

## **Combined Reporting Instructions**

### **2012 Schedule U-CS Instructions**

#### **Credits Shared from Other Members**

A member of a combined group may be allowed to share a credit that is generated by another member where the credit derives from the combined group's unitary business (or business in general in the case of an affiliated group election) to offset against its excise resulting from its apportioned share of the combined group's taxable income. The sharing of the credits must be validated by the completion and inclusion of Schedule U-CS with the combined report, identifying both the member using the credits and the "contributing member" whose credits are being used. The schedule must be filed by the member using the credits. If the member using the credits is using a credit contributed by two or more group members, it must file a separate Schedule U-CS for each such contributing member. Further, if the member using the credits is using two or more types of credits from the same group member, it must file a separate Schedule U-CS for each type of credit.

A member may only use a shared credit if it would be eligible to generate and use the credit itself under the provisions of M.G.L. c. 63 to which it is subject. Thus, for example, a financial institution is eligible to share the EOAC because it is eligible to generate and use the EOAC pursuant to the provisions of M.G.L. c. 63, § 38N. However, a financial institution is not eligible to share the ITC or the research credit because it not eligible to generate or use either such credit pursuant to the provisions of M.G.L. c. 63, § 31A and §38M, respectively. See 830 CMR 63.23B.2(9).

The sharing of credits must in all cases be consistent with the requirements and limitations referenced in 830 CMR 63.32B.2(9).

Note that certain credits, including the credits conferred under M.G.L. c. 63, § 38M and 38N, could be shared for tax years beginning prior to January 1, 2009. The rules for sharing such prior year credits in tax years beginning on or after January 1, 2009 are discussed at 830 CMR 63.32B.2(9)(c)(2).

#### **Header for Schedule U-CS**

For each Schedule U-CS filed, enter the name of the member (as stated on its Schedule U-ST) that is using the credits and its Federal Identification number.

If the member is claiming the Investment Tax Credit (ITC) under M.G.L. c 63, §31A, check one box to indicate its classification for this purpose. If the credit to be used is not the ITC, do not check any box.

A corporation qualifies as an R&D corporation if its principal activity is research and development and it otherwise qualifies under M.G.L. c. 63, § 42B (e.g., among other things, by meeting the requirement that 2/3 of its receipts attributable to Massachusetts are from research and development activity).

A manufacturing corporation is a member that is engaged in manufacturing in Massachusetts in the instance in which its Massachusetts manufacturing activities are substantial within the meaning of 830 CMR 63.58.2.1. Note that a corporation that is not itself engaged in manufacturing but is required to determine its apportioned share of the combined group's taxable income as if it were a manufacturing corporation (i.e., because it sells goods manufactured by another member of the group) may be considered to be a manufacturing corporation solely for the purpose of completing this schedule and sharing credits generated by the other group members pursuant to M.G.L. c. 63, § 31A if the manufacturing activities attributed to the member are within Massachusetts and are substantial. See 830 CMR 63.32B.2(7)(g)2.d. A corporation is primarily engaged in agriculture or commercial fishing if the facts and circumstances with respect to the corporation's activities support this determination.

Check one box to indicate whether the financial institution excise, the utility corporation excise or the general business corporation excise applies. S Corporations taxable under M.G.L. c. 63, § 2B are considered financial institutions. S corporations taxable under M.G.L. c. 63, § 32D are considered general business corporations.

Enter the name of the "contributing member" (i.e., the corporation that generated the credits being used) as stated on its Schedule U-IC and its Federal Identification number.

Check one box to indicate the type of credit being shared. If more than one type of credit is being shared from the same contributing member, the member using the credits must complete an additional Schedule U-CS for each additional type of credit that is being shared.

Also enter the name of the principal reporting corporation, its Federal Identification number and the ending date of the combined group's taxable year.

### **Line Instructions for Schedule U-CS**

**Line 1.** In general, only credits that were generated in a tax year beginning on or after January 1, 2009 may be shared in a combined report. However, certain credits, including the credits conferred under M.G.L. c. 63, § 38M and 38N, could be shared for tax years beginning prior to January 1, 2009. The rules for sharing such credits in tax years beginning on or after January 1, 2009 are discussed at 830 CMR 63.32B.2(9)(c)(2).

In any instance where a member can share credits that date back to different tax years, the member is not required to share these credits using a "last in first out" (i.e., "LIFO") approach. That is, if a member has unused credits from tax year 2008 that may not be shared and unused credits from tax year 2009 that may be shared, it may share the credits from tax year 2009 with a combined group member (assuming that the sharing is otherwise permissible and consistent with the applicable rules).

Enter the earliest tax year ending date (MM/YYYY) to which the shared credits relate. If the shared credits relate to only one such tax year, enter the ending date of that year.

**Line 2.** Enter the total amount of credits that were generated by the contributing member that are being used by the member filing Schedule U-CS.

If the member is filing more than one Schedule U-CS, the member must add the totals of each respective credit claimed and the totals for each such credit shared must be entered on the appropriate lines of Schedule U-IC. The total of the line 2 amounts on all the member's Schedules U-CS relating to EDIPC, EOAC, ITC, VP or BC must be reported on Schedule U-IC, line 15. The total of the line 2 amounts relating to the research credit must be reported on Schedule U-IC, line 20 and the total of the line 2 amounts for all other credits to be shared must be reported on Schedule U-IC, line 37.