



# Massachusetts Taxpayers Foundation

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My name is Eileen McAnney and I am the President of the Massachusetts Taxpayers Foundation. The Foundation is a non-partisan, nationally recognized, non-profit public policy research organization focusing on the state's fiscal and economic health. We have a long track record of providing independent, high quality analysis of important issues facing the state and we have a longstanding reputation for credibility and objectivity.

I am writing today in support of **House Bill 1510: An Act Relative to the Massachusetts Estate Tax Code**. While the Foundation believes that the Massachusetts estate tax should mirror the federal estate tax, this bill would more closely align the Massachusetts estate tax with federal law, a great initial step to ensuring that the Commonwealth is not an outlier among its peer states.

As you know, Massachusetts decoupled its estate tax from the federal law effective January 1, 2003 and this has resulted in the current estate tax law in the Commonwealth differing from the federal code in several material ways. For example, the current state exemption is set at \$1 million compared to the federal exemption of \$5.43 million that increases each year based on a cost of living index. In addition, the federal estate tax law allows for portability of a spousal exemption, meaning that if the first spouse to die does not use some or all of the personal exemption, the second spouse is entitled to utilize the unused portion.

Massachusetts is one of just 15 states to impose an estate tax, down from 21 states just a few years ago, and that number will further decrease in 2018 when New Jersey's recent repeal goes into effect. While Massachusetts' estate tax rate is aligned with other states, just Oregon and the District of Columbia match the Commonwealth in its \$1 million exemption threshold, the least generous among those with an estate tax. This combination makes the Massachusetts estate among the most burdensome in the nation and is frequently cited as the reason many taxpayers choose to retire to more tax advantageous locations.

In fact, an informal survey by the Foundation of estate tax lawyers, indicated that the vast majority of their Massachusetts clients were aware of the heavy estate tax burden and the lawyers felt it was their duty to inform clients, if not. Affected taxpayers, particularly those who are older with substantial wealth, were the most likely to move. When people subject to the estate tax move away from Massachusetts, we lose the tax revenue from property, income, sales and other taxes that they would have otherwise paid, along with their charitable giving and their civic engagement.

The estate tax is really a trap for the unwary, as more sophisticated taxpayers are able to utilize planning techniques to avoid the tax altogether. Thus, the burden of the estate tax often falls on spouses or children of small business owners, real property owners and others who have grown

the value of an asset over a lifetime, only to see the gains they hoped to pass on to beneficiaries wiped out by the taxes owed.

For the aforementioned reasons, I respectfully request that the Committee considers H.1510 a reasonable measure to address some of the concerns with the estate tax and report it favorably from Committee at your earliest convenience.