

Beacon Hill Byline - By Mary Rogeness

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Estate Taxes in Massachusetts

The estate tax situation in Massachusetts is a topic that I first learned about a year ago when I was a candidate for office. I spent many days last summer knocking on doors and talking with townspeople. When I went to the door of one modest home, the owner, an elderly man, made this single request - that I do something about the tax system that had harmed his recently widowed sister. We are all aware that wealthy retirees move out of state to avoid estate taxes, but the burden on the middle class is too often understood only when our survivors have to deal with the tax.

The request of that one voter was echoed by taxpayers from all over the district and throughout the state. Some are middle class homeowners whose primary asset is a jointly owned home, its full value taxed to any surviving spouse. Others are well-off financially. They are the residents who traditionally leave their Massachusetts homes to establish residence in one of 49 other states that tax estates less than we do. Now I am happy to report that the legislature has responded to all of those pleas.

Estate tax reform has been proposed in Boston every year for as long as I can remember, but each year it has stalled. This has been the prevailing philosophy: The wealthy can afford to pay the tax. We lost track of the reality that a couple who have worked hard all of their lives might well have accumulated \$200,000 in assets. That is particularly true since the real estate boom of the '80s, when housing values elevated many more families into the \$200,000 category.

This year a majority of legislators became convinced of the need to change the tax code, but the taxation committee refused to act on such changes. The result was this summer's budget bill. Using the convenient method of circumventing truculent committees, we added an outside section to the budget. These are the changes that will take place over the next few years.

Beginning in January, 1993, the exemption will rise to \$300,000. It will rise by \$100,000 at the beginning of each subsequent year until January, 1996. At that time it reaches the \$600,000 standard for the federal estate tax and, by 1997, Massachusetts will treat inheritance just like most other states.

The change saves money for the middle class and it retains the well-to-do population that might otherwise leave the state. But what about the loss of tax revenue to the state caused by raising the exemption from 200,000 to 600,000? Surprisingly, monetary experts agree that the loss is minimal. The "tax exiles" will remain as taxpaying citizens of the commonwealth. And Massachusetts will receive new income from the federal government through a provision known as the "sponge tax." Because we follow the federal standards, Washington will remit a portion of its estate tax receipts to Massachusetts.

The new approach to estate tax is mother indication that the end is near of Taxachusetts.

Note: The estate tax changes are not in place yet. You may want to consult a tax planner if your financial plans have not considered the present Massachusetts tax laws.