

HOUSE No. 5207

By Mr. Switzler of Wellesley, petition of Royall H. Switzler, David H. Locke, Andrew S. Natsios, William G. Robinson and Forrester A. Clark, Jr., for legislation to reduce the tax on unearned income to five percent. Taxation.

The Commonwealth of Massachusetts

In the Year One Thousand Nine Hundred and Eighty-Six.

AN ACT REDUCING THE TAX ON UNEARNED INCOME TO FIVE PERCENT.

Be it enacted by the Senate and House of Representatives in General Court assembled, and by the authority of the same, as follows:

1 SECTION 1. Section 2 of Chapter 62 of the General Laws, as
2 most recently amended by Chapter 684 of the acts of 1975, is
3 hereby further amended by adding after subsection (b) (l) (B) the
4 following section:—

5 *Section (C).* Interest and dividend income derived from bonds
6 or stocks of Massachusetts corporations. For purposes of this
7 subsection a Massachusetts corporation is any corporation whose
8 income is wholly taxable in Massachusetts or whose apportioned
9 taxable net income under (C) of section 38 of chapter 63 equals or
10 exceeds 50% of its total taxable net income.

1 SECTION 2. Subsection (c) of section two of Chapter sixty-
2 two of the General Laws, as most recently amended by section two
3 of chapter 723 of the Acts of 1973, is hereby further amended by
4 adding at the end thereof the following new paragraph:—

5 (3) Thirty percent of gains realized on the sale or exchange of
6 qualified stock in Massachusetts-based corporations. The Com-
7 missioner of Corporations and Taxation shall issue regulations
8 which will define such qualified stock. Such regulations will:—

9 (i) Limit the benefits hereof to those persons who acquire the
10 stock for their direct contribution to the capital of the corporation
11 or for services rendered to it in Massachusetts.

12 (ii) Require that all of the capital received by the corporation be
13 employed in Massachusetts.

14 (iii) Limit the benefits hereof to stock issued by corporations
15 whose sales from the three years preceding the issuance of the stock
16 averaged \$100 million or less.

1 SECTION 3. Subsection A of section 3 of chapter 62 of the
2 General Laws is hereby amended by inserting after subdivision (b)
3 the following subdivision: —

4 (c) The following exemptions shall be allowed to individuals
5 against the Part A income: —

6 (1) In the case of a single person, an additional exemption of one
7 thousand dollars.

8 (2) In the case of a husband or wife filing a joint return, an
9 additional exemption of two thousand dollars.

10 (3) In the case of a married person filing a separate return, an
11 additional exemption of one thousand dollars.

12 (4) In the case of a single person, an additional exemption of one
13 thousand four hundred dollars if the taxpayer had attained the age
14 of sixty-five before the close of his taxable year.

15 (5) In the case of a husband and wife filing a joint return, an
16 additional exemption of one thousand four hundred dollars for
17 each spouse who had attained the age of sixty-five before the close
18 of his taxable year.

19 (6) In the case of a married person filing a separate return, an
20 additional exemption of one thousand four hundred dollars if the
21 taxpayer had attained the age of sixty-five before the close of his
22 taxable year.

1 SECTION 4. Subdivision (a) of subsection B of section three of
2 said Chapter 62, as most recently amended by sections five, six and
3 seven of chapter 599 of the Acts of 1977, is hereby amended by
4 adding at the end thereof the following new paragraph: —

5 (9) At the election of the taxpayer, a deduction for that portion
6 of a net capital loss for the taxable year attributable to the sale or
7 exchange of stock qualifying under paragraph (3) of subsection (c)
8 of section two in excess of that allowable under paragraph (2) of
9 said subsection (c) of section two against interest and dividends.
10 Any amount not deducted against Part B adjusted gross income

11 pursuant to this paragraph in the taxable year in which the loss
12 is realized shall become a carryover to succeeding taxable years
13 under paragraph (2) of said subsection (c) of section two.

1 SECTION 5. The provisions of this act shall apply to taxable
2 years commencing on or after January first, nineteen hundred and
3 eighty-six.

