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In a historic, as well as the largest **bipartisan legislative tax relief proposal in over a generation**, residents of Massachusetts will benefit from credits and deductions in the coming tax season. This bill was intended to relieve financial burdens by putting money back into taxpayers' pockets and to make Massachusetts more "affordable, equitable, and competitive" to residents as well as businesses.

Among income tax return changes, child/dependent tax credits, senior credits, the changes to housing-related taxes are notable. Specifically, increased tax credits for lead paint abatement and Title V (septic) repair or replacements, as well as a tax deduction increase for those who rent their primary residences and a reduction in short term capital gains tax.

Lead Paint: Abatement or Containment

The **lead paint** removal credit ("deleading credit") cap will be doubled. The owner of a residence who brings the premises into full compliance (lead abatement, which is full removal of dangerous levels of lead in accessible structural materials) will be able to **claim a deleading tax credit** of either the cost of deleading, or \$3,000, whichever is the smaller amount. This credit used to be capped at \$1,500.

The owner of a residence who brings the premises into interim control (lead containment, which encapsulates or covers any dangerous levels of lead in accessible structural materials) will be able to **claim a deleading tax credit** of either half the cost of the containment or \$1,000, whichever is the smaller amount. This credit used to be capped at \$500.

Title 5: Septic Remediation

Title 5 is part of the Massachusetts State Environmental Code and **regulates all septic systems in Massachusetts**. A failed system is one that **“fails to protect public health and safety or the environment.”** Changes to this tax deduction, increases the tax credit for owners of the property from 40% to 60% of the cost to replace or repair or \$30,000 (whichever is less) for a failed cesspool or septic system. **This credit** will be applied will be capped now at a total of \$18,000, up from \$6,000 and will be spread out at a maximum of \$4,000 per year from the original \$1,500 annual cap.

Rent

Renter tax deductions are allowed for principal (primary) residences located in the state of Massachusetts. The deduction is limited to 50% of the rent paid during the tax year and couldn't exceed a total deduction of \$3,000 but with the new changes the total deduction cap will be raised to \$4,000. This change will take effect as of and will help tenants mitigate the rising costs of rent.

Reduction in Short Term Capital Gains Tax

Short term **capital gains tax** applies to the profit made from the sale of a property which was bought and sold within one year (long term is over one year). The recent tax changes have reduced the rate at which these profits (gains) are taxed from 12% to 8.5%.

These **changes, among others** will be effective for the 2023 tax year and beyond.

Additional Resources

What Do I Need to Know About Lead Paint in a Home?

May 20, 2024

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