

November 2023

An alternative to the Massachusetts Millionaire Tax

On November 8, 2022, Massachusetts voters approved a ballot measure to amend the Massachusetts State Constitution to impose an additional 4% state income tax on income over \$1 million. The provision added to the end of Article XLIV of the Massachusetts State Constitution reads as follows:

To provide the resources for quality public education and affordable public colleges and universities, and for the repair and maintenance of roads, bridges and public transportation, all revenues received in accordance with this paragraph shall be expended, subject to appropriation, only for these purposes. In addition to the taxes on income otherwise authorized under this Article, there shall be an additional tax of 4 percent on that portion of annual taxable income in excess of \$1,000,000 (one million dollars) reported on any return related to those taxes. To ensure that this additional tax continues to apply only to the commonwealth's highest income taxpayers, this \$1,000,000 (one million dollars) income level shall be adjusted annually to reflect any increases in the cost of living by the same method used for federal income tax brackets. This paragraph shall apply to all tax years beginning on or after January 1, 2023.

This so called 'millionaire tax' is the latest development as some state's attempt to increase the tax burden on high-net-worth individuals. Unfortunately, this new tax may also negatively impact small business owners and even middle-class earners who experience a once in a lifetime liquidity event. As state's like Massachusetts and California set themselves apart by increasing taxes, experienced advisors and wealth planners continue to explore state's whose policies and track record reflect a deeper respect for the unmolested protection of their client's wealth. South Dakota is one of those states.

Avoid state taxes in South Dakota

South Dakota offers a compelling tax-planning opportunity for trustees and beneficiaries, where trust assets can grow free of state income tax and capital gain tax. With correct planning – combining no state income tax with trust vehicles like dynasty trusts, community property trusts, resident trusts and incomplete non-grantor trusts ("ING") – families can create substantial tax savings, extending over multiple generations. [Click here](#) to see how your state stacks up against South Dakota by using our tax savings calculator.

STERLING | TRUSTEES

THE POWER OF INDEPENDENT THINKINGSM

Antony Joffe, President | (605) 593-8950 |  | sterlingtrustees.com