

Beacon Hill Byline by Mary Rogeness

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Time to Pay the Taxes

Do you remember the good old days of the '90s? Each year we seemed to have a new tax break, and Massachusetts was in the middle of unprecedented economic expansion. Those days came to an abrupt end around the turn of the century.

Since that time, every tax season seems to require us to pay a few more tax dollars to Massachusetts. Now that the state's economy is gaining strength, taxpayers are again beginning to see some small benefits in their tax bills. One provision helps us all, though most are targeted to certain groups of taxpayers. Here are the changes you can expect when you file your state income taxes for 2005.

The single change that helps every taxpayer takes only a baby step to restoring our tax laws that were on the books in the year 2000. Individuals will save \$15 and joint filers \$29. This is because personal exemptions, cut by 25% in 2002, are in the middle of an automatic restoration to the old levels. Continued economic growth will restore the 2002 level in two more years.

The same law that is changing the exemption, incidentally, will restore the state's 5% tax rate, but not until 2014, and even then only if revenues grow significantly every year in each intervening year.

Other tax cuts target elderly or moderate income taxpayers, as well as rewarding some energy-saving expenditures.

The circuit breaker applies to elderly homeowners or tenants with an income up to \$67,000 for couples filing jointly, \$56,000 for individual heads of household. Those taxpayers can qualify for a credit on their state taxes if their real estate taxes combine with half of water and sewer charges to a total that exceeds \$10% of their income. The tax break applies to a limited number of individuals, but can be a lifesaver for low-income owners or renters as they struggle to retain their homes in this time of rising real estate taxes. The benefit is a refundable tax credit, so it goes to the taxpayer even if he does not have any tax liability. The circuit breaker is not new, but income and property limits have changed this year.

A new deduction was enacted in November in response to the alarming increase in the cost of oil and natural gas. Targeted to individuals with \$50,000 or joint filers with \$75,000 in income, it provides a maximum deduction for natural gas or oil used in home heating.

Taxpayers who invest in energy efficiency may realize significant tax savings in future years. They are helped by the new tax provision that provides a credit for the purchase of energy efficient products. Home insulation, new windows, even an efficient furnace can qualify for a credit of 30% of the cost, up to a \$600 limit.

This update tries to help everyone understand taxes as they exist in Massachusetts today. Our hope of a 5% personal income tax rate remains at this time only a dream, but a best case scenario that provides relief in 2014 is just too remote. Watch with me for Gov. Romney's State of the State and budget messages. I expect him to produce a budget that reinstates that voter-mandated rate, and I expect to get right back to work trying to make it happen.

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