2006

Massachusetts Department of Revenue

Form P.S.1
Public Service Corporation Franchise Tax Return

For calendar year 2006 or taxable year beginning **2006 and ending**

Name of corporation | Federal Identification number

Principal business address | City/Town | State | Zip | Date of organization

Name of Treasurer/Assistant Treasurer/Responsible Corporate Officer | State of incorporation

Has the federal government changed your taxable income for any prior year which has not yet been reported to Massachusetts? ☐ Yes ☐ No.
If requesting alternative apportionment under MGL Ch. 63, sec. 42, check here ► ☐ and enclose Form AA-1 (see instructions).

Excise Tax Calculation

1	Net income as shown on U.S. Form 1120, line 28 or U.S. Form 1120A, line 24	► 1
2	State and municipal bond interest not included in U.S. net income	► 2
3	Foreign, state or local income, franchise, excise or capital stock taxes deducted from U.S. net income	► 3
4	Portion of net capital loss carryover used to reduce capital gain from U.S. Schedule D	► 4
5	Section 168(k) "bonus" depreciation adjustment. See instructions	► 5
6	Section 31I and 31J intangible and interest expense add back	► 6
7	Federal production activity add back	► 7
8	All other income not included in line 1	► 8
9	Income before deductions. Add lines 1 through 8	9
10	Dividends received from other utility corporations 80% or more owned included in line 1 (from Schedule N)	► 10
11	Abandoned building renovation deduction. Total cost ► $ _____ × .10	► 11
12	Exception to the add back of interest and/or intangible expenses (enclose schedule)	► 12
13	Total deductions. Add lines 10 through 12	13
14	Adjusted income. Subtract line 13 from line 9	14
15	Income apportionment percentage (from Schedule O, line 5)	► 15
16	Taxable income. Multiply line 14 by line 15	16
17	Excise due on income. Multiply line 16 by .065	17
18	Credit recapture (enclose Schedule H-2)	► 18
19	Excise due before credits. Add lines 17 and 18	19
20	Economic Opportunity Area Credit (enclose Schedule EOAC)	► 20
21	Full Employment Credit (enclose Schedule FEC)	► 21
22	Low-Income Housing Credit (enclose documentation)	► 22
23	Historic Rehabilitation Credit (enclose documentation)	► 23
24	Home Energy Efficiency Credit (enclose Schedule HEEC)	► 24
25	Solar Heat Credit (enclose documentation)	► 25
26	Film Incentive Credit. Certificate number ► _____	► 26
27	Medical Device Credit. Certificate number ► _____	► 27
28	Brownfields Credit. Certificate number ► _____	► 28
29	Total credits. Add lines 20 through 28	► 29
30	Subtotal. Subtract line 29 from line 19. Not less than "0"	30
31	Voluntary contribution for Endangered Wildlife Conservation	► 31
32	Excise due plus voluntary contribution. Add lines 30 and 31	► 32

Under penalties of perjury, I declare that to the best of my knowledge and belief, this return and enclosures are true, correct and complete.

Signature of appropriate corporate officer | Social Security number | Telephone number | Date

►

Signature of paid preparer | Employer Identification number | Address | Date

The Privacy Act Notice is available upon request. If you are signing as an authorized delegate of the appropriate corporate officer, check here ☐ and enclose Massachusetts Form M-2848, Power of Attorney. Mail to: **Massachusetts Department of Revenue, PO Box 7052, Boston, MA 02204.**
Make check or money order payable to the **Commonwealth of Massachusetts**.

Form code 385 Tax type 0170

Refund or Tax Due

33	2005 overpayment applied to 2006 estimated tax	▶ **33**
34	2006 Massachusetts estimated tax payments (do not include amount from line 33)	▶ **34**
35	Payments made with extension	▶ **35**
36	Total payments. Add lines 33 through 35	**36**
37	Amount overpaid. Subtract line 32 from line 36	**37**
38	Amount overpaid to be credited to 2007 estimated tax	▶ **38**
39	Amount overpaid to be refunded. Subtract line 38 from line 37	▶ **39**
40	Balance due. Subtract line 36 from line 32	**40**
41	M-2220 penalty ▶ $ _____; Other penalties ▶ $ _____ Total penalty	**41**
42	Interest on unpaid balance	▶ **42**
43	Total payment due at time of filing	▶ **43**

Schedule N. Dividends from Other Utility Corporations 80% or More Owned

Name, address and Federal Identification number of corporations	Amount
Total	

Schedule O. Income Apportionment

Apportionment factors

		a. Massachusetts	b. Worldwide	c. Percentage
1 Tangible property:				
a Property owned (averaged)	**1a**			
b Rented property (capitalized)	**1b**			
c Totals. Add lines 1a and 1b for each column	**1c**			
d Tangible property apportionment percentage. Divide line 1c, col. A by line 1c, col. b	**1d**			
2 Payroll:				
a Total	**2a**			
b Payroll apportionment percentage. Divide line 2a, col. a by line 2a, col. b	**2b**			
3 Sales:				
a Tangibles	**3a**			
b Services	**3b**			
c Rents and royalties	**3c**			
d Other	**3d**			
e Totals. Add lines 3a through 3d for each column	**3e**			
f Sales apportionment percentage. Divide line 3e, col. a by line 3e, col. b	**3f**			
4 Apportionment percentage. Add lines 1d, 2b and 3f	**4**			
5 Mass. apportionment percentage. Divide line 4 by 3. **See instructions.** Enter in line 13 of Computation of Franchise Tax	**5**			

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Form P.S.1 Instructions

Who Must File a Public Service Corporation Franchise Tax Return?

All utility corporations subject to Massachusetts General Laws (MGL) Ch. 63, sec. 52A, and which do any or all of their business in Massachusetts must complete and file Massachusetts Form P.S.1. Utility corporations are as follows:

- Every incorporated electric company and gas company subject to MGL Ch. 164;
- Every incorporated water company and aqueduct company subject to MGL Ch. 165;
- Every incorporated telephone and telegraph company subject to MGL Ch. 166;
- Every incorporated railroad and railway company subject to MGL Ch. 160 and every corporation qualified under said MGL Ch. 160, sec. 131A to acquire, own and operate terminal facilities from steam, electric or other types of railroad;
- Every incorporated street railway subject to MGL Ch. 161;
- Every incorporated electric railroad subject to MGL Ch. 162;
- Every incorporated trackless trolley company subject to MGL Ch. 163;
- Every domestic or foreign pipeline corporation engaged in the transportation or sale of natural gas within the Commonwealth; or
- Every foreign corporation which is not subject to the above chapters, but which does an electric, gas, water, aqueduct, telephone, telegraph, railroad, railway, electric railroad, trackless trolley or bus business within the Commonwealth and has, prior to January 1, 1952, been subject to taxation under MGL Ch. 63, secs. 53–60.

When Must Form P.S.1 Be Filed?

Form P.S.1 must be filed on or before the 15th day of the 3rd month after the close of the utility corporation's taxable year. A late return incurs a penalty of 1% per month (or fraction thereof), up to a maximum of 25% of the tax due. The penalty for late payment of the tax is ½% per month (or fraction thereof) of the balance due, up to a maximum of 25%.

Can a Corporation Get an Extension of Time to File?

Yes. Utility corporations may request a six-month extension of time to file Form P.S.1 by submitting Massachusetts Form 355-7004 Misc. on or before the original due date of the return. At or before the time of filing Form 355-7004 Misc., the utility corporation must pay in full the estimated tax due. Failure to pay at least 50% of the total tax due as shown on your return will result in the voiding of the extension and the imposition of a late filing penalty.

What Is a Valid Return?

A valid return is a return upon which all required amounts have been entered in all appropriate lines on all forms. Data sheets, account forms or other schedules may be enclosed to explain amounts entered on the forms. However, referencing items to enclosures in lieu of properly entering all amounts onto the return is not sufficient.

A properly filed return must also include exact and complete copies of all four pages of the corporation's U.S. Form 1120 or 1120A. Copies of all accompanying schedules and supplemental statements must be enclosed.

Reproduction of returns must be approved by the DOR prior to filing and meet the criteria provided in Technical Information Release 95-8. Please address form approvals to The Banking and Insurance Unit, PO Box 7052, Boston, MA 02204.

Failure to meet any of the requirements detailed in this section may result in a penalty for filing an insufficient return. Such penalties may be assessed at double the amount of the tax due.

When Must a Corporation Pay Estimated Taxes?

Any utility corporation which reasonably estimates its franchise tax to be more than $1,000 must pay estimated taxes. Payments must be made in quarterly installments of 40%, 25%, 25% and 10% of the estimated annual tax liability.

Note: New corporations in their first full taxable year with less than 10 employees have different estimated payment percentages — 30%, 25%, 25% and 20% respectively.

Public Utility companies that underpay, or fail to pay, their estimated taxes may incur an additional penalty on the amount of the underpayment for the period of the underpayment. Form M-2220, Underpayment of Massachusetts Estimated Tax by Corporations, is used to compute the additional charge.

Any corporation having $1 million or more of federal taxable income in any of its three preceding taxable years (as defined in section 6655 (g) of the IRC) may only use its prior year's tax liability to calculate its first quarterly estimated tax payment. Any reduction in the first installment payment that results from using this method must be added to the second installment payment.

How Is the Corporation Franchise Tax Determined?

The tax for utility corporations is 6½% of net income. For tax purposes, net income is gross income from all sources, without exclusion, other than dividends from investment in 80% or more of the voting stock of another utility corporation, less deductions allowed by the Internal Revenue Code in effect for the taxable year. Deductions are not allowed for dividends received, losses sustained in other taxable years, and income, franchise and capital stock taxes. Any credits allowed under the Internal Revenue Code for the taxable year are not allowed in Massachusetts.

Are Combined Returns Allowed?

No. Public service corporations are **not** allowed to participate in the filing of combined returns.

Line Instructions

If your return is not for the calendar year, enter at the top of the form the dates of your taxable year. If the return covers less than a full fiscal year, the taxable year is the twelve month period ending with the close of the period covered by the return.

Should the Whole Dollar Method be Used?

Yes. All amounts entered on Form P.S.1 must be rounded off to the nearest dollar.

Registration Information

If your corporation has undergone a federal audit for some prior year, you must report any changes to Massachusetts on Form CA-6. You must report any federal audit changes within three months after the final determination of the correct taxable income by the IRS. Otherwise, you will be subject to a penalty. Answering "yes" to this question does not relieve the utility corporation from this filing obligation.

If the utility corporation is requesting alternative apportionment under Chapter 63, sec. 42, check the box and enclose Form AA-1. Schedule O must also be completed and the tax paid according to the statutory three-factor formula. However, alternative treatment may be requested and a refund will be issued if such treatment is granted by the Commissioner. For further information, see MGL Chapter 63, sec. 42 or 830 CMR 63.42.1.

Computation of Franchise Tax

Line 1. Enter the utility corporation's federal taxable income before net operating loss deduction and special deductions, from U.S. Form 1120, line 28, or U.S. Form 1120A, line 24.

Line 2. Enter all interest received on state and municipal obligations not reported in federal net income.

Line 3. Massachusetts does not allow a deduction for state, local and foreign income, franchise, excise or capital stock taxes. Any such taxes which have been deducted from federal net income should be entered in line 3 and added back into income.

Line 4. Enter that portion of net capital loss carryover from U.S. Schedule D, Part 1, line 4 used to reduce your capital gain. Enclose a copy of U.S. Schedule D.

Line 5. Enter the amount of any section 168(k) "bonus" depreciation. Massachusetts law was recently amended to decouple it from the adoption of Internal Revenue Code section 168(k). This section provides for a special depreciation allowance for certain property placed in service during the three-year period beginning on September 11, 2001. Under the Massachusetts law change, the new federal depreciation is not allowed. For Massachusetts tax purposes, for taxable years ending after September 10, 2001, depreciation is to be claimed on all assets, regardless of when they are paced in service. Use the method used for federal income tax purposes prior to the enactment of section 168(k). For more information, see TIR 02-11 and TIR 03-25.

Line 6. Massachusetts law requires that a taxpayer add back to net income certain interest or intangible expenses and costs, including losses incurred in connection with factoring or discounting transactions. This add back is mandatory, with certain exceptions based generally upon showing by clear and convincing evidence that a particular add back would be unreasonable. To claim an exception for this new requirement, file Schedule ABI, Exceptions to the Add Back of Interest Expenses and/or Schedule ABIE, Exceptions to the Add Back of Intangible Expenses. For more information, see TIR 03-19.

Line 7. Effective January 1, 2005, Massachusetts has decoupled from the American Jobs Creation Action of 2004, Public Law 108-357. For corporate excise purposes, the definition of net income does not include the new federal production activity deduction. See TIR 05-5 for further information.

Line 8. Enter all gross income from all other sources not included in lines 1 or 2 above.

Line 10. From Schedule N enter the dividends received from other utility corporations of which your company owns 80% or more.

Line 11. Enter the total costs of renovating an abandoned building in an Economic Opportunity Area. Multiply this amount by .10 and enter the result here. For further information, contact the Massachusetts Office of Business Development at One Ashburton Place, Room 2101, Boston, MA 02108.

Line 14. If the utility corporation conducts business activities in another state sufficient to give that state the jurisdiction to tax the corporation, Schedule O should be completed in order to determine the apportionment percentage. If all income is derived from business conducted in Massachusetts, enter 100% in line 14.

Line 17. If the corporation is required to recapture any amount of previously claimed EOA Credit, Low-Income Housing Credit or Historic Rehabilitation Credit, complete Schedule H-2 and enter the result in line 16 of the return. Current year credits can then be used to offset the total excise due which will include the recapture amount.

Line 19: Economic Opportunity Area Credit. Enter the amount of Economic Opportunity Area Credit claimed this year from Schedule EOAC, line 9. Enclose a completed Schedule EOAC to this return. For more information, contact the Massachusetts Office of Business Development at One Ashburton Place, Room 2101, Boston, MA 02108.

Line 20: Full Employment Program Credit. A qualified employer participarting in the Full Employment Program may claim a credit of $100 per month of eligible employment per employee. The maximum amount of credit that may be applied in all taxable years with respect to each employee is $1,200. Enclose Schedule FEC to this return. For more information, contact the Department of Transitional Assistance, 600 Washington Street, Boston, MA 02111.

Line 21: Low-Income Housing Credit. To claim the Low-Income Housing credit, enclose documentation with the return. For further information on this credit, contact the DHCD, Division of Private Housing, at (617) 727-7824.

Line 22: Historic Rehabilitation Credit. Effective for tax years beginning on or after January 1, 2005 and ending on or before December 31, 2009, taxpayers may be eligible for the Historic Rehabilitation Credit (HRC). To claim this credit, a historic rehabilitation project must be complete and have been certified by the Massachusetts Historical Commission. Unused portions of the credit may be carried forward for a maximum of five years. This credit may be transferred or sold to another taxpayer. The HRC is not subject to the 50% limitation rule for corporate taxpayers. If the taxpayer disposes of the property generating the HRC, a portion of the credit may be subject to recapture. For further information, see 830 CMR 63.38R.1, Massachusetts Historic Rehabilitation Tax Credit.

Line 23: Home Energy Efficiency Credit. The owner of residential property located in Massachusetts is allowed a credit for certain energy efficient items purchased between November 1, 2005 and March 31, 2006 for installation in residential property. Qualifying purchases include home insulation, new window insulation, advanced programmable thermostats, solar hot water systems, fuel-efficient furnaces, boilers, oil, gas, propane or electric heating systems, certain weather sealing and other approved purchases.

The credit allowed for the installation of qualifying purchases for any one residential building is 30% of the cost. The credit cannot exceed $600 for a single residential unit or $1000 for a multi-dwelling unit. Joint owners of a residential property may share any credit available to the property in the same proportion as their ownership interest. The credit allowed under this section may be taken in 2005 or 2006, regardless of the exact date on which the qualifying purchase was made. The amount of credit that exceeds the tax due for 2005 may be carried over, as reduced, and applied to the tax liability for 2006. For further information, see TIR 05-18.

Line 24: Solar Heat Credit. Massachusetts allows a credit of up to $300 for the installation of a solar hot water heating system in commercial building between November 1, 2005 and March 31, 2006. See TIR 05-18 for further information.

Line 27: Voluntary Contribution for Endangered Wildlife Conservation. Any corporation that wishes to contribute any amount to the Natural Heritage and Endangered Species Fund may do so on this form. This amount is added to the excise due. It increases the amount of the corporation's payment or reduces the amount of its refund.

The Natural Heritage and Endangered Species Fund is administered by the Department of Fisheries, Wildlife and Law Enforcement to provide for conservation programs for rare, endangered and nongame wildlife and plants in the Commonwealth.

Lines 33 through 35: Overpayments and refunds. If line 32 is larger than line 27, enter the amount overpaid in line 33.

The overpayment may be applied in part or in full to 2007 estimated taxes by entering in line 34 the amount to be credited to 2007 estimated tax payments. Enter in line 35 the amount to be refunded.

An overpayment of tax cannot be applied as a credit to the tax of another account of this company or to the tax of another company.

Line 36: Balance due. If line 28 is larger than line 32, enter the balance due in line 35. Payment in full is due on or before March 15, 2007.

Lines 37 and 38: Penalties and interest. Any company that has an underpayment of estimated tax will incur a penalty on the underpayment for the period of the underpayment. Enclose a copy of Form M-2220. For more information, refer to the section, "When Are Estimated Tax Payments Required?"

Any company that fails to file a timely return will be subject to a late filing penalty of 1% per month, (or fraction thereof), and a late payment penalty of ½% per month, (or fraction thereof), on the amount required to be shown as the tax due on the return. For more information, refer to the section, "What Are the Penalties for Late Returns?"

Any company which fails to pay its tax when due will be subject to interest on the unpaid balance.

Line 39: Payment due. Enter the total payment due. Checks for this amount should be made payable to the **Commonwealth of Massachusetts**. Checks should have the company's federal identification number written in the lower left corner.

Schedule N. Dividends from Other Utility Corporations 80% or More Owned

Enter the federal identification number and the names of the utility corporations of which the corporation owns 80% or more of the voting stock, and actual amounts of dividends received. Enter the total in line 9 of the Computation of Franchise Tax.

Schedule O. Income Apportionment

Schedule O should be completed only by a corporation deriving income from business activities in another state which allows such state the jurisdiction to levy tax on account of such activities.

Property Factor

Line 1a. For tax purposes, average value is based on original cost and is determined by averaging the property values at the beginning and end of the taxable year. If substantial changes occur during the taxable year, the Commissioner may require monthly averaging to properly reflect the average value of the property.

Line 1b. Property rented by the corporation is valued at eight times the annual net rental rate paid less any sub-rentals received.

Payroll Factor

Line 2a. For column A, use the same basis as is used for reporting employee compensation to the Massachusetts Department of Employment and Training. For column B, use the same basis as is used for reporting employee compensation to the Internal Revenue Service.

Sales Factor

For sales factors, enter all gross receipts of the corporation with the exception of those receipts from interest, dividends and the sale or other disposition of securities.

Line 3a. Sales of tangible property including water and steam are assignable to Massachusetts if:

- the property is delivered or shipped to any buyer, including the U.S. government, in Massachusetts; or
- the selling corporation is not taxable in the state of the buyer and the property is not sold by an agent or agencies chiefly situated at, connected with, or sent out from premises for the transaction of business owned or rented by the corporation outside Massachusetts. A buyer for this item includes the U.S. Government.

Line 3b. Sales of services, or other intangibles, are assigned to Massachusetts if the income producing activity is performed in Massachusetts, or if a greater portion of the activity, based on performance cost, occurs in Massachusetts than in any other state. For sales of electricity, see TIR 06-9.

Line 3c. Rents from property located or used in Massachusetts are assigned to Massachusetts. Royalties are assigned to the state in which the property right is actually used by the lessee.

Line 5. Divide the total apportionment percentage in line 4 by either 3, 2 or 1, depending upon the number of apportionment factors which apply. For example, if only the sales and payroll factors are applicable, divide by 2 instead of 3. An apportionment factor should not necessarily be considered inapplicable if its Massachusetts total (column a, lines 1c, 2a or 3e) is zero. If any of the apportionment totals for "everywhere," (column b, items 1c, 2a or 3e) are less than 3.33% of net income, **do not** include that factor in your Massachusetts apportionment percentage.

Schedule S. Leased Property

A corporation which is the lessee of any real estate or tangible personal property in Massachusetts must submit the name and address of the owner of such property and its location.

Where to File

All returns should be mailed to: **Massachusetts Department of Revenue, PO Box 7052, Boston, MA 02204.**

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