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Commonwealth of Massachusetts

Department of Revenue

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# 2016 Instructions for Massachusetts Urban Redevelop- ment Excise Return Form **121A**

# Major 2016 Tax Law Changes

## Consent to Extend the Time to Act on an Amended Return Treated as an Abatement Application

The Department has established a consent process that will protect a taxpayer's appeal rights in instances where a taxpayer's amended return is treated by the Department as an abatement application. In such instances, the Department will consider the taxpayer's act of filing an amended return, either electronically or on paper, to constitute the taxpayer's written consent to grant the Commissioner additional time to act on an amended return treated as an abatement application. For further information, see TIR 16-11.

## Economic Development Incentive Program Tax Credit

For projects certified after January 1, 2017, the economic development incentive program tax credit is no longer calculated based on the cost of property that qualifies for the investment tax credit allowed under G.L. c. 63, § 31A and is instead determined by the Economic Assistance Coordinating Council based on factors set out in G.L. c. 23A, § 3D. In addition, limitations on the maximum amount of the credit awarded to particular types of certified projects have been eliminated, the credit is only subject to recapture if the Economic Assistance Coordinating Council revokes the certification of a project, and the credit may be designated as refundable in relation to any certified project. For further information, see TIR 16-15.

## Community Investment Tax Credit

Effective August 10, 2016, the community investment tax credit has been modified. A community partner may now claim a subsequent community investment tax credit if the Department of Housing and Community Development determines that the community partner has made satisfactory progress towards utilizing any prior allocation it has received. For further information, see TIR 16-15.

## Low-Income Housing Tax Credit

Effective January 1, 2017, the low-income housing tax credit has been expanded to also provide a non-refundable tax credit for corporate excise taxpayers that donate real or personal property to certain non-profit entities for use in purchasing, constructing, or rehabilitating a qualified Massachusetts project. This credit is generally limited to 50% of the amount of the donation. The credit must be claimed in the year that the qualifying donation is made and credit amounts that exceed the tax due may be carried forward for up to five years. For further information, see TIR 16-15.

## Historic Rehabilitation Tax Credit

Effective August 10, 2016, the historic rehabilitation tax credit has been modified to allow the Massachusetts Historical Commission to, subject to certain criteria, transfer the historic rehabilitation tax credit to corporate excise taxpayers that acquire a qualified historic structure. For multi-phased projects, the Massachusetts Historical Commission may transfer historic rehabilitation tax credit awards for any phase that meets the criteria. For further information, see TIR 16-15.

## Certified Housing Development Tax Credit

Effective January 1, 2017, the certified housing development tax credit allows corporate excise taxpayers to claim 25% of qualified project expenditures as a credit. The credit may also be carried forward for up to 10 years. For further information, see TIR 16-15.

## Who Must File

Every corporation, individual, trust, partnership or entity subject to Massachusetts General Law Chapter 121A, as amended, must file an annual return on Form 121A.

## When and Where Returns Are Filed

This return covers the 2016 calendar year and is due on or before March 15, 2017. Returns should be mailed to the Massachusetts Department of Revenue, PO Box 7052, Boston, MA 02204. Returns may also be filed using the MassTaxConnect application available at <http://www.mass.gov/dor>.

## Extension of Time for Filing

Extension of time for filing returns will be automatically granted upon request. A taxpayer requesting an extension must file Form 355-7004 Misc. on or before March 15, 2017. At the time of filing Form 355-7004 Misc., taxpayers are required to pay 50% of the tax shown to be due on the return when filed, less credits, if any, for previous payments made. Failure to pay the minimum extension payment will result in the voiding of the extension and the imposition of a late filing penalty.

## Penalty for Late Return

Failure to file this return on or before March 15, 2017 or within any extension of time granted, will subject the taxpayer to a penalty of 1% of the amount required to be shown as the tax less payments made on or before March 15, 2017 for each month or fraction thereof, of delinquency up to a maximum of 25%.

## Payment of Tax

The entire amount of the tax less any previous payments made is due and payable on the due date. Even though the corporation may obtain an extension of time for filing its return, there is no provision in the law for extending the time for payment.

## What Is a Valid Return?

A valid return is a return which properly documents how the taxpayer arrived at their gross income figure on line 1. Preliminary or final audited financial statements and/or a copy of the federal form filed by the taxpayer are examples of proper documentation. In addition, the taxpayer must submit a letter from their city or town assessor attesting to the fair cash value of their property as of January 1, 2017. Failure to meet these minimum requirements may result in a penalty for filing an insufficient return.

## Whole Dollar Method

The whole dollar method should be used when entering amounts on the return.

## Registration Information

For any questions about your project's registration information please contact the assessing department of your project's city or town or contact the Department at (617) 887-5101 or (617) 887-6710. If your project encompasses several properties, only one property address is necessary. Taxpayers submitting final returns should contact the Department regarding their filing requirements.

The name provided in Item 5 should contain the name, title and contact information (if different from the registration address) of the person the Department should contact with any questions regarding the financial data associated with the project.

Item 7 refers to Section 8 or similar government subsidized rent payment programs. Projects approved prior to March 22, 1976 must include these payments in their line 1a Gross income figure in the section *Computation of Excise*.

## Amended Return

If you need to change a line item on your return, complete a new return with the corrected information and fill in the "Amended Return" oval. Generally, an amended return must be filed within three years of the date that your original return was filed. By filling in the amended return oval, you are giving your consent for the Commissioner of Revenue to act upon your amended return after six months from the date of filing. If you choose not to consent, you must do so in writing and attach it to this amended return. If you do not consent, any requested reduction in tax will be deemed denied at the expiration of six months from the date of filing. If this is an amended Massachusetts return and it does not report changes that result from the filing of a federal amended return or from a federal audit (for example, if the amended Massachusetts return is reporting only a change in the apportionment calculation or an additional tax credit), check only the "amended return" box. If this is an amended return that includes changes you have reported on an amended federal return filed with the IRS for the same tax year, check both the "amended return" box and the "federal amendment" box. If the amended Massachusetts return incorporates changes that are the result of an IRS audit, check both the "amended return" box and the "federal audit" box; attach a complete copy of the federal audit report and supporting schedules. If you are disputing an assessment resulting from an audit, or are requesting an abatement of penalties, do not file an amended return. Rather, you must file a Form ABT, Application for Abatement. Visit [mass.gov/dor/amend](http://mass.gov/dor/amend) for additional information about filing an amended return, or filing an application for abatement.

## Computation of Excise Line Item Guidance

### Line 1a

Line 1a ought to include all payments described within MGL Chapter 121A, section 10, as amended. For projects using alternate gross income calculation methods (e.g. square footage) please include the pertinent pages of your project's agreement. For additional guidance, contact the Department.

### Line 4

Line 4 refers to the three years valuation prior to the project becoming a 121A. City of Boston projects should use the figure provided on your fair cash value letter.

### Line 7

The rate is the fiscal year 2017 local tax rate. This rate covers the period beginning July 1, 2016 and ending June 30, 2017. Please contact your project's city or town's assessing department to obtain their FY2017 local tax rate.

### Line 9

Any corporation that wishes to contribute to the Natural Heritage and Endangered Species Fund may do so on this form. This amount is added to the excise due. The Natural Heritage and Endangered Species Fund is administered by the Department of Fisheries, Wildlife and Environmental Law Enforcement.