

CLIENT ADVISORY

CHANGE TO THE MASSACHUSETTS TAX EXEMPTION

Dear Clients and Friends:

On October 4, 2023, the first increase in the Massachusetts estate tax exemption in almost 20 years was signed into law. The Massachusetts estate tax exemption was doubled from \$1,000,000 to \$2,000,000. The change is retroactive for the estates of all persons dying after January 1, 2023.

Aside from the increase in the Massachusetts estate tax exemption, the law has also removed the “cliff effect” that existed under prior law. Previously, if an estate was greater than the \$1,000,000 threshold, the entire estate was subject to estate tax in Massachusetts. The new law includes a universal credit, which has the effect of eliminating the tax on any amounts under the \$2,000,000 threshold and making it a true exemption. This is illustrated in the below chart:

Estate Size	Tax under old law (pre-2023)	Tax under new law (2023-forward)
\$1,100,000	\$38,800	\$0
\$2,100,000	\$106,800	\$7,200
\$2,500,000	\$138,800	\$39,200

Additionally, the new law makes clear that out of state property is not subject to estate tax in Massachusetts. While the new law is welcome news for our Massachusetts clients, our married clients should still be aware that it does not include portability of the unused exemption of a deceased spouse. So, for married couples with assets over the \$2,000,000 threshold, proper planning is still advised to ensure each spouse has sufficient assets in their own name or trust to utilize their exemption.

As always, if you have any questions regarding the new law or how these changes will impact your estate plan, please do not hesitate to reach out to us.

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