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Massachusetts Tax Reform Enacted – Estate Tax Exemption Increase and Other Help for Residents

BY SCOTT C. CASHMAN • OCTOBER 4, 2023

The long-awaited [Massachusetts tax reform package](#) was signed by Governor Maura Healey on Wednesday, October 4, 2023.

Among the provisions:

- **Estate Tax Reform:** Establishes a non-refundable credit of \$99,600 for each estate, which will have the effect of eliminating all estate taxes for estates up to \$2 million effective for deaths occurring after January 1, 2023. This eliminates the so-called “cliff tax”.
- **Dependent Credit:** Increases the tax credit for a dependent child, disabled adult or senior from \$180 to \$310 for 2023. The credit increases to \$440 for taxable years beginning in 2024.
- **Renter's Deduction:** Increased from \$3,000 to \$4,000.
- **Senior Circuit Breaker:** Doubles the credit from \$1,200 to \$2,400.
- **Short-term capital gain rate:** Cut from 12% to 8.5%.
- **Millionaires' Tax Loophole:** The new law requires taxpayers to file a joint Massachusetts return in any year they file a joint Federal return (effective as of January 1, 2024). This aims to eliminate the loophole created when the Millionaires' Tax was enacted at the beginning of 2023 (i.e., a 4% surtax on income over \$1 million). Because the surtax applies per return, married couples could file separately to avoid it, which will no longer be the case.

The estate tax changes are effective for estates created January 1, 2023, or later. Since the Massachusetts [estate tax return is due nine months from the date of death](#), many personal representatives may have already filed the Massachusetts estate tax return this year for an estate valued at under \$2 million. If a return has already been filed, pending any guidance from the Department of Revenue, the personal representative of an estate may need to file for an abatement.

Reforming the Massachusetts tax code has been more vexing than it first appeared in the summer of 2022 when both chambers of the legislature, along with then Governor Baker, seemed to agree on much needed reforms to the tax laws. See our previous blog post about the [legislature's last minute failure last year to provide much-needed tax relief](#) to Massachusetts residents. Luckily, the legislature, although late, has not failed to provide relief this year.

For additional resources, here is a [summary of the tax bill](#) and the [full text of the bill](#).