



PROPOSED CHARITABLE DEDUCTION CAP: HARMFUL TO MASSACHUSETTS NONPROFITS & TAXPAYERS

The Governor's FY26 budget proposal includes a change to the state's tax deduction for charitable giving that would **disincentivize giving, harm nonprofit organizations, and accelerate the exodus of high-income taxpayers from Massachusetts.**

BACKGROUND

- In **2000**, Massachusetts voters overwhelmingly approved a ballot initiative to establish a **state personal income tax deduction for charitable contributions**.
- Massachusetts was **one of only eight states** without a charitable deduction at the time of the vote and had recently been ranked poorly on a "generosity index" of states.
- Due to economic concerns, lawmakers delayed implementation until **January 1, 2023**.
- In its first year, the Department of Revenue estimated that:
 - **600,000** taxpayers would benefit
 - **\$6 billion** would be donated to charities
 - It would lead to **\$300 million in tax savings for taxpayers**

THE GOVERNOR'S PROPOSAL

- **Cap the deduction at \$5,000 for individuals and \$10,000 for joint filers.**
- Intended to **generate \$164 million in revenue—additional costs that Massachusetts taxpayers otherwise would not owe.**
- Would **cut taxpayer benefits by half**, leading to a potential **decline in charitable giving.**
- One of several tax proposals aimed at **closing the gap between expected revenue and increased state spending.**

WHY THIS MATTERS



Harms Nonprofits

Many organizations already struggle with increased costs from inflation and federal funding uncertainties. The charitable deduction has been a vital resource. Capping it would **reduce much-needed private donations.**



Makes Massachusetts an Outlier

32 states have a charitable deduction for state income taxes, while nine have no income tax. Of the states with a charitable deduction, **only 10 have a cap**, making Massachusetts **less competitive.**



Accelerates Outmigration

The deduction has helped mitigate the impact of unfavorable tax policies, including the new income surtax. Capping it **reduces incentives for high-net-worth individuals to stay in Massachusetts.**

BOTTOM LINE: THE WRONG POLICY AT THE WRONG TIME

The High Tech Council opposes capping charitable deductions: this will disincentivize charitable giving as nonprofits face financial pressures and high-income taxpayers consider relocation.

To learn more, contact MHTC Vice President [Elizabeth Mahoney](#).