



This Week in State Tax (TWIST)

October 24, 2022



to listen to the
podcast please
[click here.](#)

Multistate: Tax Ballot Measures to Watch

On November 8, 2022, voters will be asked to decide on certain tax related ballot measures. In California, Proposition 30 would impose an additional 1.75 percent tax on annual personal income in excess of \$2 million for each taxable year beginning on or after January 1, 2023. This would effectively tax the income that exceeds the \$2 million threshold at a 15.05 percent rate. The revenues generated from the additional tax would be deposited into the Clean Cars and Clean Air Trust Fund and would be used to improve air quality and reduce emissions from the state's two primary sources of greenhouse gases, transportation and wildfires. If approved by voters, Proposition 30 would sunset either on January 1, 2043, or when statewide greenhouse gas emissions are at least 80 percent below the statewide 1990 level of greenhouse gas emissions for three consecutive years on or after January 1, 2030.

In Colorado, Proposition 121 would reduce the state's current 4.55 percent corporate and personal income tax rate to 4.40 percent. This change would be effective for tax years commencing on or after January 1, 2022.

In Massachusetts, voters will determine the fate of a constitutional amendment that, if approved, would increase the state's flat individual income tax rate from 5 percent to 9 percent on income above \$1 million. The tax rate increase would apply for taxable years beginning on or after January 1, 2023. The additional revenue generated would be used for quality public education and for the repair and maintenance of roads, bridges and public transportation. Under the Massachusetts Constitution, all income must be taxed at a uniform rate, hence the need for voters to approve the amendment.

The tax rate increase would also apply to owners of pass-through entities, including S Corporations that are already subject to an entity level tax. Recall, Massachusetts is unusual in that it requires S corporations to pay the non-income measure of the corporate excise tax on either taxable tangible personal property or on net worth. In addition, S corporations with at least \$6 million, but less than \$9 million, in gross receipts are required to pay a tax on income at a rate of 2 percent, and S corporations with \$9 million or more in gross receipts are required to pay a tax on income at a rate of 3 percent.

Currently, the City of Los Angeles imposes a real estate transfer tax at a rate of 0.45 percent. Los Angeles Proposition ULA would impose an additional real estate transfer tax of 4 percent on transfers that are valued at more than \$5 million. The additional transfer tax rate would increase to 5.5 percent on the sale or transfer of property that is valued at more than \$10 million. Some transferees, such as a Qualified Affordable Housing Organization, are specifically exempted from the levy. If approved, revenue generated by Proposition ULA would fund affordable housing under the Affordable Housing Program and tenant assistance under the Homeless Prevention Program. Please stay tuned to TWIST for additional updates after Election Day.



For more news and insights on tax developments, follow KPMG's U.S. Tax practice on Twitter – [@KPMGUS_Tax](#).

kpmg.com/socialmedia

