

An Act preventing high-income tax avoidance

HD2310 - Rep. Jim O'Day

Overview

The Tax Avoidance Prevention Act will require consistent tax filing status for both state and federal taxes.

Summary

Amends Section 6 of Chapter 62C	Amend MGL to read “married couple must file a joint tax return for any year that they file a joint federal income tax return”
Benefits for the state	Matching the federal status of “filing singly” or “filing jointly” avoids unnecessary state tax audits, simplifies tax filing, and reduces potential “gaming” of the federal and state tax systems in ways that reduce tax revenue for the state
Example of impact on Fair Share	Married couple W and L have a combined income of \$2.1M. W has an income of \$2M and L has an income of \$100,000. For joint filers the top federal tax rate of 37% applies to all income above roughly \$700,000 and all income above roughly \$575,000 for single filers. Filing jointly W and L would pay this highest federal rate on \$1.4M of their income. Filing singly, L would not pay the highest rate on any of her income, but W would pay the highest rate on \$1,425,000. They reduce their joint federal tax bills by filing jointly, which reduces the amount of income taxed at 37%. If this couple jointly files income tax to Massachusetts, they would pay Fair Share tax on \$1.1M for a total surtax of \$44,000. Filing singly, L would pay no surtax, and W would pay surtax on \$1M of his \$2M income: a total surtax of \$40,000

Why this matters

The need for a rule requiring consistent tax filing status is greater in Massachusetts than in most other states. In most other states with income taxes, couples filing separately would each be subject to higher rates starting at a lower income if they filed separately.

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