



DON'T TAX YOURSELF

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Massachusetts Estate Tax and Out-of-State Property

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As part of the [Supplemental Budget that was passed on September 16, 2024](#), changes were made to the calculation of the Massachusetts estate tax for the estates of decedents who, at the time of death, owned real estate or tangible personal property outside of the Commonwealth. Under the revised law, real estate or tangible property located outside of Massachusetts is explicitly excluded from the gross estate for purposes of the calculation of the Massachusetts estate tax.

Prior to the Supplemental Budget, the estate tax for decedents with out-of-state property was calculated based on the credit for estate tax computed on the entire federal gross estate which includes both in-state and out-of-state property. The tentative tax was then reduced by an amount equal to the proportion of the credit as the value of such out-of-state real or tangible personal property bears to the value of the entire federal gross estate.

The revised law provides that the estate tax calculation is based on the state tax credit which is determined based on the federal taxable estate reduced by the value of real or tangible property located outside of the Commonwealth. (Some commenters have suggested that the statute as originally written was unconstitutional.) As you will see in the example below, under the prior rule, the inclusion of out-of-state real estate in the Massachusetts gross estate was generating estate taxes, a problem that has now been remedied by the new revisions.

The following example illustrates computation of the Massachusetts estate under both the prior and revised law assuming a decedent with a \$3.5 million estate which includes \$1 million out-of-state real estate:

PRIOR LAW

Gross Taxable Estate	\$3,500,000
Tentative State Tax Credit	229,200
Ratio In-State Property ($\$2,500,000/3,500,000$)	.7143%

Tentative Tax	163,714
Mass. Tax Credit	(99,600)
Mass. Estate Tax Payable	\$64,114
REVISED LAW	
Gross Estate	\$3,500,000
Out-of-State Property	(1,000,000)
Taxable Estate	2,500,000
Tentative Tax	138,800
Mass. Tax Credit	(99,600)
Mass. Estate Tax Payable	\$39,200

Under the revised law, the hypothetical estate has a 39% reduction in Massachusetts estate tax from \$64,114 to \$39,200.

[More information can be found in TIR 24-13 published on November 13, 2024.](#)