



CITIZENS for Limited Taxation

48 Years as the Voice of Massachusetts Taxpayers
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To: Members of the Joint Committee on Revenue

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RE: An Act relative to the Massachusetts estate tax code (H.2881)

The cleanest, most straightforward bills to address the Massachusetts Estate Tax are S.1862 and S.1942, both calling for abolition of the archaic estate tax, aka, “the death tax.” As one of only a dozen states in the nation that still impose an estate tax, it is incumbent upon Massachusetts to catch up with the other 38 and repeal its estate tax as well.

Failing that, the very minimum this committee and the Legislature as a whole can *and should* do is to update and modernize what is currently imposed on the heirs of deceased state citizens. Since 2001 the state estate tax has had a unique “threshold trigger” not found elsewhere, and it has never been adjusted for inflation, nor for the Bay State's booming property value appreciation. Over those two decades the CPI has increased by almost 60%.

Compare that to state spending over the same period (FY2001 State Budget: \$21.4 billion; FY2022 State Budget: \$48.1 billion) — a 225% increase.

H.2881 provides: “SECTION 6. Chapter 65C of the General Laws is hereby amended by striking out Section 1(k), as appearing in the 2012 Official Edition, and inserting in place thereof the following section:-

“(k) “Basic exclusion amount”, \$2,750,000 which shall be annually adjusted for inflation based on the US Department of Labor’s Consumer Price Index (CPI) for All Urban Consumers. . . .”

That would narrow the gap at least somewhat between the Massachusetts estate tax exclusion and that of its neighboring states with an estate tax: Connecticut (\$7.1M), New York (\$5.85M), Maine (\$5.8M), and Vermont (\$5.0M).

Indexing it to the CPI will keep the amount stabilized going forward. We recognize the Legislature is fond of indexing its members’ salaries, stipends and expenses to the CPI so legislators should be comfortable doing likewise for the estate tax exclusion for their deceased constituents, their families and heirs.

Bill Harris, then-president of the Financial Planning Association of Massachusetts,

Every Tax is a Pay Cut . . . A Tax Cut is a Pay Raise

noted in his December 2017 *Wicked Local Plymouth* column:

"Massachusetts implemented the current estate tax rules back in 2001. Unlike other states, it's never been indexed for inflation. In the past three years, nine states have eliminated or lowered their estate taxes. Many more states are raising their lifetime exemptions (the amount that is excluded from estate tax calculation). New Jersey is scheduled to eliminate its estate tax altogether, joining about a half-dozen others that have ended their estate taxes over the past decade."

New Jersey repealed its estate tax in 2018, leaving only a dozen states that tax the estates of its deceased citizens. Currently Massachusetts is tied with Oregon as the most onerous, with the lowest exemption of \$1,000,000 – but Oregon exempts the first million entirely even if the value of the estate exceeds that first million.

Mr. Harris further noted:

"If you think the estate tax is only for the wealthy, think again. The Massachusetts estate tax is regularly entrapping unsuspecting middle-class families. If you own a modest house on the South Shore and you've funded your IRA for an adequate retirement, your estate may get hit with the death tax. In estate planning circles, Massachusetts is the least desirable state in which to reside if you want to pass assets to your heirs. . . ."

"The Massachusetts exemption threshold is only \$1 million, much less than the current federal estate taxes. But unlike the federal estate tax, which only taxes the excess over the threshold, in Massachusetts the threshold is a trigger, and the majority of estate becomes taxable . . . snaring lots of taxpayers at death."

"The tax on a \$1 million estate is approximately \$36,000, however the tax on an estate that is \$999,999 is zero. If you are a Massachusetts resident and all of your assets combined are just a bit above \$1 million, get below that threshold or change your residency before you die. Otherwise, death taxes will be due."

Citizens for Limited Taxation supports H.2881, "An Act relative to the Massachusetts estate tax code" sponsored by Rep. Shawn Dooley and others. It is a well-considered proposal that will help ameliorate today's unintentionally-excessive state estate tax burden.

This revision is long overdue. CLT and its members hope this committee recognizes that and will support H.2881 as well.