

Beacon Hill Byline by Mary Rogeness

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Tax Changes at Tax Time

As we prepare to file income tax again, we hear much public debate about the voter-approved income tax cut. But that is not the only tax cut you will find on your state tax form. I have been surprised to read a long list of tax cuts that can be accessed by many taxpayers. The legislature enacted them several years ago with an effective filing date of 2002. The date that sounded so distant has finally arrived. Here is a short list of the changes. I hope it provides some benefit to you.

First come the general tax cuts. The voter-approved tax rollback reduced the tax rate to 5.6% and that applies to everyone. An added broad tax cut, approved both legislatively and by referendum, is the charitable contributions deduction. Unlike federal regulations, which limit use to filers who itemize deductions, the state allows the deduction to be claimed by any taxpayer. Check the list of qualifying recipients and be sure to have receipts for your donations.

The more targeted cuts benefit adopting and working families, students, renters and senior citizens. They are summarized below. If you need further information, please give me a call.

If you have children under 12 years old, your deduction has doubled to \$2,400 for one child or \$4,800 for two or more. That deduction extends for the first time to any elderly or disabled family member who qualifies as a dependent under federal section 152.

In a pair of other family benefits, working parents can now deduct dependent care expenses up to \$4,800 for one child or \$9,600 for two or more dependents. Adoption fees, previously excluded unless they exceeded 3% of income, are now fully deductible.

Taxpayers who rent their homes will qualify for a maximum deduction of \$3,000, an increase of \$500. In addition the earned income credit for low wage earners now increased from 10% to 15%, the federal credit.

Taxpayers with undergraduate student loans can now deduct the full amount of interest in those loans.

The “circuit breaker” tax credit goes into effect this year for seniors. It applies to certain homeowners or renters who are 65 or older. Income must be \$41,000 or less for a single filer who is not the head of household. A single of household filer can have an income up to \$51,000, and joint filers are limited to \$61,000. It can be as much as \$385, and its applicability depends on a complex relationship among such factors as income, property tax or rent, and other property expenses.

In the past year many families in our state and the nation suffered because of a general economic downturn that was exacerbated by the terrorist attacks on America. While economists prognosticate about the severity and length of the recession, Massachusetts is working to ease its effects through the tax provisions discussed here. Although they will result in lower revenue to the state, I am willing to work to enact a state budget that protects the tax provisions. Enacted in a time of plenty, they will provide additional benefit in this changed world.