Press release from Speaker Mariano's office:

"The bill includes the following tax changes, some with a phased-in implementation method:

Child and Dependent Tax Credit

The proposal would combine the Child Care Expenses Credit with the Dependent Member of Household Credit to create one refundable $600 credit per dependent, while eliminating the current cap. If passed, this proposal would be phased in over three years, and would be fully implemented in FY27: taxpayers could claim $310 per dependent in FY24, $455 per dependent in FY25, $600 per dependent in FY26, and $614 per dependent in FY27. The proposal would cost $165 million in the first year of implementation and would cost $487 million when fully implemented in year three. It is expected to impact over 700,000 Massachusetts families.

Estate Tax

Massachusetts is currently a national outlier on the estate tax, as the Commonwealth is one of only 12 states that impose this tax and has the lowest estate tax exemption threshold in the country, along with Oregon. The bill proposes increasing the estate tax threshold from $1 million to $2 million, and eliminates the “cliff” effect, taxing the value of the estate that exceeds $2 million, and not the entire estate as the law currently requires. This is expected to cost $231 million per year.

Senior Circuit Breaker Tax Credit

The proposal would double the Senior Circuit Breaker Tax Credit from $1,200 to $2,400. This change is expected to impact over 100,000 taxpayers who own or rent residential property in Massachusetts as their principal residence. The proposal would cost $60 million per year.

Rental Deduction Cap

The proposal would increase the rental deduction cap from $3,000 to $4,000. This is expected to impact about 881,000 Massachusetts taxpayers, and cost $40 million per year.

Short-term Capital Gains Tax

Massachusetts is among the states with the highest short-term capital gains tax rate, which is currently 12 percent, and taxes short-term capital gains at a higher rate than long-term capital gains, which are currently taxed at 5 percent. The bill proposes lowering the short-term capital gains tax rate to 5 percent, and phasing in that change over two years. During year one of the proposal, short-term capital gains would be taxed at 8 percent, before ultimately reaching 5 percent during year two. This would cost $67 million in year one, and ultimately cost $130 million annually, starting in year three of its implementation.

Single Sales Factor Apportionment

Currently, most businesses in Massachusetts are subject to a three-factor apportionment based on location, payroll, and receipts. To make Massachusetts more attractive to multi-state companies, the proposal would establish a single sales factor apportionment in Massachusetts based solely on receipts, matching what 39 other states currently do. This proposed change is projected to cost $115 million in year one, and ultimately cost $79 million annually, starting in year two of its implementation.

Earned Income Tax Credit (EITC)

This proposal would increase the Earned Income Tax Credit (EITC) from 30 percent to 40 percent of the federal credit. This is expected to impact about 396,000 taxpayers with incomes under $57,000, and would cost $91 million.

Additional Reforms

In addition to the proposed tax relief, the bill includes changes to Chapter 62F of the Massachusetts General Laws, which triggered nearly $3 billion in taxpayer refunds in 2022. This law requires that excess revenue be returned to taxpayers when tax revenue collections in a given fiscal year exceed an annual tax revenue cap. Currently, the credit is applied to the personal income tax liability of all taxpayers on a proportional basis, resulting in higher credits for those who paid more in taxes. The bill proposes adjusting the credit to an equal amount per taxpayer, rather than a rebate based on a percentage of what taxpayers paid the Commonwealth.

The bill also proposes adjusting the Stabilization Fund cap, which currently requires that if the amount remaining in the fund at the end of a fiscal year exceeds 15 percent of the budgeted revenues and other financial resources pertaining to budgeted funds, the excess funds must be transferred to the Tax Reduction Fund, which would then be transferred to taxpayers through one time increases in the personal exemption allowable against income tax liability. The bill proposes adjusting the cap to 25.5 percent, which would allow the Commonwealth’s savings account to retain more funding."