



Commonwealth of Massachusetts

Department of Revenue

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2011 Massachusetts Small Business Corporation Excise Return **Form SBC**

Forms and Instructions

General Information

Who Must File a Domestic Business Corporation Excise Return?

All domestic corporations organized under, or subject to, Massachusetts General Laws (MGL) Chapters 156, 156A, 156B or 180 which have privileges, powers, rights or immunities not possessed by individuals or partnerships must file a domestic corporation excise return. This filing requirement does not apply to corporations organized under the provisions of sec. 10 of Ch. 157 or corporations exempt from taxation under the provisions of Sec. 501 of the U.S. Internal Revenue Code (IRC), as amended and in effect for the taxable year (MGL Ch. 63 and Ch. 63B).

Who Can Use Form SBC?

A corporation organized in Massachusetts is eligible to use Form SBC if it met **all** of the following conditions during the taxable year:

- Had gross receipts or sales under \$100,000 (from U.S. Form 1120, line 1c) and total income under \$100,000 (from U.S. Form 1120, line 11);
- Had 100% of its net income taxable in Massachusetts and was **not** subject to corporate tax in another state;
- Was **not** a DISC, an S corporation or a Mass. Security Corporation;

• Did **not** own 50% or more of the voting stock of another corporation and did **not** have 50% or more of its voting stock owned by another corporation (i.e., was neither a subsidiary nor a parent corporation); and

• **Is not** claiming any credits, special deductions or adjustments against its Massachusetts corporation excise, e.g. Investment Tax Credit, Vanpool Credit, Research Credit, Economic Opportunity Area Credit, Harbor Maintenance Tax Credit, Abandoned Building Renovation Deduction, Brownfields Credit, Low-Income Housing Credit, Historic Rehabilitation Credit, Film Credit, Medical Device Credit, Life Science Credits, Dairy Credit or loss carryover.

Note: A corporation may use Form SBC if it is claiming the U.S. targeted jobs credit, and, accordingly, is taking the related allowable Massachusetts deductions.

If a corporation does not meet **all** of the eligibility requirements listed above, **do not** use this form. Use Form 355.

Is an S Corporation Eligible to Use Form SBC?

No. S corporations are not eligible to use Form SBC. Massachusetts S corporations must file Form 355S with a Schedule S to report their shareholder's distributive share income.

Filing Requirements

When Is Form SBC Due?

Form SBC is due on or before the 15th day of the third month after the close of the corporation's taxable year. A corporation filing a late return incurs a penalty of 1% of the tax due, per month, (or fraction thereof), up to a maximum of 25% of the excise due, less any payments made on or prior to the due date.

When Must the Tax Be Paid?

The entire amount of the tax, plus interest and penalties, less any estimated tax payments made, is due and payable on or before the 15th day of the third month following the end of the taxable year. If the corporation fails to pay the balance of tax when due, interest on the balance will be charged. The penalty for late payment is 1% of the tax due per month (or fraction thereof), up to a maximum of 25%.

Can a Corporation Get an Extension of Time to File?

Yes. A corporation may request an extension of time to file its return by submitting Form 355-7004 on or before the original due date of the return. At or before the time of filing Form 355-7004, a corporation must pay in full the estimated tax due. Failure to pay at least 50% of the total tax liability or \$456, whichever is greater, as shown on the return will result in the voiding of the extension and the imposition of a late filing penalty. Even though a corporation secures an extension of time to file, any tax not paid by the original due date will incur interest from the original due date.

Should the Corporation Be Making Estimated Tax Payments?

All corporations which reasonably estimate their corporate excise to be in excess of \$1,000 for the taxable year are required to make estimated tax payments to the Commonwealth. Estimated taxes may be paid in full on or before the 15th day of the third month of the corporation's taxable year or in four installment payments according to the following schedule. Corporations making estimated payments must use the Form 355-ES booklet to make their payments. Four vouchers, one for each installment payment, are included in the Form 355-ES booklet.

Corporate estimated tax 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.

What Is a Valid Return?

In order for this return to be considered complete and valid, the corporation **must**:

- enclose a copy of U.S. Form 1120 as filed, **and**
- enter all required amounts, signatures and information in the appropriate spaces on the form.

Failure to do so may result in the assessment of a penalty.

How Is the Computation of Excise Determined?

The Massachusetts corporation excise is composed of two measures which combine to form the corporation's total tax liability:

- A tax of \$2.60 per \$1,000 on taxable Massachusetts tangible property, **or** taxable net worth, **and** a tax of 8.25% on income taxable in Massachusetts.

Corporations whose taxable year is a period of less than twelve calendar months may prorate the tangible property or net worth measure of the excise.

The minimum excise for a corporation is \$456. The minimum excise cannot be prorated.

Should the Whole Dollar Method Be Used?

Yes. All amounts entered on Form SBC must be rounded off to the nearest dollar. However, do not use the whole dollar method in calculations on worksheets used to reach the amounts shown on the return.

What if the Taxpayer Is a Fiscal or Short Year Filer?

File the 2011 return for calendar year 2011 and fiscal years that began in 2011 and ended in 2012. For a fiscal year return, fill in the tax year space at the top of page 1. Short year filers should file using the tax form for the calendar year within which the short year falls. If the short year spans more than one calendar year, the filer should file use the tax form for the calendar year in which the short year began. If the current form is not available at the time the short year filer must file, the filer should follow the rules explained in TIR 11-12.

Line by Line Instructions

Registration Information

Complete this section in full, entering the appropriate information in the spaces provided.

Before completing page 1 of Form SBC, complete lines 17 through 35 on page 2 by following the instructions below.

Balance Sheet: Lines 17 through 23

Note: The corporation must state all amounts in the balance sheet as of the last day of the taxable year covered by this return. Enter the ending date of the corporation's taxable year in the space provided at the top of page 2 of the form. All balance sheet values must equal net book values. (For example, a building with an original cost of \$200,000 has accumulated depreciation of \$150,000. Therefore, its **net book value** is \$50,000.)

Line 17d. Other intangible assets

Enter the value of all other intangible assets such as goodwill, patents, royalties, copyrights, formulas and trademarks.

Line 18c. Machinery taxed locally

Enter the net book value of machinery taxed locally and used in the conduct of the business. The net book value of any underground conduits, wires, pipes and poles should also be included.

Line 19a. Machinery and equipment

Enter the net book value of all machinery and equipment **not** taxed locally. This includes machinery and equipment used by a manufacturing corporation as well as equipment used to refrigerate goods, air condition the premises or which have to do with purchasing, selling, accounting or administration.

Line 19d. Other fixed assets

Enter the net book value of all other fixed assets, including furniture, fixtures, tools, patterns, drawings, dies and containers.

Line 21a. Mortgages on Mass. tangible property taxed locally

Enter the amount of mortgages on Mass. real estate, motor vehicles, machinery and other tangible personal property situated in Massachusetts which is subject to local taxation. Mortgages do not include conditional sales, pledges or other types of security interest.

Line 21e. Other liabilities

Enter the value of all other liabilities including advance payments, reserves, accrued or deferred liabilities and taxes.

Line 22. Capital stock and surplus

Enter the total amount of capital stock (both common and preferred), plus surplus (paid in or capital), plus retained earnings **minus** the cost of treasury stock.

Tangible Property or Net Worth Measure

Lines 24a and 24b. Tangible or intangible property corporation classification

A tangible property corporation is one whose Massachusetts tangible property not subject to local taxation is 10% or more of its total assets, less Massachusetts assets subject to local taxation. A corporation whose corresponding relationship is less than 10% is an intangible corporation.

To determine the corporation's property classification, complete the calculations in lines 24a and 24b. Proceed as indicated in the text below line 24b on the form.

Lines 25a through 25c. Taxable net worth

To determine taxable net worth for an intangible property corporation (where line 24b is less than 10%) complete the three calculations in lines 25a, 25b and 25c. Enter the amount of line 25c in line 2.

Net Income Measure

Lines 26 through 28. Gross receipts or sales, gross profit and other deductions

Enter the amounts for gross receipts of sales, gross profit and other deductions taken from the correct lines on the corporation's U.S. Form 1120.

Line 29. Net income

Enter U.S. taxable income before net operating loss deduction and special deductions.

Line 30. U.S. targeted jobs credit

Enter on the computation line that portion of wages or salaries paid or incurred for the taxable year equal to the amount of the credit allowable for the taxable year determined under Section 51 of the IRC and otherwise disallowed under Section 280C of said code. Enclose U.S. Form 5884, Jobs Credit.

Line 32. State and municipal bond interest

Enter all interest received on state and municipal bond obligations not included in U.S. net income.

Line 33. Massachusetts corporation excise (add back)

Any Massachusetts corporation excise deducted in determining U.S. net income is not allowable as a deduction in computing Massachusetts taxable income. Therefore, this tax must be added back.

Line 34. Other adjustments

Enter any additions or subtractions to income and explain in the space provided on the form.

Line 35. Massachusetts income

Add lines 31 through 34, and enter the amount of income taxable in Massachusetts in both line 35 and in line 3.

After completing Lines 17 through 35, continue with these instructions to complete page 1 of Form SBC.

Computation of Excise and Prepayments

Lines 9a through 9c

Enter the corporation's 2010 overpayment applied to 2011; 2011 estimated payments and amounts paid with extension. (Enclose Form 355-7004).

Overpayment

Lines 10 through 12

If line 9d is larger than line 8, enter the amount of overpayment in line 10; otherwise proceed to line 13. The corporation may choose to have any amount of the overpayment applied as a credit against next year's estimated tax (line 12), or may choose to have the overpayment refunded (line 12).

Balance Due

Lines 13 through 15

If line 8 is larger than line 9d, enter the amount owed in line 13. If such payment is late, the penalties and interest must be computed on the amount owed and entered in lines 14 and 15, respectively. (Enclose Massachusetts Form M-2220, if applicable.)

Line 16

Enter the total payment due by adding lines 13 through 15. Checks should be made payable to the **Commonwealth of Massachusetts** and should show the Federal Identification number in the lower left corner.

Corporate Disclosure Schedule

Chapter 402 of the Acts of 1992 requires the Department of Revenue to conduct an annual analysis of corporate tax liability. To provide the Department with information necessary to complete this analysis, corporations are required to report amounts taken federally for charitable contributions, research expenses and certain types of depreciation. All corporations must complete the Corporate Disclosure Schedule on their return or the return will be considered insufficient and will be subject to applicable penalties and interest.

Where to File

Form SBC must be signed by the treasurer or assistant treasurer or, in their absence or incapacity, by any other principal corporate officer. All returns must be mailed to: **Massachusetts Department of Revenue, PO Box 7005, Boston, MA 02204.**