



This Week in State Tax (TWIST)

November 14, 2022



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Multistate: Income Tax Ballot Measures in Massachusetts and Colorado Approved by Voters

On November 8, 2022, voters in Colorado and Massachusetts showed their support for certain income tax-related ballot measures. In Colorado, voters approved a measure that reduces the state's income tax rate applicable to individuals and corporations. Specifically, Proposition 121 reduces the current 4.55 percent corporate and personal income tax rate to 4.40 percent, retroactive to tax years commencing on or after January 1, 2022. Under current law, individual itemized and standard deductions are limited for Colorado purposes for individuals with taxable income of \$400,000 or more. The limit is \$12,000 for taxpayers filing single returns and \$16,000 for taxpayers filing joint returns. Another Colorado measure that was approved, Proposition FF, raises additional taxes to support school meal programs by reducing to \$300,000 or more the income threshold under which the limits apply.

In Massachusetts, voters approved a controversial constitutional amendment (Question One) that increases the flat individual income tax rate from 5 percent to 9 percent on income above \$1 million. The rate increase is effective for taxable years beginning on or after January 1, 2023. The additional revenue generated will be used for quality public education and for the repair and maintenance of roads, bridges, and public transportation. Under the Massachusetts Constitution, all income must be taxed at a uniform rate, hence the need for voters to approve the amendment.

The tax rate increase applies to individual owners of pass-through entities, including S Corporations that are already subject to various entity level taxes. Massachusetts requires S corporations to pay the non-income measure of the corporate excise tax on either taxable tangible personal property or on net worth, as well as the income measure of the corporate excise on any income that is taxable for the S Corporation federally. In addition, S corporations with at least \$6 million, but less than \$9 million, in gross receipts are required to pay a tax on income at a rate of 2 percent, and S corporations with \$9 million or more in gross receipts are required to pay a tax on income at a rate of 3 percent.

California voters were not inclined to increase income taxes, as Proposition 30 was defeated. This measure would have imposed an additional 1.75 percent tax on annual personal income in excess of \$2 million for each taxable year beginning on or after January 1, 2023. Please stay tuned to TWIST for additional income tax rate changes.



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