Part I ADMINISTRATION OF THE GOVERNMENT

Title IX TAXATION

Chapter 62 TAXATION OF INCOMES

Section 4 RATES OF TAX FOR RESIDENTS, NON-RESIDENTS AND CORPORATE TRUSTS

Section 4. Residents shall be taxed on their taxable income, and non-residents shall be taxed to the extent specified in section 5A on their taxable income, as follows:

[Clause (1) of subsection (a) as amended by 2023, 50, Sec. 8 effective for taxable years beginning on or after January 1, 2023. See 2023, 50 Sec. 49.]

(a)(1) Part A taxable income consisting of capital gains shall be taxed at the rate of 12 per cent; provided, however, that any gain from the sale or exchange of capital assets held for 1 year or less shall be taxed at the rate of 8.5 per cent.

(2) Part A taxable income consisting of interest and dividends shall be taxed at the rate of 5.95 per cent provided, however that any interest and dividend income subject to this paragraph shall be taxed at the same rate as provided for in subsection (b) of this section.

(b) Part B taxable income shall be taxed at the rate of 5.3 per cent for tax years beginning on or after January 1, 2002.

For taxable years subsequent to tax years in which personal exemption amounts in effect pursuant to subparagraphs (1), (1A) and (2) of paragraph (b) of section 3 are the same as those amounts that were in effect for the taxable year beginning on January 1, 2001, Part B taxable income shall be taxed at the lesser of: (i) the rate in effect for the prior taxable year minus.05 per cent if the inflation adjusted growth in baseline taxes in the fiscal year ending the June 30 of the previous year exceeds 2.5 per cent and the inflation-adjusted change in baseline taxes for each consecutive 3 month period reported by the commissioner between August and December of the previous year is greater than 0; or (ii) the rate in effect for the prior year. On or before October 15 of each year, the commissioner shall submit a report to the secretary of administration, the house and senate committees on ways and means and the joint committee on taxation providing a preliminary statement of the Part B tax rate for taxable years beginning on or after the following January 1. On or before December 15, the commissioner shall make a final statement of the Part B tax rate for the following year to the same recipients.

Part B taxable income shall be taxed at a rate of not less than 5 per cent.

(c) Part C taxable income shall be taxed at the same rate as provided for in paragraph (b), excepting Part C taxable income derived from the sale of investments which: (1) are in a corporation which is domiciled in the commonwealth with a date of incorporation on or after January 1, 2011 which has less than $50 million in assets at the time of investment and complies with subsections (e)(1), (e)(2), (e)(5), and (e)(6) of Section 1202 of the Internal Revenue Service Code; and (2) are held for 3 years or

more, which shall be taxed at a rate of 3 per cent; provided, however, that in order to qualify for the 3 per cent rate, such investments shall be made within 5 years of the date of incorporation and, to the extent consistent with the provisions of this subsection, shall be in stock in a corporation that satisfies the requirements for treatment as "qualified small business stock" under section 1202(c) of the federal Internal Revenue Code, without regard to the requirement that the corporation be a C corporation.

[Subsection (d) effective for taxable years beginning on or after January 1, 2023. See 2023, 28, Secs. 107 and 115.]

(d) Where the sum of Part A taxable income, Part B taxable income and Part C taxable income exceeds $1,000,000 in a taxable year, the portion of such taxable income exceeding $1,000,000 shall be taxed at the rates specified in subsections (a) to (c), inclusive, plus an additional 4 per cent. In determining such sum, any negative amount or loss in any part of taxable income shall not be applied to reduce income in any other part or otherwise be applied to reduce such sum. Annually, the $1,000,000 taxable income threshold referenced in this subsection shall be subject to the cost-of-living adjustment as provided by subsection (f) of section 1 of the Code. The commissioner may promulgate regulations or issue other guidance as necessary or appropriate to implement this paragraph.