

2024 State Tax Law Changes

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A new year inevitably means changes to tax laws, especially when it comes to the states that have to pass balanced budgets on an annual basis. 2024 is no different in terms of law reforms – twelve states are cutting individual tax rates, two are consolidating brackets, one is moving to a flat tax, and one is raising rates, and on the corporate tax side, six states will institute rate reductions. Below are some of the notable tax changes going into the new year.

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California Income Tax Increase & Changes for 2024

In 2024, California will begin applying its 1.1% payroll tax, which funds the state's disability insurance program, to all wage income. Previously, this tax was applicable only to wages up to \$153,164. With this change, the state's top individual income tax rate on wage income will be 14.4%.

Did Payroll Taxes Change in Connecticut

2024?

Ever since the federal cap on state and local tax deductions was instituted in 2018, the pass-through entity tax (PTET) regime emerged as an opportune workaround. By permitting a pass-through entity to pay tax at the entity level, the cap was circumvented, as it allowed taxpayers to claim a business deduction for the taxes paid rather than a personal tax deduction. Connecticut was the only state that made the PTET mandatory for pass-through entity filers. Beginning in 2024, however, the PTET will be elective, allowing taxpayers the option to determine in which years to opt in or out.

Connecticut is also providing tax relief to some individual filers by reducing the current 3% tax bracket to 2% and lowering the 5% bracket to 4.5%. The rate relief is limited to those earning under \$150,000 if filing individually, or less than \$300,000 if filing a joint return.

Massachusetts Federal & State Tax Changes

Massachusetts is instituting a new policy requiring taxpayers to use the same filing status on both state and federal income tax returns. This was done to restrict avoidance of the state's 4% surtax on incomes exceeding \$1 million. In years past, married taxpayers could avoid the surcharge by filing a joint federal return but filing separate state returns.

New Jersey Business Tax Changes

In welcome news, New Jersey's 2.5% business tax surcharge on business income over \$1 million is set to expire. This will reduce the state's top corporate tax rate from 11.5%, the highest in the country, to 9%.

Pennsylvania Corporate Tax Changes

As of 2024, Pennsylvania is reducing its corporate tax rate from 8.99% to 8.49%.

Texas Franchise Tax Report Changes

The state's "no tax due" franchise tax purposes will double, which means that an entity with less than \$2.47 million in Texas-sourced income will not owe the franchise tax, nor will it be required to file a "no tax due report" as had been necessary in previous years.

While the above is only a snapshot of some of the tax law changes going into effect this year, it is an important reminder of the need to continually assess your tax projection models. Tax law changes may present savings opportunities in the right circumstances. To see how these state rule changes impact your 2024 tax exposure, please contact [Alan Goldenberg](#), Principal and Leader of the State and Local Tax and Tax Controversy groups, or your Anchin Relationship Partner.

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