



# An Act to strengthen the foundation of the Commonwealth

MTA Legislative Agenda, 2021-2022

**Lead Sponsors:** Rep. Mike Connolly (D-Cambridge) | Sen. Jo Comerford (D-Northampton)

**A progressive revenue proposal to raise \$1.8 billion in new revenue while protecting seniors, the disabled, and low- and middle-income individuals and families.**

Over the last several decades, the Commonwealth has seen a reduction in the tax rate on most types of unearned income. Unearned income includes income from long-term capital gains and interest and dividends but does not include income from earned sources such as wages and salaries, retirement investments or pensions.

Unearned income flows overwhelmingly to high-income households and most types are currently taxed at the same 5 percent rate as earned income. This contributes to an upside-down tax system that sees high-income households paying a substantially smaller share of their income toward state and local taxes than low- and middle-income households.

Wealthy households should contribute more to support investments in the public services on which everyone in the Commonwealth depends. This legislation will address this issue by:

- Raising the tax rate on long-term capital gains and interest and dividends unearned income to 9 percent.
- Creating exemptions for low- and middle-income households, seniors and the disabled to help protect our most vulnerable neighbors from the tax increase.
- Increasing the capital gains revenue threshold that triggers an automatic deposit into the Stabilization Fund. This is expected to result in approximately half of the estimated new revenue from this legislation going toward the fund.

## ***Passing An Act to strengthen the foundation of the Commonwealth means:***

- Raising \$1.8 billion in new revenue, with nearly 90 percent of it coming from the top 5 percent of taxpayers.\*
- Creating exemptions to protect seniors, the disabled, and low- and middle-income individuals and families from the tax increase.
- Generating more resources to make the crucial investments in public education and other key public services that are needed now more than ever.
- Transferring additional dollars into the Commonwealth's Stabilization Fund to support state funding during emergencies.

\*Source: Institute on Taxation and Economic Policy, February 2021

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