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For Immediate Release

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Rep. Kane supports Governor Baker's call for reinstating the state's charitable tax deduction

BOSTON – State Representative Hannah Kane, R-Shrewsbury, recently supported Governor Charlie Baker's proposal to reinstate the state's charitable tax deduction beginning on January 1, 2022, saying it will fulfill a promise to the state's voters who overwhelmingly approved the creation of the deduction more than two decades ago.

On July 27, Representative Kane voted to sustain the Governor's veto of language in the Fiscal Year 2022 budget that calls for delaying the charitable deduction. The effort fell short, however, as the Governor's veto was overridden by the House of Representatives on a vote of 124-35. A two-thirds vote in the Senate is also required for the override to be successful.

Representative Kane said it is long past time to heed the will of the state's voters, who approved the creation of the charitable tax deduction by a more than 2-1 margin on the November 2000 state ballot. The ballot question was passed with over 1.8 million voters in favor and just 714,884 opposed, representing a margin of 67.1%-26.15%.

Although the charitable tax deduction was implemented for the tax year beginning on January 1, 2001, Massachusetts taxpayers were only able to claim the deduction for one year before the Legislature voted to suspend it in 2002. The same legislation that suspended the tax deduction also froze the personal income tax rollback at 5.3%, despite voters approving a reduction in the rate from 5.95% to 5% on a separate ballot question in 2000.

The 2002 legislation established a multi-step process requiring five distinct economic thresholds to be achieved in order to trigger incremental reductions of .05% in the income tax rate, with additional language allowing the charitable tax deduction to be reintroduced the year after the income tax rate was reduced to 5%. The income tax rate finally reached 5% on January 1, 2020, but the Fiscal Year 2021 budget delayed the charitable tax deduction once again due to concerns about the financial fallout from the COVID-19 global pandemic.

In his veto message, Governor Baker said any further delays in reinstating the deduction are "unnecessary" given that "the Commonwealth's fiscal situation has improved materially in recent months, and the Commonwealth is on track to close Fiscal Year 2021 with no transfer out of the Stabilization Fund." Representative Kane agreed, saying the deduction will offer savings to taxpayers while also helping nonprofits and other charitable organizations that have been hard-hit by the pandemic better meet the increased demand for their services.

Representative Kane noted that a recent survey conducted by Philanthropy Massachusetts and the Massachusetts Nonprofit Network found that more than 60% of nonprofits reported revenue loss during the pandemic, with an average revenue loss of 34% over the previous year. According to the survey, the greatest

reported unmet need of the populations served by nonprofits is mental health (48%), followed by food (33%) and housing assistance (32%).

The Department of Revenue has estimated that implementing the charitable tax deduction would cost the state \$64 million in the current fiscal year, and up to \$300 million annually on a full-year basis moving forward.

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