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Governor Baker Releases Eighth Budget Recommendation

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Today, Governor Charlie Baker released his Fiscal Year 2023 (FY2023) budget recommendations. This is the unofficial start of "budget season" in Massachusetts that will culminate with a legislative conference committee agreeing on a budget bill sometime around late June or early July.

The release of the $48.5 billion Governor's budget comes at a time when the state is bringing record amounts of revenue. FY2021 ended with a multi-billion dollar surplus. The current fiscal year, FY2022, is continuing to see monthly revenue receipts exceed monthly estimated amounts. And the Governor's FY2023 budget recommendations are based on an expected 2.7% growth in revenues. In addition, the state received significant funding from the federal government and has not yet allocated all of these funds.

Some specific proposals included in the governor's FY2023 budget recommendations include:

- A $749 million deposit into the Commonwealth's Stabilization Fund, which will bring the Fund's balance to $6.64 billion at the end of FY2023 with the addition of projected FY2022 transfers.
- Establishing a "Cybersecurity and Resiliency Trust Fund", which allocates $20 million for end-user devices to ensure that the state is in compliance with security and resiliency directives.
- The governor's budget proposal includes several tax-related sections, which include:
    - Remittance of sales tax on a daily basis for third-party processors (like credit card companies)
    - Clarification of the eligibility of the state's research tax credit
    - Establishes that the purchase of a license to access remotely hosted computer software is a taxable transfer of tangible personal property

In addition, the Governor will file companion legislation to try to implement some of the other priorities he announced at his State of the Commonwealth Address, including $700 million in tax relief for the Commonwealth's low-income workers and their families by way of increasing the rental deduction cap, increasing the Massachusetts AGI thresholds for single and joint filers and heads of households, doubling the estate tax threshold, and aligning the Commonwealth's capital gains tax rate with most other states in the United States.

As mentioned previously, the Governor's budget recommendations are the first step in a months-long process. There will be public hearings conducted by the Legislature to review the Governor's proposals, and the House will draft its budget proposal in early April. The Senate will release and debate its budget proposal in May. And, typically, the budget conference committee reviews the differences between the House and Senate budget in order to come up with a final budget that should be signed into law by the start of the new fiscal year on July 1.

As always, should you need any additional information on this or any other government relations issue, do not hesitate to contact any of the professionals at ML Strategies.

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