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Growth in number of Mass. taxpayers who earn over \$1M slows

By Greg Ryan – Law and Money Reporter, Boston Business Journal
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Despite a strong economy, the number of Massachusetts residents with taxable annual income of \$1 million or more essentially stayed the same from 2015 to 2016, according to new tax data.

In 2016, there were 16,160 tax returns from Massachusetts residents with adjusted gross income of at least \$1 million, according to data recently published by the Internal Revenue Service. That's just 60 more million-dollar returns — or an increase less than one half of 1 percent — than the year before. (Final tax data for 2017 will not be available until next year.)

Until now, the number of million-dollar filers had increased by at least 6 percent every year this decade save one, as the state and country recovered from the Great Recession.

What's more, the income reported by million-dollar filers fell in the 2016 returns. The wealthiest bracket reported \$53.5 billion in income that year, compared with \$56.2 billion in 2015. That's only the second time that's happened this decade.

Many factors contribute to year-to-year changes in the number of million-dollar earners, including people moving out of state or changes to a filer's business. More than two-thirds of Massachusetts million-dollar filers have pass-through businesses.

The state's top wealth bracket may have seemed to have had a down year on paper in 2016 because of President Donald Trump's election, according to Paul Graney, a state and local tax specialist at Marcum LLP's Boston office. Knowing that Trump would pursue tax cuts quickly, some businesses may have held off on paying bonuses to executives and other employees until early 2017 to save them money on taxes, he said. (As it turned out, the tax cuts did come but would not apply until 2018.)

Until a landmark state court ruling this summer, the number of million-dollar earners in Massachusetts was of immediate and intense policy interest. A ballot question would have imposed higher taxes on personal income over \$1 million to fund schools and transit, but in June the Supreme Judicial Court struck down the proposal as unconstitutional.

Proponents of the so-called "millionaire's tax" are considering other ways to raise tax revenue, however, including pursuing a similar tax on million-dollar filers through the Legislature.

The state Department of Revenue had projected that the millionaire's tax would have generated \$1.6 billion to \$2.2 billion a year. That was based on the assumption that by 2019, Massachusetts would have

18,000 residents and 1,500 non-residents making at least \$1 million annually that is subject to state taxes.

The year 2016 was apparently a tough one for a small number of million-dollar earners: 190 of them collected unemployment compensation despite filing a return with at least \$1 million in income, according to the IRS data.