



CITIZENS for Limited Taxation

45 Years as the Voice of Massachusetts Taxpayers
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To: Members of the Joint Committee on Revenue
September 10, 2019

RE: The Massachusetts Estate Tax (H-2446); and a "Bifurcated" property tax (S.1634)

The cleanest, most straightforward bills to address the Massachusetts Estate Tax are S.1657 and S.1731, both titled "An Act abolishing the death tax." As one of only eleven states in the nation that still imposes an estate tax, it is incumbent upon Massachusetts to catch up with the other 39 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. The state estate tax has a unique "threshold trigger" not found elsewhere, and it has not been adjusted for inflation, or for the Bay State's booming home property value appreciation, in almost two decades while the CPI has increased by 46.5%.

Compare that to state spending over the same period (FY2001 State Budget: \$21.4 billion; FY2020 State Budget: \$43.3 billion) — a 202% increase.

Bill Harris, then-president of the Financial Planning Association of Massachusetts, 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New Jersey repealed its estate tax last year, leaving only eleven states that tax the estates of its deceased citizens.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.

Mr. Harris further noted:

"If you think the estate tax is only for the wealthy, think again. The

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

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-2446, "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 the currently excessive state estate tax situation.

We hope this committee will favor H-2446 as well.

Citizens for Limited Taxation opposes one dangerous bill before the committee today, sponsored by Sen. Julian Cyr and Rep. Dylan Fernandes. S.1634 ("An Act relative to a bifurcated property tax") would radically transform the municipal property tax into a progressive tax with different tax rates dependent on some criteria not defined in their bill. CLT strongly opposes the inevitable rancor and division this would engender while pitting neighbor against neighbor over different property tax rates. Citizens for Limited Taxation will always oppose anything that erodes or distorts the intent of our Proposition 2½, as S.1634 would surely do.

It is also noteworthy that should S.1634 ever pass it will be challenged in court as presumably violating the Massachusetts Constitution, Article XLIV: ". . . *Such tax may be levied at different rates upon income derived from different classes of property, but shall be levied at a uniform rate throughout the commonwealth upon incomes derived from the same class of property. . . .*"

We hope S.1634 will be rejected by this committee.

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