

## PERSONAL FINANCE

# Massachusetts voters approve 'millionaire tax.' What it means for the wealthy

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## KEY POINTS

- Massachusetts voters approved a 4% tax on annual income above \$1 million, on top of the state's current 5% flat income tax.
- Effective in 2023, the new levy aims to fund public education, roads, bridges and public transportation.
- However, financial experts say the wealthy are already working to reduce their future tax burden.

If you make more than \$1 million a year in Massachusetts, you may soon be subject to a "[millionaire tax](#)" approved by voters this week through a ballot initiative.

The new law creates a 4% tax on annual income above \$1 million, on top of the state's current 5% [flat income tax](#), aiming to fund public education, roads, bridges and public transportation.

It's expected the levy will affect roughly 0.6% of Massachusetts households, according to [an analysis](#) from the Center for State Policy Analysis at Tufts University.

"Democrats have been working for a long time to add some tax brackets and progressivity to this system," said Richard Auxier, senior policy associate at the Urban-Brookings Tax Policy Center, pointing to the current 5% flat income tax in Massachusetts regardless of earnings.

However, California voters rejected a similar tax, aiming to pay for zero-emissions vehicle programs and wildfire response and prevention. The

measure would have added a 1.75% levy on annual income of more than \$2 million, in addition to the state's top income tax rate of 13.3%.

"It's very state-specific," Auxier said, explaining how the tax ballot initiatives may hinge on funding priorities, current state tax structure and other factors.

## **Tax planners to be 'very busy' with Bay State clients**

While the measure was just approved earlier this week, many wealthy residents were already discussing the impact with advisors.

"This has certainly been on the minds of folks," said Jim Guarino, a certified financial planner, CPA and managing director at Baker Newman Noyes in Woburn, Massachusetts. He said client discussions began once the initiative was announced.

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— **Jim Guarino**

MANAGING DIRECTOR AT BAKER NEWMAN NOYES

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The new tax is estimated to bring in roughly \$1.3 billion in revenue during fiscal 2023, according to the [Tufts analysis](#). But Guarino expects lower numbers due to tax planning, and in some cases, "leakage" from some higher earners moving out of state.

"The informed will now work more with their advisors and look for ways to minimize or avoid the surtax," he said.

For example, someone may consider stretching income over a period of years, rather than "one big hit" that bumps them over the million-dollar threshold in 2023, Guarino said.

In other cases, they may try to receive some of next year's earnings in 2022, before the law goes into effect, he said. "If you can defer taxable income, that's usually a good thing," Guarino noted. "But in this instance, accelerating income may give you an immediate 4% [tax savings] at the state level.

"I think we're going to be busy over the next six or seven weeks with our Massachusetts clients," he added.