

March 2, 2026

The Honorable Marvin L. Abney
Chairman, House Committee on Finance
Rhode Island State House
82 Smith St., Providence, RI 02903

Dear Chair Abney and Honorable Members of the Joint Committee on Finance,

On behalf of the Massachusetts Society of Certified Public Accountants (MassCPAs), we appreciate the opportunity to share our perspective on Budget Article 5, including the proposal to establish a surtax on high-income earners. In Massachusetts we have seen the first-hand impacts of the Commonwealth's 4 percent surtax on income above \$1 million and its broader implications.

MassCPAs is the state's premiere professional association of certified public accountants and tax professionals, representing more than 11,500 members in public accounting, business and industry, government and education. As frontline practitioners, our members observe in real time how tax policy influences taxpayer decision-making and domicile considerations.

In its initial years, Massachusetts' surtax collections met early projections, and current fiscal year estimates anticipate approximately \$2.9 to \$3.0 billion in annual revenue. However, updated consensus revenue forecasts now project that surtax collections are expected to level off rather than continue growing at the elevated rates experienced during the early implementation period.

State fiscal officials have repeatedly emphasized that surtax revenue is inherently volatile. Because collections are heavily concentrated among a relatively small number of high-income taxpayers and closely tied to capital gains and other non-recurring income events, year-to-year performance can fluctuate significantly. The Massachusetts legislature recognized this volatility by placing a statutory cap on how much surtax revenue may be appropriated annually, reflecting an understanding that strong early collections may not represent long-term growth.

At the same time, Massachusetts is experiencing demographic and migration challenges that warrant attention. According to U.S. Census data, the Commonwealth lost more than 33,000 residents between July 2024 and July 2025. MassCPAs 2024 Public Policy and State Competitiveness Report further highlighted concerns about outmigration among working-age residents. Survey respondents reported that many of the high-income taxpayers considering relocation were between the ages of 30 and 65, individuals in their prime earning and investing years who contribute significantly to income tax revenue, business formation, and job creation.

Importantly, IRS Statistics of Income data show that the number of taxpayers reporting income above \$1 million has increased in recent years. However, this growth is largely attributable to asset appreciation, capital market performance, and income concentration at the top of the earnings scale. In other words, increases in the number of millionaires do not necessarily indicate that the surtax itself is generating structural economic growth. Rather, they reflect national trends in capital gains and high-income volatility.

Both trends can occur simultaneously, surtax revenues can meet projections, and the number of high-income filers can rise, even while outmigration and demographic pressures persist.

New England has extraordinary strengths and a quality of life that continues to attract families and entrepreneurs. At the same time, every state in our region faces the shared challenge of outmigration and increased competition for talent and investment. That reality calls for a policy that fosters stability, encourages growth, and makes it easier for individuals and businesses to put down roots here. If states can continue to do this, New England can continue to lead, compete, and thrive.

We appreciate the opportunity to provide Massachusetts' insight and stand ready to assist as needed.

Respectfully submitted,

Sincerely,

A handwritten signature in black ink, appearing to read "Zach Donah". The signature is fluid and cursive, with the first name "Zach" and last name "Donah" clearly distinguishable.

Zach Donah, CAE
President and CEO
Massachusetts Society of CPAs