \$561.3 million, with a \$519.3 million on budget impact. In fiscal year 2027, when fully phased in, the total impact will be \$1.02 billion, with a \$969.3 million on budget impact.

Child and Dependent Tax Credit

- Increases the tax credit for a dependent child, disabled adult, or senior from \$180 to \$310 in taxable year 2023, and then to \$440 in taxable year 2024 and beyond, per dependent, while eliminating the child/dependent cap.
- This expanded credit, which will benefit more than 565,000 families, will be the most generous universal child and dependent tax credit in the country.

Estate Tax

- Reduces the estate tax for all taxpayers and eliminates the tax for all estates under \$2 million by allowing a uniform credit of \$99,600.

Earned Income Tax Credit

- Increases the earned income tax credit from 30% to 40% of the federal credit.
- This increase will provide crucial support to working individuals and families, benefitting nearly 400,000 taxpayers with incomes under \$60,000.

Single Sales Factor

- Moves from a sales tax apportionment system that factors in property, payroll, and sales to an apportionment that only considers sales, thereby removing a disincentive for Massachusetts companies to hire or grow in-state and making it more attractive for companies to headquarter in Massachusetts.

Senior Circuit Breaker Tax Credit

- Doubles the maximum senior circuit breaker credit from \$1,200 to \$2,400.
- This increase will make it easier for approximately 100,000 seniors who struggle with high housing costs to stay in their homes.

Rental Deduction

- Increases the cap on the rental deduction from \$3,000 to \$4,000.
- This change will support approximately 800,000 renters across the Commonwealth.

Short Term Capital Gains

- Reduces the tax rate on short-term capital gains from 12% to 8.5%.

Housing Development Incentive Program (HDIP)

- Increases the statewide cap from \$10M to \$57M one-time, and then to \$30M annually.
- This increase will create an estimated 12,500 new homes in Gateway Cities, spurring over \$4 billion of private investment in these communities.

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Low Income Housing Tax Credit

- Raises the annual authorization from \$40M to \$60M.
- This increased authorization cap provides enough funding to spur the creation of thousands of new units of affordable housing annually while also bolstering economic activity and ancillary market-rate housing.

Local Option Property Tax Exemption for Affordable Housing

- Permits municipalities to adopt a local property tax exemption for affordable real estate that is rented by a person whose income is less than a certain income level set by the community.

Title V Cesspool or Septic System Tax Credit

- Triples the maximum credit available from \$6,000 to \$18,000 and increases the amount claimable to \$4,000 per year, easing the burden on homeowners facing the high cost of septic tank replacement or repair.

Additional Tax Changes

- *Lead Paint Abatement*: Doubles the credit to \$3,000 for full abatement and \$1,000 for partial abatement, to support families with older homes.
- *Dairy Tax Credit*: Increases the statewide cap from \$6M to \$8M, to provide more assistance for local farmers during downturns in milk prices.
- *Student Loan Repayment Exemption*: Ensures that employer student loan payments are not treated as taxable compensation.
- *Commuter Transit Benefits*: Makes public transit fares, as well as ferry and regional transit passes and bike commuter expenses, eligible for the commuter expense tax deduction.
- *Apprenticeship Tax Credit Reforms*: Expands the occupations for which this workforce development credit is available.
- *Cider Tax*: Raises the maximum amount of alcohol for these classes of drinks to 8½%, allowing more locally produced hard cider and still wines to be taxed at a lower rate.
- *Senior Property Tax Volunteer Program*: Increases from \$1,500 to \$2,000 the maximum that municipalities may allow for certain seniors to reduce from their property tax by participating in the senior work-off program.

Policy Highlights

- Requires payments made if Chapter 62F is triggered to be paid out equally amongst taxpayers.
- Requires married taxpayers who file a joint return with the federal government to file a joint state return, subject to exemptions or adjustments promulgated by the department of revenue.

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