

AN ACT ELIMINATING STATE INCOME TAX FOR INDIVIDUALS AND SMALL BUSINESSES

Purpose: To repeal the personal income tax and the corporate excise tax for small businesses in the Commonwealth of Massachusetts, allowing individuals and small business owners to retain their earnings while maintaining taxation on large corporations.

Key Provisions

Section 1. Repeal of Personal Income Tax for Individuals

- (a) Chapter 62 of the General Laws, relating to taxation of incomes, is amended to exempt all Massachusetts residents from state income tax.
- (b) This exemption applies to wages, salaries, tips, pensions, interest, dividends, and other personal income.

Section 2. Repeal of Corporate Income Tax for Small Businesses

- (a) Chapter 63 of the General Laws, relating to corporate excise and income taxation, is amended as follows:
 - (1) Any business with annual gross receipts of \$5,000,000 or less shall be exempt from state corporate excise tax.
 - (2) Such small businesses shall still be required to pay a minimal annual filing fee, as determined by the Department of Revenue.
- (b) Businesses exceeding the \$5,000,000 threshold shall remain subject to standard corporate income taxation.

Section 3. Prohibition on Replacement Taxes for Exempted Groups

- (a) No new tax, fee, or assessment that functions as an income tax may be imposed on individuals or small businesses under this Act.
- (b) Any attempt to reinstate an income tax on these groups shall require approval by a statewide ballot referendum.

Section 4. Budget Adjustments and Revenue Transition

- (a) The Department of Revenue shall, within 180 days of enactment, submit a report to the General Court outlining:
 - (1) Adjustments to Commonwealth spending,
 - (2) Essential service prioritization, and
 - (3) Alternative revenue mechanisms to offset the reduced income tax revenue.
- (b) No automatic increases in sales or excise taxes may be enacted without explicit legislative approval.

Section 5. Effective Date

(a) The repeal of the state income tax for individuals and small businesses shall take effect on January 1 following passage of this Act.

(b) No income earned by exempted individuals or small businesses on or after that date shall be subject to state income taxation.

Implications

- Increases take-home pay for residents and small business owners
- Encourages entrepreneurship, job creation, and economic growth
- Reduces administrative burden for small taxpayers
- Maintains revenue from large corporations, preserving essential government services
- Requires careful fiscal management and prioritization of core services

Final Summary

This Act exempts individual Massachusetts residents and small businesses from state income taxation, empowering personal earnings and entrepreneurial activity, while preserving tax obligations for larger corporations to ensure continued funding of government operations.