

SENATE NO. 1843

AN ACT RELATIVE TO THE TAXATION OF FINANCIAL INSTITUTIONS

*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. Section 1 of chapter 63 of the General Laws, as appearing in the 2004 Official
2 Edition, is hereby amended by inserting at the end of the definition of financial institution the
3 following: —

4 Provided further that for taxable years beginning on or after January 1, 1999, any partnership or
5 any S corporation, as defined under section 1361 of the Internal Revenue Code that otherwise
6 falls within this definition shall not be taxable as a financial institution under this chapter. The
7 partners in such a partnership shall be subject to tax on their distributive share of the
8 partnership's income. Such an S corporation shall be subject to the provisions of section 32D of
9 this chapter and its shareholders shall be subject to tax on their distributive share of the S
10 corporation's income. Where such a partnership or S corporation has income from business
11 activity which is taxable both within and without this commonwealth, the provisions of sections
12 1 and 2A of this chapter shall apply for purposes of determining the net income taxable under
13 said section 32D and the portion of partnership or S corporation distributive income taxable
14 under this chapter or chapter 62.

15 SECTION 2. Section 1 of this act shall take effect retroactively to January 1, 1999.