

MA - HOUSE BILL 4104 - REPORT OF THE JOINT CONFERENCE COMMITTEE

TO IMPROVE THE COMMONWEALTH'S COMPETITIVENESS, AFFORDABILITY, AND EQUITY

- **Housing Development Incentive Program Tax Credits:** Increases the annual tax credit for the construction of market rate housing units in gateway cities from the current \$10 million per year to \$57 million for the next year and then establishes a \$30 million annual tax credit funding level for each thereafter.
- **Low Income Housing Tax Credit:** Increases the annual tax credit funding for the construction of low-income housing from \$40 million to \$60 million per year.
- **Local Option Affordable Housing Rental Tax Exemption:** Allows municipalities to adopt local property tax exemptions for the owners of Class One housing units that are rented at an affordable housing rate on a year-round basis to a person whose household income does not exceed more than 200 percent of the area medium income. The exemption may not be more than the tax otherwise due on the parcel based on the assessed value.
- **Estate Tax Threshold:** Increases the tax threshold for the estate tax from the current \$1 million to \$2 million and removes the provision in the current law that levies the tax back on the first dollar once the estate tax threshold is met. The tax will now be imposed on revenue above the \$2 million threshold. This change is effective retroactive to January 1, 2023.
- **Short Term Capital Gain Tax Rate:** Reduces the current 12 percent tax rate on short term capital gains to 8.5 percent. The Senate did not include a reduction of this tax in their tax proposal while the House proposed reducing the tax to 8 percent for Fiscal Year 2023 with a permanent reduction to 5 percent thereafter. This new tax rate of 8.5 percent represents a compromise between the two branches. This change is effective retroactive to January 1, 2023.
- **Single Sales Factor Apportionment:** This bill establishes a single sales factor apportionment formula for Massachusetts companies that is based solely on their sales receipts as opposed to the current tax law that subjects businesses to a three-factor apportionment based on location, payroll, and receipts. This change is designed to make Massachusetts more attractive to multi-state companies and matches the taxing systems in place in 39 other states. This change shall take effect on January 1, 2025.
- **Tax Credits for Repair of Septic Systems:** Triples the tax credit for the repair of septic systems from \$6,000 to \$18,000 for each project and increases the amount of the annual tax credit allowed from \$1,500 to \$4,000 per year. This change is effective retroactive to January 1, 2023.
- **Millionaire's Tax Changes:** Will requires married couples that file a joint federal tax return to also file a joint return for their Massachusetts state taxes. Supporters of the Millionaire's Tax warned that couples that would be subject to the new 4 percent tax surcharge would choose to

file separate individual returns in Massachusetts in order to avoid paying all or part of the additional surcharge. They claimed the state would have lost between \$200 and \$600 million in annual revenues without this change.

- **Return of Surplus Revenue:** Massachusetts law requires the state to return revenue to the taxpayers once the receipts exceed a predetermined cap. This law became operative in 2022 when the Department of Revenue returned \$3 billion to taxpayers using a proportional formula that calculated rebates on the amount of state taxes paid by each individual. This bill will change the proportional formula with a system that will provide each taxpayer with one equal payment. Opponents of this change have promised to challenge this new rebate system in the state courts.
- **Child Dependent Tax Credit:** Combines the Child Care Expense Credit with the Dependent Member of Household Credit. Increases the new combined child and dependent tax credit from \$180 to \$310 per dependent for the current fiscal year and to \$440 in fiscal year 2024 and beyond. 565,000 Massachusetts families qualify for the credit.
- **Earned Income Tax Credit:** Increases the Earned Income Tax Credit from 30 to 40 percent of the federal credit. This is expected to impact 396,000 taxpayers with incomes under \$57,000.00.
- **Senior Circuit Breaker Tax Credit:** Doubles this tax credit from \$1,200 to \$2,400 and indexes future credits to the rate of inflation. This change is expected to apply to over 100,000 taxpayers who own or rent residential property in Massachusetts.
- **Rental Deduction Cap:** Increases the cap on the rental deduction for state taxes from \$3,000 to \$4,000. This rental deduction benefits over 880,000 residents of Massachusetts.