

October 3, 2025

Representative Adrian Madaro, Chair
Joint Committee on Revenue
State House, Room 34
Boston, MA 02133

Senator James Eldridge, Chair
Joint Committee on Revenue
State House, Room 511-C
Boston, MA 02133

Dear Chair Madaro and Chair Eldridge,

On behalf of the Greater Boston Chamber of Commerce and its 1,200 members, I write to offer comments in support of S.2087, *"An Act relative to the short-term capital gains rate to make Massachusetts more competitive."* This bill reduces the tax rate on short-term capital gains from 8.5% to 5% over a 3-year period. The rate reduction both aligns Massachusetts with most states that tax gains at the same rate as ordinary income, while also adopting a level of taxation more consistent with competitor states. We urge the Committee to report the bill favorably this session.

The Chamber thanks both the House and Senate for its collaboration with the Healey/Driscoll Administration to pass the first tax reform package in 20 years in 2023. This effort included reducing an extreme outlier method of taxing short-term gains, reducing a 12% rate to 8.5%. This is a significant achievement, and the Chamber is grateful for the Legislature's attention and progress on closing the gap between the Commonwealth and the rest of the nation.

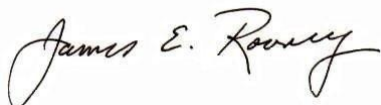
However, as we reflect on this progress, the Chamber continues to identify tax policies that hurt our competitiveness by remaining out of step with other states, and particularly states that actively seek to lure our talent and businesses outside the Commonwealth.

Massachusetts remains one of only a few states that tax short-term gains at a higher rate than long-term gains. Moreover, 26 states tax gains, both short-term and long-term, at a rate of 5% or lower, making Massachusetts an outlier. Factoring in top marginal rates (the income surtax), only 5 states tax gains at higher rates than Massachusetts's 9%, and only California taxes short-term capital gains at a higher rate.¹ Reducing the tax rate consistent with the taxation of ordinary income not only makes the tax code less complicated, it also places Massachusetts in the mainstream, removing an outlier status and its negative impacts to the economy.

Altering the short-term capital gains tax rate will only have a minimal impact on the state's operating budget, as short-term capital gains revenue is not included in consensus revenue forecasting due to the volatile nature of the tax. Higher realized capital gains that reach the income surtax threshold will still maintain a 9% tax rate, remaining higher than most states, if still more manageable. This improves the Commonwealth's competitiveness, particularly in the areas of financial services and real estate development.

Thank you again for your consideration. Please reach out with any questions.

Sincerely,



James E. Rooney
President and CEO

¹ <https://taxfoundation.org/data/all/state/state-capital-gains-tax-rates-2024/>