

# SENATE NO. 1742

## **AN ACT** FURTHER REGULATING THE TAXATION OF BUSINESS CORPORATIONS.

*Be it enacted by the Senate and House of Representatives in General Court assembled,  
And by the authority of the same, as follows:*

1 SECTION 1. Chapter 63 of the General Laws is hereby amended by striking out section 32D and  
2 inserting in place thereof the following section:

3 Section 32D. (a) A domestic business corporation or foreign corporation subject to an excise under  
4 section 32 or 39 which is an S corporation or a qualified subchapter S subsidiary, as defined under  
5 section 1361 of the Code, as amended and in effect for the taxable year, shall determine the net income  
6 measure of the excise as follows:

7 The net income shall be determined by taking into account sub-chapter S of said  
8 Code. Income or loss shall be determined as if it were realized or incurred directly  
9 by an owner subject to taxation under chapter 62 or 63, as applicable. In the case  
10 of an S corporation, income shall be included in the net income measure under this  
11 sub-section to the extent that the income is taxed to the S corporation for federal  
12 income tax purposes. In the case of a qualified subchapter S subsidiary, income  
13 shall be included in the net income measure under this subsection to the extent that  
14 the income would have been taxed to the subchapter S subsidiary for federal  
15 income tax purposes had it been treated as a separate corporation.

16 (b) For purposes of this section, in determining the net income of a qualified subchapter S subsidiary,  
17 its gross income shall be determined by computing its gross income as defined under the Code as if it  
18 had been taxed as a separate corporation for federal income tax purposes.