2023 Instructions for Massachusetts Corporate Combined Report

Form 355U

This form has an electronic filing requirement.
See instructions. Instructions for Form 355U supporting schedules are included herein and are also available on DOR's website at mass.gov/dor.

What kind of help is available

The instructions in the Department of Revenue's tax forms should provide answers to most taxpayer questions. If you have questions about completing your Massachusetts tax form, you can call us at (617) 887-6367 or toll-free in Massachusetts at 1-800-392-6089 Monday through Friday. DOR's website at mass.gov/dor is also a valuable resource for tax information 24 hours a day. Thousands of taxpayers use DOR's website to e-mail and receive prompt answers to their general tax inquiries. Interactive applications that allow taxpayers to check the status of their refunds and review their quarterly estimated tax payment histories are available through our website or by calling our main information lines listed above.

Where to get forms and publications

Many Massachusetts tax forms and publications are available via the DOR website. The address for the Department's website is mass.gov/dor.

For general tax information. **Please call (617) 887-6367 or toll-free in Massachusetts 1-800-392-6089. These main information lines can provide assistance with the following:**

- abatements
- bills and payments
- business registration
- business taxes
- corporate excise
- estate taxes
- estimated taxes
- certificate of good standing
- fiduciary taxes
- nonresident information
- partnerships
- personal income taxes
- refunds
- withholding

For help in one of the following specific areas. **Please call the number listed below.**

- Installment sales (617) 887-6950
- Teletype (TTY) (617) 887-6140
- Small Business Workshop (617) 887-5660
- Vision-impaired taxpayers can contact any DOR office to receive assistance.
- Upon request, this publication is available in an alternative format. Please send your request to: Office of Diversity and Equal Opportunity, PO Box 9557, Boston, MA 02114-9557.

To report allegations of suspected misconduct or impropriety involving Department of Revenue employees, please call the Office of Ethics and Employee Responsibility Hot Line at 1-800-565-0085 or write to PO Box 9567, Boston, MA 02114.

Major 2023 Tax Law Changes

For more up-to-date and detailed information and to view all of the public written statements referenced in these instructions, visit mass.gov/dor.

Filing Due Dates

Massachusetts General Laws (MGL) ch 62C, §§ 11 and 12 require C corporations to file their tax returns on or before the 15th day of the fourth month following the close of each taxable year. The filing due date for S corporation tax returns is the 15th day of the third month following the close of each taxable year. For more information, see Technical Information Release (TIR) 17-5. For calendar year filers, April 15, 2024, when 2023 returns and payments would normally be due, is Patriots' Day, a legal holiday in the Commonwealth, and April 16, 2024 is Emancipation Day, a legal day in Washington D.C. As a result, returns, payments made with returns, and estimated payments otherwise due on April 15, 2024, will be treated as timely if they are filed and/or paid on or before April 17, 2024.

Wind Power Incentive Jobs Credit

For tax years beginning on or after January 1, 2023, and until tax years ending on or before December 31, 2032, a business subject to tax under MGL ch 63 may, to the extent authorized by the offshore wind tax incentive program established in MGL ch 23J, § 8A(d), be allowed a refundable credit in an amount determined by the Massachusetts Clean Energy Technology Center, in consultation with the Department of Revenue. A business taking this credit must commit to the creation of a minimum of 50 net new permanent full-time employees in Massachusetts. See TIR 23-6 and MGL ch 63, § 38LL for additional information.

Wind Power Incentive Investment Credit

For tax years beginning on or after January 1, 2023, and until tax years ending on or before December 31, 2032, a business subject to tax under MGL ch 63 may, to the extent authorized by the offshore wind tax incentive program established in MGL ch 23J, § 8A(d), be allowed a refundable credit in an amount, as determined by the Massachusetts Clean Energy Technology Center, of up to 50 percent of its total capital investment in an offshore wind facility. See TIR 23-6 and MGL ch 63, § 38MM for additional information.

National Guard Hiring Tax Credit

For tax years beginning on or after January 1, 2023, a business subject to tax under MGL ch 63 that employs not more than 100 employees may be allowed a credit equal to $2,000 for each member of the Massachusetts National Guard hired by the business after July 1, 2022. The credit cannot reduce a business's corporate excise liability below the minimum corporate excise amount. See TIR 23-6 and MGL ch 63, § 38KK for additional information.

Disability Hire Tax Credit

For tax years beginning on or after January 1, 2023, businesses subject to tax under MGL ch 63 that hire employees with a disability who live and work in Massachusetts may be eligible for a credit. The credit is equal to the lesser of $5,000 or 30% of the wages paid to a qualified employee in the first year of employment, and the lesser of $2,000 or 30% of the wages paid to a qualified employee in each subsequent year of employment. The credit cannot reduce a business's corporate excise liability below the minimum corporate excise amount. For additional information, see 830 CMR 63.38JJ.1: Disability Employment Tax Credit.

Extension of Brownfields Tax Credit

The brownfields tax credit, previously scheduled to expire on August 5, 2023, has been extended for five additional years. To qualify for a brownfields tax credit, a taxpayer must commence the environmental response action on or before August 5, 2028, and incur net response and removal costs before January 1, 2029. See TIR 23-12 for more information.

Federal Conformity

Massachusetts generally conforms to the IRC as currently in effect for Massachusetts corporate and financial institution excise purposes. For more up-to-date and detailed information on tax changes and federal conformity, visit DOR's website at www.mass.gov/dor.

NEW - Instructions for Form 355U Supporting Schedules

For 2023, detailed instructions for each supporting schedule a taxpayer may be required to submit with Form 355U have been added to the Form 355U instructions. Instructions for all of these schedules will no longer be published separately going forward.

When must a combined report be filed?

Massachusetts requires certain corporations engaged in a unitary business to calculate their income on a combined basis by preparing and filing a combined report on Form 355U along with all required supporting schedules. A corporation is subject to this requirement if it is subject to a tax on its income under Massachusetts General Law (MGL). ch 63, § 2, 2B, 32D, or 39 and is engaged in a unitary business with one or more other corporations under common control, whether or not the other corporations are taxable in Massachusetts. The requirement to file on a combined basis is not dependent upon an evidentiary showing that there is a distortion of income between corporations that are related by common ownership or that there is a lack of arm's length pricing in transactions between such corporations.

The requirement to file a combined report applies regardless of whether or not the corporations file a consolidated federal return. See 830 CMR 63.32B.2.

The non-income measure of excise for members of a combined group is still determined on a separate company basis, but the non-income calculation is made on schedules attached to the Form 355U. A separate return (Form 355 or Form 355S, as appropriate) is only required if the corporation's federal taxable year ends on a different date than the taxable year of the combined report. See **Special Situations** below.

What Is Nexus for Massachusetts Corporate Excise Purposes?

A corporation that owns or uses any part of its capital or other property, exercises or continues its charter or is qualified to, or is actually doing business in Massachusetts has nexus with the Commonwealth and must pay a corporate excise. Doing business in the state as referenced in MGL ch 63, § 39 includes:

- The maintenance of a place of business;
- The employment of labor;
- The buying, selling or procuring of services or property;
- The execution of contracts;
- The exercise or enforcement of contract rights;
- The consummation of greater than $500,000 in sales (where the corporation has no other state contacts); and
- Each and every act, power, right, privilege, or immunity exercised or enjoyed in the Commonwealth, as an incident to or by virtue of the powers and privileges acquired by the nature of such organizations, as well as, the buying, selling or procuring of services or property.

The federal statute, PL 86-272, exempts from state net income-based taxation an out-of-state corporation whose sole interstate activities consist of the mere solicitation of orders for sales of tangible personal property filled by shipment or delivery from a point outside Massachusetts after

such orders are sent outside the state for approval or rejection. PL 86-272 does not apply to a corporation that sells services or licenses intangible property in Massachusetts. Also, PL 86-272 does not apply where the in-state business activity by or on behalf of a corporation, however conducted, includes activity that is not entirely ancillary to the solicitation of orders of tangible personal property. Activities that take place after a sale will ordinarily not be considered entirely ancillary to the solicitation of such sale. A corporation that has nexus with the Commonwealth and is excluded from income-based taxation by PL 86-272 remains liable for the non-income measure of excise.

The following are activities that ordinarily fall within the scope of "solicitation" under PL 86-272:

- Activities including advertising related to generating retail demand for the products of a manufacturer or distributor by promoting the products to retailers who order the products from a wholesaler or other middleman;
- Carrying samples only for display or for distribution without charge or other consideration;
- Owning or furnishing automobiles to sales representatives, provided that the vehicles are used exclusively for solicitation purposes;
- Passing inquiries and complaints on to the home office;
- Incidental and minor advertising;
- Checking customers' inventories for reorder only;
- Maintaining a sample or display area for an aggregate of 14 calendar days or less during the tax year, provided that no sales or other activities inconsistent with solicitation take place;
- Soliciting of sales by an in-state resident representative who maintains no in-state sales office or place of business; and
- Training or holding periodic meetings of sales representatives.

For further information on corporate nexus, refer to 830 CMR 63.39.1.

Common Ownership

Common ownership for the purposes of MGL ch 63, § 32B means that more than 50% of the voting control of each member of the group is directly or indirectly owned by a common owner or owners, either corporate or non-corporate, whether or not the owner or owners are members of the combined group. A unitary business exists for the purposes of § 32B when the activities of a group of two or more corporations under common ownership are sufficiently interdependent, integrated or interrelated through their activities so as to provide mutual benefit and produce a significant sharing or exchange of value among them or a significant flow of value between the separate parts. Massachusetts construes the term unitary business to the broadest extent permitted under the United States Constitution.

Combined Group Elections

A combined group may, at the option of the group, include all non-U.S. corporations by making a worldwide election that is binding for a ten year period. Alternately, taxpayers may elect to treat as their combined group all eligible members of their Massachusetts affiliated group, as determined under Massachusetts law, without regard to whether or not the activities of each member are unitary; such an election is also binding for a ten-year period. No group may make both a worldwide election and an affiliated group election for the same tax period and no group may make either election during the ten year period for which the other is in effect.

Combined Group Elections – Renewal after Expiration of 10-year Election Period

As of tax year 2009, a corporation is required to file a combined report when it is subject to tax under MGL ch 63 and engaged in a unitary business with one or more other corporations. When filing a combined report, members of the combined group may make an affiliated group or a worldwide election. If a combined group makes either election, it may not revoke the election for ten years. Once the ten year period has expired the members of the combined group need to renew the election going forward or the election will terminate. Therefore, starting with taxable years beginning on or after January 1, 2019, most combined groups that made the election in tax year 2009 or later will need to affirmatively renew the affiliated group or worldwide election after ten taxable years have passed or the election will terminate. Combined groups that have previously made these elections should consider whether they will act to renew them.

If a combined group does not affirmatively renew a prior worldwide election after ten taxable years, the election will terminate for the subsequent taxable year, but a new worldwide election may be made for any ten-year period thereafter by election on the terms set forth in 830 CMR 63.32B.2(5)(c). If a combined group does not affirmatively renew a prior affiliated group election after ten taxable years, the election will terminate for the subsequent taxable year and no affiliated group election shall apply for that year and the subsequent two taxable years. In such cases, the Massachusetts affiliated group may make a new election for a ten taxable year period commencing with the fourth taxable year after the termination on the terms set forth in 830 CMR 63.32B.2(10).

Corporations Subject to Combined Reporting

Taxpayers subject to combination under MGL ch 63, § 32B include any corporation taxable in Massachusetts under MGL ch 63, § 2 (financial institutions), § 2B (S corporation financial institutions), § 32D (S corporations), § 39 (general business corporations) and entities described in MGL ch 63, §§ 20 to 29E (if they do not qualify as insurance companies under IRC § 816 or as life insurance companies under of IRC § 831).

Corporations Excluded from Combined Group

Corporations are excluded from the combined group if they are entities classified and taxed under MGL ch 63, § 38B (Massachusetts Security Corporations, which pay a tax under MGL ch 63 on gross income). A corporation is also excluded from a combined group if (1) it is an entity described in MGL ch 63, §§ 20 to 29E, inclusive, except as provided in 830 CMR 63.32B.2 (4) (b) (certain insurance companies) or (2) it is an entity described in MGL ch 63, § 38Y (corporations exempt from taxation under IRC § 501 with respect to most activities but subject to a tax on unrelated business income).

Combined Group Taxable Income

Members of the combined group, whether or not taxable in Massachusetts, combine their income from the unitary business. A "taxable member" is a corporation included in a combined group which is taxable on its income in Massachusetts; all other corporations which are part of such a group are "non-taxable members." Each taxable member of a combined group takes its apportioned share of the combined group's income based on its own property, payroll and sales in the Commonwealth in relation to the total property, payroll and sales of the entire combined group. If the taxable member has other income, either from non-unitary business activities, from participation in a second unitary business carried on by another combined group or from income or loss which is allocable to Massachusetts, all such amounts are added together to determine the taxable member's income subject to Massachusetts tax. Each taxable member of the group then determines its separate income measure of excise and may take credits against this excise to the extent allowed by Massachusetts law.

Filing Form 355U Principal Reporting Corporation

The combined report required by MGL ch 63, § 32B is filed on behalf of all members of the group by a principal reporting corporation, which must be a taxable member of the combined group unless otherwise approved by the Commissioner

(see DD 15-2). If the combined group has a common parent corporation that is a taxable member of the combined group that parent corporation is required to be the principal reporting corporation. If the combined group does not have a common parent or that corporation is not a taxable member of the group, the principal reporting corporation shall be the taxable member of the group that reasonably expects to have the largest amount of Massachusetts taxable net income on a recurring basis.

As provided in MGL ch 62C, § 11A, the Commissioner may treat the principal reporting corporation as the agent for all corporations that participate or are required to participate in the group with respect to all notices and actions authorized or required by chapter 62 or chapter 63. Such notices and actions include, without limitation: (i) notices and actions associated with processes such as assessment of tax; (ii) execution of consents to extend the time for assessment of tax; (iii) abatements; (iv) hearing requests; (v) refunds; and (vi) collection activity. The principal reporting corporation reports the following information on behalf of all members of the combined group when filing Form 355U: the designation of the principal reporting corporation, the elections allowed or required to be made by MGL ch 63, the calculation of the group's combined income, the determination of the apportioned shares of the taxable members, and the calculation of the income tax liabilities of the various members and the payments made by the group.

Form 355U Electronic Filing

Form 355U, and all pertinent schedules, must be filed electronically. Submissions other than by electronic filing will not be considered a timely filed return. Detailed regulatory guidance with respect to the Massachusetts combined reporting law is set forth at 830 CMR 63.32B.2. For more information, see TIR 21-9: Expansion of Certain Electronic Filing and Payment Requirements.

When Are Returns Due?

Form 355U returns, together with payment in full of any tax due, must be filed on or before the 15th day of the fourth month after the close of the taxable year, calendar or fiscal. See TIR 17-5. If the due date for filing tax returns or the due date for making tax payments falls on a Saturday or legal holiday the filing or payment may be made on the next succeeding business day. See TIR 84-3.

Taxpayers filing a 355U that meet certain payment requirements will be given an automatic seven month extension of time to file Form 355U. For further information, see TIR 15-15.

Note: An extension of time to file is not valid if the corporation fails to pay at least 50% of the total tax liability or the minimum tax of $456, which ever is greater, through estimated payments or with an extension worksheet on or before the due date of the return.

Any tax not paid on or before the due date without regard to the extension shall be subject to an interest charge.

S corporations that are participating in a combined report of their net income to Massachusetts must file Form 355U. For more information see 830 CMR 62C.11.1: Return Due Dates for S Corporations Included in a Combined Group.

In addition, an S corporation that pays both the income and non-income measure of excise with Form 355U must also submit Form 355S or 63-FI as an informational return, enclosing Schedules S, SK-1, and an exact copy of U.S. Form 1120S although no additional tax is due with that filing. Such informational filing is due on or before the 15th day of the third month after the close of the taxable year, calendar or fiscal.

What is a Proper Return?

A proper return is a return upon which all required amounts have been entered in all appropriate lines on all forms, and all required schedules, forms and other attachments have been submitted. Data sheets, account forms or other schedules must be available to explain amounts entered on the forms. Referencing lines to enclosures in lieu of entering amounts onto the return is not sufficient.

S corporations that are participating in a combined report must submit an exact copy of U.S. Form 1120S, including all applicable schedules and any other documentation required to substantiate entries made on this return.

Organization and Structure of Form 355U

Form 355U shows the aggregate tax liability of the combined group, declares whether the combined group is making or filing pursuant to either a worldwide or affiliated group election and shall provide other general information on behalf of the combined group. Massachusetts requires all corporations that are part of the combined group to use DOR schedules to report their income as determined for federal income tax purposes and certain adjustments. This information must be provided separately for each member of the combined group on the specific DOR schedules described below.

The basic principles that underlie the Form 355U are as follows. The combined net income of the group and the combined apportionment denominators are used by each taxable member of the group to calculate its income subject to tax for the taxable year. Each taxable member of the group must separately calculate its excise using its Massachusetts apportioned share of the group's income. Any other excise or tax due under MGL ch 63 (e.g., the non-income measure of excise due from business corporations, any recapture taxes, etc.) and credits taken are also reported as part of the taxable member's calculation of its excise. DOR schedules showing these calculations must be completed separately by each taxable member.

Supporting Schedules to be Submitted with the Form 355U

There are a number of supporting schedules that may be required to be submitted with Form 355U. Detailed instructions for each supporting schedule have been added to the Form 355U instructions. Instructions for Form 355U Supporting Schedules are also posted on DOR's website at mass.gov/dor

Form 355U - Special Situations

Non-income measure

Form 355U is used by the combined group to calculate and pay the income excise due from the taxable members of a combined group. Members of the group also pay their non-income measure of excise with the Form 355U if their taxable year ends at the same time as the year used for the combined report. If the taxable member has the same tax year as the combined group, it should not file a separate Form 355.

Fiscalization

For purposes of paying its non-income measure, a taxable member of the combined group with a fiscal year ending at a different time (i.e., a member subject to "Fiscalization" as described in 830 CMR 63.32B.2(12)(c)) must still file a separate return (Form 355 or Form 355S as appropriate) to report its non-income measure based on its own taxable year as determined as a separate taxpayer. The separate non-income measure return, if required, must include Schedules A, B, and Schedule C, D or RNW along with any supporting schedules required for some entries as referenced on Schedule A. A corporation that would be eligible to apportion its income based on its own separate activities (i.e., the corporation would be taxable on its income in another state under Massachusetts law without regard to the activities of the other combined group members) must also complete Schedule F as if it were not subject

to combined reporting in order to determine its non-income measure.

Where a corporation that is subject to combined reporting files a separate return to report its non-income measure, it is not to report any income on that form. Schedule E is not required with the separate return unless the taxpayer has income from a source other than a unitary business that is to be reported on a separate company basis. In the latter such cases, the corporation is to report on Form 355 or 355S, Schedule E only the income that is not included in the combined report and is to allocate or apportion such income without regard to the combined reporting provisions.

A member required to file a separate return to report its non-income measure may claim one or more credits against its excise as reported on that return, entering the credits claimed on Schedule CMS of Form 355, 63-FI or 355S. In the case of such members, the supporting schedules for credits calculated on an aggregated basis (e.g., the research credit that can be claimed under MGL ch 63, § 38M) are to be determined based on the combined group's tax year and the schedules claiming these credits are to be submitted with Form 355U (i.e., duplicates of these schedules should not be enclosed to the separate non-income measure return).

Note: Financial institutions with a different tax year than the combined group, although not subject to a non-income measure of excise, must file a pro forma Form 63-FI for the purpose of calculating distributive income based on its own taxable year. It also must submit Schedules S and SK-1 at that time.

S-Corporations

A Massachusetts S corporation that is included in a Form 355U must continue to file Form 355S (including Schedules S, SK-1, and an exact copy of U.S. Form 1120S), but that return will be informational only. An S corporation must determine the distributive income for all of its shareholders (and, also, for non-resident shareholders, the apportionment of the shareholders' distributive share income) without regard to the combined reporting provisions.

Unless the S corporation has a different taxable year than the taxable year for the combined report (and Form 355S is therefore also being filed to determine and pay the non-income measure of excise), the taxpayer should not complete Schedules A, B, C, D, E and RNW with Form 355S. In these cases, no excise is due with Form 355S. Schedule F may be required on the part of an S corporation if the income of the corporation is subject to apportionment and there are non-resident shareholders. Note that financial institutions that are S corporations, although not subject to a non-income measure of excise, must file Form 63-FI for the purpose of calculating distributive income and also must submit Schedules S, SK-1, and an exact copy of U.S. Form 1120S.

Form 355U - Line Instructions

Line 1

Check one box only. A financial group is a combined group all of whose members, including members not taxable on their income in Massachusetts, are entities that are financial institutions within the meaning of MGL ch 63, § 1. A non-financial group is a combined group none of whose members, including non-taxable members, are financial institutions. A mixed group is any combined group that includes at least one member that is a financial institution and at least one member that is not a financial institution.

Line 2

Check one box only. If the combined group is making no affirmative election, and has not previously made an election that is still binding (i.e., the default method of filing) and chooses "neither," the combined group that is under common control and engaged in a unitary business will be determined on a "water's edge" basis (i.e., with only certain non-U.S. corporations included in the combined group). See 830 CMR 63.32B.2 (5).

Note: Once made, a combined group affirmative election is binding for ten years and thereafter must be renewed by the taxpayer or the election expires. See **Combined Group Elections – Renewal after Expiration of 10-year Election Period** above for more information.

Affiliated Group Election

If the combined group is entitled to make an affiliated group election and affirmatively makes this election, the combined group is determined on a water's edge basis but is expanded to include affiliated corporations that constitute the "Massachusetts affiliated group," as defined in 830 CMR 63.32B.2(2) and (10). The composition of the combined group as a "Massachusetts affiliated group" is not dependent upon whether the group is engaged in a unitary business but can have the effect of converting income that is otherwise allocable income into apportionable income as well as other specific significant tax consequences. A combined group is not entitled to make an affiliated group election unless the composition of such combined group includes a federal affiliated group filing a consolidated return for federal income tax purposes, even though the "Massachusetts affiliated group" that is subject to the election is not necessarily co-extensive with such a federal affiliated group. For example, the Massachusetts affiliated group can include (1) S corporations, certain insurance companies, REITs, RICs and non-U.S. corporations; (2) corporations that are under indirect or direct common ownership of greater than 50% (instead of the 80% vote-and-value standard used for purposes of filing a federal consolidated income tax return); and (3) the members of two or more affiliated groups where each group files a consolidated return for federal income tax purposes. A combined group is not entitled to make an affiliated group election if it is making or is subject to a previously made worldwide election. See 830 CMR 63.32B.2(10) for the rules that apply in the context of a Massachusetts affiliated group election.

Worldwide Group Election

If the combined group is entitled to make the worldwide election and affirmatively makes this election, the combined group that is under common control and engaged in a unitary business will be determined on a worldwide basis (i.e., with no limitations on the non-U.S. corporations included in the combined group). When a combined group makes a worldwide election the income of the non-U.S. corporations that are included in the combined group are determined on a worldwide basis, and other specific rules apply. A combined group cannot make a worldwide election if it is making or is subject to a previously made affiliated group election. See 830 CMR 63.32B.2(5),(6)(c)2.b for the rules that apply in the context of a worldwide election.

Effect of Election

Both the affiliated group election and the worldwide election can only be made on this Form 355U, when timely filed, by the combined group's principal reporting corporation. Both elections are irrevocable and binding on all members of the combined group, including the non-taxable members and any corporations that subsequently enter the combined group, for the taxable year in which the election is made and the next nine taxable years. See 63.32B.2(5)(c), (10)(d)(f).

Where a combined group makes either an affiliated group or a worldwide election, the principal reporting corporation and all members of the group consent to the production of documents or other information that the Commissioner reasonably requires, e.g., information required to verify that the appropriate members of the combined group are included, that the requirements of the

election have been met, that the tax computation and tax reporting are proper, etc. In the case of the worldwide election, the documents shall be provided in language and form acceptable to the Commissioner.

Line 3

Check "Yes" if either the affiliated group election or the worldwide election is indicated on line 2 and this is the first year the election is in effect.

If the combined group is making the affiliated group election or a worldwide election, the principal reporting corporation must at the time of the election prepare for itself and collect on behalf of each group member a letter of consent, to be made available to the Commissioner upon request, stating that the group member has agreed to the election and, also, further agrees (1) that such election applies to any member that subsequently enters the group and (2) that each member continues to be bound by the election in the event that such member is subsequently the subject of a reverse acquisition as described in U.S. Treas. Reg. §. 1.1502-75(d) (3). After making the election, the principal reporting corporation shall collect an identical consent from any member that subsequently enters the group during the period in which the election is in effect.

Line 4

If any member of the group is requesting alternative apportionment under MGL ch 63, § 42, check "Yes" and, under separate cover, submit Form AA-1, with a statement of reasons that (1) demonstrates by clear and cogent evidence that the statutory apportionment formula under MGL ch 63, § 38 does not fairly represent the extent of its business activity in Massachusetts; and (2) contains a detailed description of the corporation's proposed alternative apportionment method. Failing to attach the required statement to the Form AA-1 that meets this criteria may result in the denial of the corporation's request for alternative apportionment. The corporation's application for alternative apportionment must include a computation of tax using the statutory apportionment formula and a second computation of tax using the corporation's proposed alternative apportionment method. For further information on alternative apportionment, see MGL ch 63, § 42 and 830 CMR 63.42.1.

In general, each taxable member of a combined group is to determine its apportionment formula on Schedule U-MSI. If any member of the combined group is seeking alternative apportionment, it must nonetheless complete Schedule U-MSI by applying the statutory rules that apply to such taxpayer, and not by applying the taxpayer's proposed alternative apportionment approach. If the taxpayer's proposed alternate method is later accepted, a refund of any overpayment will be made.

Line 5

If this is an amended filing (including, for purposes of this question, a filing that is to supersede a prior filing when both filings are made on or before the due date for the return), check "Yes." Amended returns must be submitted electronically unless the requirements of DD 13-6 apply.

Amended Return

New-Supporting Statement. If you are filing an amended return for any reason you **must** attach a statement to the amended return with an explanation of why you are filing the amended return, including the basis for submitting it.

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.

Federal Change

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), fill in only the **Amended return** oval. 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, fill in the **Amended return** and **Federal amendment** ovals. If the amended Massachusetts return incorporates changes that are the result of an IRS audit, check both the **Amended return** and **Federal audit** ovals; enclose a complete copy of the federal audit report and supporting schedules.

If your amended return is being submitted due to an IRS BBA Partnership Audit then check the **due to IRS BBA Partnership Audit** box.

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

In certain instances, an amended return showing a reduction of tax may be treated by DOR as an abatement application. Under such circumstances, by filing an amended return, you are giving your consent for the Commissioner of Revenue to act upon the abatement application after six months from the date of filing. See TIR 16-11. You may withdraw such consent at any time by contacting the DOR in writing. If consent is withdrawn, any requested reduction in tax will be deemed denied either at the expiration of six months from the date of filing or the date consent is withdrawn, whichever is later.

Filing an Application for Abatement

File an Application for Abatement, Form ABT, only to dispute one of the following:

- Penalties
- Audit assessments
- Responsible person determinations

For the fastest response time, file your dispute online at mass.gov/masstaxconnect. If you are not required to file electronically or you cannot file online, use Form ABT.

Visit mass.gov/dor/amend for additional information about filing an amended return, or filing an application for abatement.

Line 6

If the group or any member is deducting an interest expense paid or accrued to a related entity and that expense is not eliminated in the combined report when determining the combined group's taxable income, check "Yes." Enclose one or more Schedules ABI supporting the claim of deduction. Please see TIR 19-17: Application of IRC § 163(j) Interest Expense Limitation to Corporate Taxpayers, for more information on how to calculate the interest expense deduction.

Line 7

If the group or any member is deducting an intangible expense paid or accrued to a related entity (including but not limited to an embedded royalty), and that expense is not eliminated in the combined report when determining the combined group's taxable income, check "Yes." Enclose one or more Schedules ABIE supporting the claim of deduction.

Line 8

If there is an entity or corporation that owns more than 50% of the voting stock of any member of the combined group that is not being included in the combined group, irrespective of that parent's place of incorporation or formation, check "Yes."

Line 9

In general, when a corporation that was not previously a Massachusetts taxpayer enters or otherwise is first included in a combined group the basis of the various assets of such member will be the basis of such assets for federal income tax purposes.

However, the principal reporting corporation of a combined group may elect to determine and apply a Massachusetts-adjusted basis for all assets of every member of the combined group that was not previously a Massachusetts taxpayer, including any non-taxpayer corporation that enters or otherwise is included in the combined group, provided that the corporation must possess and maintain adequate records to demonstrate the appropriate Massachusetts adjusted basis for all

such assets. This election, which is irrevocable, may be made on this line. If a taxpayer is unable to reasonably document basis adjustments pursuant to this election for any member of the group, this election will be treated as void. See 830 CMR 63.32B.2 (6) (d).

Line 10
Answer Yes if any member is under audit by the IRS.

Line 11
If any member of the group is reducing its excise by utilizing a Massachusetts film credit under MGL ch 63, § 38X, a Massachusetts life sciences credit under MGL ch 63, §§ 31M, 38U, 38W or 38CC, check "Yes."

Line 12
Enter the number of Schedule FCI statements being submitted with the combined report in Line 12.

Line 13
If one or more members of the group have undergone a federal audit that has resulted in a final determination, including any settlement or compromise, of a change to taxable income of any person subject to tax under MGL ch 63, the changes must be reported to the commissioner within two months. This requirement also extends to changes in federal credits, but only if the change in the credit has an effect on the calculation of the tax imposed under MGL ch 63. Enter the year (YYYY) of the most recent tax period for which such a change was received from the IRS.

Line 14
If any member of the group has filed U.S. Form 8275, U.S. Form 8275-R or U.S. Form 8886 with its federal tax return, enter the number of disclosures made by all members of the group. Note that U.S. Form 8275 and U.S. Form 8275-R allow for the disclosure of multiple issues on the same form. A taxpayer seeking to make adequate disclosure of an item for purposes of avoiding the Massachusetts penalty imposed under MGL ch 63, § 35A must disclose the relevant facts directly to DOR. See TIR 06-5.

Line 15
If any member of the group is submitting a Massachusetts Schedule TDS with this return, enter the number of disclosures made by all members of the group. A taxpayer seeking to make adequate disclosure of an item for purposes of avoiding the Massachusetts penalty imposed under MGL ch 63, § 35A must disclose the relevant facts directly to DOR. See TIR 06-5.

Line 16
A "taxable member" is a corporation included in the combined group that is taxable on its Massachusetts apportioned share of the combined group's taxable income; each taxable member must file a Schedule U-ST with this return. Enter the total number of such taxable members on line 16.

Line 17
Enter the number of members subject to the non-income measure only.

Line 18
Enter the number of non-taxable members in the combined group.

Line 19
Certain large corporations are required to file federal Schedule M-3 with their U.S. tax return. Enter the number of Schedules M-3 filed by members, including non-taxable members, of the Massachusetts combined group. Treat the Schedule M-3 filing made with a federal consolidated tax return as a single Schedule M-3 for the purpose of answering this question (e.g., in the instance where more than one member of the Massachusetts combined group is included in a single federal Schedule M-3).

Line 17
Enter the total number of all US Forms 5471 filed by the members of the combined group on Line 20.

Excise Tax Calculation
In order to complete the excise tax calculation section, all applicable schedules must be completed first. The amounts in lines 21 through 27 reflect the totals of the separately determined amounts for the combined group's taxable members. The amounts in lines 30 through 36 reflect the total of all payments to be applied to the income excise, and also certain refundable credits, of such individual members. Any refund due will be issued to the principal reporting corporation on behalf of the group.

Line 21
Enter the total income excise, before credits, due from members that are taxed as financial institutions as defined in MGL ch 63, § 2 or as financial institution S corporations under MGL ch 63, § 2B.

This total must match the total reported on line 37 of all Schedules U-ST filed for members classified as financial institutions or financial institution S corporations.

Line 22
Reserved. Do not make an entry in this line.

Line 23
Enter the total income excise, before credits, due from members that are taxed as business corporations (including members classified as manufacturing corporations and research and development corporations) under MGL ch 63, § 39 or as S Corporations under MGL ch 63, § 32D.

This total must match the total reported on line 37 of all Schedules U-ST filed for members classified as business corporations.

Line 25
Enter the total of individual members' credits used to reduce the income excise of the member that generated the credit. This total must match the total reported on line 38 of all Schedules U-ST filed for all members.

Line 26
Enter the total of individual members' credits used to reduce the income excise of any member other than the member that generated the credit. This total must match the total reported on line 39 of all Schedules U-ST filed for all members.

Line 27
Subtract the amounts on line 25 and line 26 from the total on line 24. This total must match the total reported on line 41 of all Schedules U-ST filed for all members. This should also match the total of column g amounts on Schedule U-TM.

Line 30
Enter the total of all members' overpayments from the prior year applied to the current year's estimated taxes as shown on Schedule CG, Part 1, line 2.

Line 31
Enter the total of all members' estimated tax payments for all installments as shown on Schedule CG, Part 1, lines 3 through 6.

Line 32
Enter the total of all members' payments made with extension as shown on Schedule CG, Part 1, line 7.

Line 33
Enter the total of the pass-through entity withholding shown on Schedule U-ST, line 42 for all members.

Line 34
Enter the total of the refundable credits shown on Schedule U-ST, line 43 for all members.

Line 35

Enter the total amount of any tax payment(s) made with respect to the excise due from the combined group not included above. If this is an amended return, this includes but is not limited to a payment made with a previous return. If this is an amended return and a refund was previously issued in connection with a prior return or an over-payment was applied to estimated taxes for a subsequent year in lieu of a refund on such prior return, enter the amount as a negative number.

Line 41

M-2220 penalty. An additional charge may be imposed on corporations which underpay their estimated taxes or fail to pay estimated taxes. Form M-2220, Underpayment of Massachusetts Estimated Tax by Corporations, should be used to compute any underpayment penalty.

Other penalties. Enter any other penalty due separately from the M-2220 penalty. Common penalties that may apply include (a) penalties for failure to file a tax return by the due date and failure to pay the tax shown on the return by the due date (each penalty is 1% of the tax due per month up to a maximum of 25%) and (b) The penalty for failure to file an amended return and pay the additional tax due within 90 days of a federal change (including settlements) is 10% of the additional tax.

Line 42

Any taxpayer that fails to pay its tax when due will be subject to interest charges on the unpaid balance. The interest rate is redetermined on a quarterly basis and Massachusetts announces the rate applicable by issuing a Technical Information Release for each quarter.

Overview of Schedule CMS

The following is a brief overview of the Schedule CMS sections and where certain credits should be reported. If a taxpayer is using a credit to reduce a taxpayer's current year tax liability, whether it is a non-refundable credit or a refundable credit, the credit should be reported in Section 1 or 3 of the Schedule CMS. Only a refundable credit that the taxpayer is seeking a refund for should be reported in either Section 2 or 4 of the Schedule CMS. Generally, a credit should only be reported in one section on the Schedule CMS unless a portion of it is being used to offset a tax and a portion is being refunded.

Section 1. Non-Refundable Credits

Section 1 is for reporting credits the taxpayer is using (i) to offset or reduce the taxpayer's total tax due (ii) to pass to any partner, shareholder or beneficiary of the taxpayer or (iii) to share with taxpayer affiliates. The Brownfields Credit, Film Incentive Credit, or Medical Device Credit should always be included in Section 1, unless the taxpayer is requesting a refund of the Film Incentive Credit. However, a taxpayer that received a credit on a Massachusetts K-1 schedule from a pass-through entity or a credit transfer should report such credit in Section 3 or 4, as applicable.

Section 2. Refundable Credits

Section 2 is for reporting refundable credits the taxpayer is using to request a refund. The Film Incentive Credit should always be included in Section 2 to the extent that the taxpayer is requesting a refund. However, a taxpayer that received a refundable credit on a Massachusetts K-1 from a pass-through entity or a credit transfer should report such credit in Section 4, to the extent that the taxpayer is requesting a refund. For each refundable credit, report the amount of the credit available after taking into consideration any amount of the credits that may have been taken to offset a tax or shared as reported in Section 1 of this schedule. Enter the amount by which the available credit balance is being reduced and the amount to be treated as a refundable credit, which may be either 90% or 100% of the reduction. See TIR 13-6, Example 3, for an illustration.

Section 3. Non-Refundable Credits Received from Massachusetts K-1 Schedules

Section 3 is for reporting credits the taxpayer received on a Massachusetts K-1 schedule (SK-1, 2K-1 or 3K-1) that the taxpayer is using (i) to offset or reduce the taxpayer's total tax due (ii) to pass to any partner, shareholder or beneficiary of the taxpayer or (iii) to share with taxpayer affiliates. The Brownfields Credit, Film Incentive Credit, or Medical Device Credit should never be included in Section 3.

Note: Do not report the Brownfields Credit, Film Incentive Credit, and Medical Device Credit in this section because these credits are issued new certificate numbers from the DOR when they are received from a pass-through entity or a credit transfer. These credits should always be reported in Section 1, unless the taxpayer is requesting a refund of the Film Incentive Credit.

Section 4. Refundable Credits Received from Massachusetts K-1 Schedules

Section 4 is for reporting credits the taxpayer received on a Massachusetts K-1 schedule (SK-1, 2K-1 or 3K-1) and that the taxpayer is using to request a refund. The Film Incentive Credit should never be included in Section 4. For each refundable credit, report the amount of the credit available after taking into consideration any amount of the credits that may have been used to offset a tax or shared as reported in Section 3 of this schedule. Enter the amount by which the available credit balance is being reduced and the amount to be treated as a refundable credit, which may be either 90% or 100% of the reduction. See TIR 13-6, Example 3, for an illustration.

Credit Table

The Credit Table located at the end of these instructions lists all of the Massachusetts credit types with their respective attributes. Credits that may be available to a taxpayer subject to tax under MGL ch 63 must be claimed on Schedule CMS. The taxpayer should refer to this table for guidance when completing Schedule CMS.

Note: Certified life sciences companies with a Research Credit exceeding the amount of credit that may be claimed under MGL ch 63, § 38M for a taxable year may, to the extent authorized under the Life Sciences Tax Incentive Program, elect to make 90% of the balance of remaining credits refundable. See MGL ch 63, § 38M(j).

To report claimed tax credits, enter the tax credit certificate number (if applicable) and the amount of credit claimed along with the designated credit code on Schedule CMS.

For additional information regarding tax credits that may be available to a taxpayer subject to tax under MGL ch 63 go to the Business Tax Credits web page on DOR's website at mass.gov/dor.

Credit Recapture Schedule

The Credit Recapture Schedule (CRS), which eliminates Schedule RF, lists each credit for which a recapture calculation must be made.

Certain Massachusetts tax credits are subject to recapture as specified in the statute authorizing the credit (e.g. the investment tax credit is subject to recapture under MGL ch 63, § 31A(e) if an asset for which the credit was taken is disposed of before the end of its useful life). Recapture may also be triggered if the corporation no longer qualifies for the credit (as when a manufacturing corporation ceases to qualify as such or a corporation's status as a Life Sciences Company is terminated as discussed in TIR 13-6.)

If a recapture calculation is required, the amount of the credit allowed is redetermined and the reduction in the amount of credit allowable is recaptured to the extent the credit was taken or used in

a prior year. See DD 89-7. Taxpayers who have a recapture calculation must complete this schedule whether or not a recapture tax is determined to be due.

For credits tracked by certificate numbers, enter each certificate number and the associated credits separately. For credits not tracked by certificate number, enter credits separately by type and the year to which they relate. List only those credits and certificate numbers or tax years for which a reduction in the credit is being calculated.

For more information and examples, see the Credit Recapture Schedule instructions.

Note: Do not report the refundable Film Incentive Credit in this section because these credits are issued new certificate numbers from the DOR when they are received from a pass-through entity or a credit transfer. If the taxpayer is requesting a refund of the Film Incentive Credit, it should be reported in Section 2.

Instructions for Form 355U Supporting Schedules

Schedule U-M Member's Income and Expenses

Schedule U-M is the starting point for the determination of the combined group's taxable income. The members of the combined group are to report their unadjusted income as determined for federal income tax purposes in column a of this schedule, with further adjustments as required by Massachusetts law to be reflected in columns b through e, and a final statement of the member's Massachusetts combined group income or expense to be tallied in column f. Each member of the combined group, whether it is subject to taxation in Massachusetts or not, is to file a Schedule U-M; no member is to submit more than one Schedule U-M. Any member that is the owner of a QSUB or any other entity that is disregarded as a separate entity from its owner for federal tax purposes must similarly include all income, assets and activities of the entity in filing its Massachusetts return. Any member that takes a treaty based return position must file Schedule TTP identifying the treaty based position.

If there are eliminations as to transactions between combined group members required under Massachusetts law, these eliminations are to be referenced on a separate Schedule U-M (the "eliminations schedule"), to be filed by the principal reporting corporation with the totals to be reported in column f. See below. The totals from column f for every Schedule U-M, including the eliminations schedule, if any, are to be reported on Schedule U-CI.

General Instructions

For each Schedule U-M filed, enter the name of the member (as shown on its federal income tax return, if filed), its Federal Identification number (FIN) and the beginning and ending dates of the combined group's taxable year. If the member is a non-U.S. corporation that does not have a Federal Identification number, enter "Foreign" in the space provided for the FIN. Note that if the non-U.S. corporation is taxable on its income in Massachusetts, the member will require a FIN to complete other schedules required as part of the combined report.

For each Schedule U-M, indicate whether or not the member is a non-U.S. corporation.

For each Schedule U-M, indicate whether or not the member is claiming a treaty based income exclusion. Non-U.S. corporations that are members of a water's edge group may exclude from a Massachusetts combined report those items of income that are exempt from federal income tax due to a federal tax treaty but must also submit Schedule TTP disclosing the position taken on Schedule TTP. See Rules for Non-U.S. Corporations in a Water's Edge Combined Group (below).

For each Schedule U-M, indicate whether the member is a financial institution or a business corporation. Note that S corporations taxable under MGL ch 63, § 2B are considered financial institutions and S corporations taxable under MGL ch 63, § 32D are considered business corporations. Corporations that are not taxable in Massachusetts but are included in the combined report should check the box for the tax type that would apply if the member were taxable in this Commonwealth.

For each Schedule U-M, indicate whether or not the member is a taxable member, a non-taxable member or a member that is subject to a non-income measure of excise (only). The latter category applies where a business corporation is subject to taxation under MGL ch 63 § 39 but which is exempt from the income measure of that excise pursuant to Public Law 86-272 or which would be exempt except for tangible public property stored in a licensed public warehouse as described in MGL ch 63, § 39; such corporations remain subject to the non-income measure of excise. A member must consider the activities of any QSUB or disregarded entity in determining whether or not it is taxable under MGL ch 63, § 39.

A taxable member or a non-income measure only member must also complete and file Schedule U-ST as part of Form 355U. A taxable member or a non-income measure only member that includes in its return the income, assets and activities of a QSUB or other disregarded entity must submit Schedule DRE for each such disregarded entity. A non-taxable member does not submit Schedule U-ST (although it must include the income, assets and activities of disregarded entities when completing Schedule U-M, a non-taxable member does not submit Schedule DRE).

For each Schedule U-M, identify the name of the combined group's principal reporting corporation and the FIN of the principal reporting corporation and whether the group is filing pursuant to an affiliated group election, a worldwide election or neither.

Filing Box to be Checked and Source of Federal Tax Information to be Reported

For each Schedule U-M check the box that indicates from where the amounts referenced on lines 1 through 28, column a are derived.

Column a

Column a reports the unadjusted amounts of income and expense of each member filing a Schedule U-M as included in a federal income tax return as filed or on a pro-forma basis if the taxpayer filed a federal income tax return other than a U.S. Form 1120. How an individual member determines the amounts to report in column a depends upon how, or whether, the member of the group is to report its income federally, as follows.

Pre-Consolidation Separate Company

If the member is filing its federal return as part of a consolidated group, each member of the federal consolidated group that is also part of the Massachusetts combined group must file a separate Schedule U-M and report in Schedule U-M, column a the separate amounts referenced for the member on the consolidation schedule filed with the federal consolidated tax return before any eliminations or consolidation adjustments. In these cases, each member of the federal consolidated group must check the "pre-consolidated separate company" box.

Separate U.S. 1120 as Filed

If the member is filing U.S. Form 1120 on a separate company basis it must check the box "separate U.S. 1120 as filed" and report in Schedule U-M, column a the amounts referenced on its federal income tax return.

Pro-Forma, U.S. 1120S Filed

If the member is filing U.S. Form 1120S it must report, in column a the member's pro-forma federal

totals including the gross income and expenses of a qualified subchapter S subsidiary, if any, but without taking into account subchapter S of the Internal Revenue Code (IRC). Each S corporation filing Schedule U-M must check the box "pro-forma, U.S. 1120S filed."

Pro-Forma, Other U.S. Return Filed

If the member is filing any U.S. income tax return other than from 1120 or 1120S (e.g., Form 1120F or 1120-REIT), it must report in column a the income and deductions referenced on that return. Amounts not included on the federal return (e.g., any U.S. source income of non-U.S. corporations that was not reported on U.S. form 1120F), will be reported in column c. Each such member will check the box "pro-forma, other U.S. return filed."

Pro-Forma, No U.S. Return Filed

If the member is not filing a U.S. Income tax return for any reason, it must check the box "pro-forma, no U.S. return filed" and leave column a blank. All income and deductions of such corporations is reported in column c. See below for more information on filing Schedule U-M where the combined group member is a non-U.S. corporation, including the situation where the combined group has made and is subject to a worldwide election.

Eliminations/Adjustments

If the members of the combined group have engaged in one or more transactions as between one another that require intercompany elimination for Massachusetts purposes, the principal reporting corporation shall check the eliminations box and file a separate Schedule U-M as an eliminations schedule for the combined group. The additional "group" Schedule U-M (i.e., the eliminations schedule) shall be in addition to the other Schedules U-M to be filed by the members of the combined group. Entries on the elimination schedule are to be made in columns a and f. See below for further details on filing the eliminations schedule. Entries on the elimination schedule are to be made in columns a and f. See below for further details on filing the eliminations schedule.

Members with Different Fiscal Years and "Fiscalization"

Column b

Massachusetts requires all members of a combined group to determine their taxable share of the combined group's taxable income based on a common tax year (i.e., the combined group's taxable year). If the taxable year of one member of a combined group does not begin or end on the same date or dates as the combined group's taxable year, that member's accounting periods must be adjusted in order to properly calculate both group income and the member's apportioned share of that income. In such cases, the member reports in column a the amounts from its most recently completed federal income tax return and reports in column b adjustments to those amounts to reflect income and expense for the combined group's taxable year.

This "fiscalization" may be done by an interim closing of the books or, provided it does not materially distort income apportioned to Massachusetts, by a pro-rata method that includes appropriate shares of income from more than one of the member's tax years (e.g., if the combined group's taxable year is a calendar year and the member's federal tax year ends on March 31st such that the group's taxable year overlaps two of the member's tax years, that member would include nine-twelfths of its income from one year and three-twelfths of its income from the other year in the combined group's taxable income). See 830 CMR 63.32B.2 (12)(b). Any fiscalization adjustments are to be made in Schedule U-M, column b.

Combined Reporting Adjustments

Column c

Column c is used to report certain additions or modifications to the income and deductions reported in columns a or b that are required to calculate the combined group's taxable income under Massachusetts law. Note that adjustments that reduce an item of income or expense to be included in the determination of the combined group's taxable income are to be reported as negative amounts in the respective line item of income or expense.

Examples of these adjustments may include but are not necessarily limited to:

- Reporting of certain income and deductions by a non-U.S. corporation that is a member of the combined group where such income or deductions are not reported for federal income tax purposes, but are to be reported for Massachusetts purposes (e.g., items of non-effectively connected income on which the federal income tax may be collected through withholding imposed upon the payers of such items). See the discussion below with respect to reporting on column c, in the case of a non-U.S. corporation.

- Adding to a member's income the dividend to such member from another group member where the dividend is eliminated in a federal consolidated return to the extent they are not included in column a, line 4. In the case of dividends that are subject to elimination under 830 CMR 63.32B.2(6) or are eligible for a dividends received deduction under MGL ch 63, the elimination or deduction will be reported on Schedule U-E.

- Reducing the amount of any dividends paid deduction claimed for federal income tax purposes by a REIT or a RIC that is a member of the combined group to the extent that such distribution is made to one or more other group members and is eliminated under 830 CMR 63.32B.2(6)(c)4. See DOR Directive (DD) 10-5.

- Reversing the application of federal limitations and the use of federal carryovers in computing the federal charitable contributions deduction shown on lines 19(a) or 19(b) as necessary to compute a charitable contributions deduction for Massachusetts purposes, including:

1. Reversing any reduction in the federal amounts required by a percentage of income limitation;

2. Eliminating any contributions included in the federal totals that represent contributions made in prior tax years and carried forward to the current tax year for federal income tax purposes; and

3. Increasing the contributions by any amount disallowed in calculating net income for a Massachusetts return in the prior tax year based on the percentage of income limitation. See 830 CMR 63.32B.2 (6) (c) 6.

- Reversing federal adjustments made in the context of offsetting capital gains and losses and IRC § 1231 gains and losses for federal income tax purposes so that this offset can be done for Massachusetts income tax purposes, including:

1. Reversing the elimination of a net capital loss made in computing the amount shown as taxable income on lines 8(a) or 8(b);

2. Reversing the deduction of a capital loss carryforward reflected in computing capital gain or loss as shown in lines 8(a) or 8(b), as such capital loss carry forward is not permitted for Massachusetts purposes; and

3. Reversing the reclassification and offsetting of § 1231 gains against capital losses to the extent such adjustments are reflected in computing taxable income as shown in column a or b. See 830 CMR 63.32B.2 (8) and DD 10-05.

Income from Sources Other Than the Unitary Business

Columns d and e

Note: Not applicable in the case of an affiliated group election.

Columns d and e only apply in cases in which the combined group has not made and is therefore not subject to an affiliated group election. In these cases, a member of a combined group (including a non-taxable member of such group) may have income or loss that derives from sources other than the combined group's unitary business. Columns d and e of Schedule U-M report this income of the group member, which can include allocable

income that is not taxable in Massachusetts, to be reported in column d, and allocable or apportionable income that is taxable in Massachusetts, to be reported in column e. A member with a taxable year that is different than the combined group's taxable year should also use column d to exclude any income that it has from sources other than the combined group's unitary business that is to be reported on the member's separate Massachusetts tax return (i.e., Form 355 or 355S or other applicable return) filed for the member's different taxable year. (Note that in these latter cases, with respect to this member, the Massachusetts rules concerning the timing for the offset or sharing of losses, including capital and IRC § 1231 losses, and the use of NOL carry forwards, may be impacted by the fact that the member is making filings for different tax years).

The income to be reported in column e, allocable or apportionable income that is taxable in Massachusetts, is further accounted for on Schedule U-MTI. Gains and losses incurred within the same tax year, including those to be reported on column e, may be offset (to the extent allowed by the IRC and Massachusetts law) in the calculation of the member's overall taxable Massachusetts income the combined group is subject to a Massachusetts affiliated group election, all of the members' income or loss, irrespective as to whether it derives from a unitary business, is treated as the apportionable income of the combined group. In such cases, columns d and e of Schedule U-M have no application and no entries in these columns are permitted.

Adjusted Total

Column f

Column f is used to report the adjusted income and deductions for each member's Schedule U-M. The figures are a mathematical calculation, subtracting the amounts in columns d and e from the total of the amounts in columns a, b and c.

Line 11 must match the total of lines 3 through 10. Line 28 must match line 11 minus line 27.

The amounts in lines 1 through 28, column f for all Schedules U-M completed for all members of the group and the eliminations schedule are to be totaled on lines 1 through 28 of Schedule UCI.

Rules for Non-U.S. Corporations in a Water's Edge Combined Group

Each non-U.S. corporation that is not treated as a U.S. corporation for federal income tax purposes that is included in a "water's edge" combined report (i.e., where no worldwide election is in effect) must complete schedule Schedule U-M on a pro-forma basis, checking the box "Pro-forma, other U.S. return filed" if the member filed US 1120F and checking "Pro-forma, no U.S. return filed" in all other cases.

Where the non-U.S. corporation is included in a combined group because it otherwise meets the requirements for inclusion and the corporation is either subject to tax under MGL ch 63 or the average of the corporation's U.S. apportionment factors exceed 20%, the corporation must include in the combined group's taxable income all of its income that is included in its federal gross income. This income includes all of the corporation's gross income that is effectively connected with the conduct of a trade or business within the U.S. and gross income from sources within the U.S. that is not effectively connected income. The gross income of a non-U.S. corporation includes, among other things, items of non-effectively connected income on which the federal income tax may be collected through withholding imposed upon the payers of such items. See 830 CMR 63.32B.2(6)(c)2.1.a (referencing IRC § 882(b), as well as IRC §§ 881(a), 882(a)).

An item of income of a corporation that is organized outside of the United States shall not be included in the combined group's taxable income to the extent that such item is exempt from federal income tax by virtue of a federal income tax treaty. See MGL ch 63, § 32B(c)3(iv). In any case in which such a treaty merely reduces the federal rate of tax to be applied to an item of federal gross income, this income is to be included in the combined group's taxable income without any reduction.

Where a combined group member's federal gross income taken into account in determining taxable net income is limited under the Code (or pursuant to Massachusetts adjustments), any deductions in determining taxable net income are also limited to those permitted to be taken under the Code (and any such Massachusetts adjustments) with respect to the items of gross income taken into account. See 830 CMR 63.32B.2 (6)(c) 2.

In addition to the above, a non-U.S. corporation shall also be included in a water's edge combined report in cases not referenced above where it earns 20% or more of its gross income, directly or indirectly, from intangible property or service-related activities, the costs of which generally are deductible for federal income tax purposes, whether currently or over a period of time, against the business income of other members of the group. In these cases, the non-U.S. corporation shall only be included to the extent of such income (and the apportionment factors that relate thereto). In determining whether the 20% income threshold has been exceeded, the items of gross income in the numerator and denominator of the corporation's calculation shall not be limited to items of federal gross income. However, where a corporation's calculation meets the 20% threshold, the income of the corporation to be included in the combined group's taxable income shall be limited to items of federal gross income as reduced by the deduction of expenses of the member that are reasonably related and not disproportionate to such federal gross income, as determined pursuant to such guidance as may be issued by the Commissioner, provided that in no event in these cases shall the corporation's gross income to be included in the combined group's taxable income be reduced below zero. The rules referenced above with respect to the impact of any applicable U.S. tax treaties also apply in these cases. The regulatory rules that explain the concepts discussed in this paragraph are generally set forth at 830 CMR 63.32B.2 (5) (b) 1.c and 830 CMR 63.32B.2 (5)(b) 3 and 4.

In those cases where a non-U.S. corporation included in a water's edge combined group files Form 1120F, the member must report in column a all of the member's effectively connected income and the deductions allowable with respect to that income under the Code as reported on its Form 1120F. Further, any such corporation must report in column c any additional items of federal gross income that are required to be included in the combined report but that is not reported on a U.S. Form 1120F and any deductions from such additional federal gross income that are allowed for purposes of determining the combined group's taxable income. In the case of a corporation that is includible only as provided in the preceding paragraph (pursuant to 830 CMR 63.32B.2(5)(b)1.c.), the income inclusion to be reported in column c is limited to the gross income received from the other combined group members for certain intangible property or services, see above, and the deductions to be offset against this income shall not exceed the total of gross income reported by the member on line 11(c).

Where a non-U.S. corporation is included as a member of a water's edge combined report but has no items of federal gross income or only has items of federal gross income that are treated as excluded from the combined group's taxable income by reason of the application of a federal income tax treaty, a Schedule U-M must be filed to indicate the fact of the non-U.S. corporation's inclusion, though there will be no items of income or deductions to report as being part of the combined group's taxable income. In any case where a member excludes any amount from gross income by virtue of a federal treaty, the member must also complete and file Schedule TTP identifying the treaty position taken and the income being ex-

cluded from the return. In any case where such filing is not made, the commissioner may, among other things, deny expenses paid by group members to such non-U.S. member.

Column b adjustments (fiscalization) may be required for a non- U.S. corporation that is included in a water's edge combined group if the amounts reported by the member in column a are for a period other than the combined group's taxable year. Further, columns d and e adjustments may also apply to a non-U.S. corporation if the member has income or deductions reported in columns a, b or c that are from sources other than the unitary business and the combined group is not subject to an affiliated group election. See above discussion of columns d and e. Only amounts included in the member's income as reported in columns a, b or c may be excluded in columns d and e.

Rules for Non-U.S. Corporations Where a Worldwide Election is in Effect

In any case in which the combined group has made and is subject to a worldwide election, a non-U.S. corporation that is not treated as a U.S. corporation for federal income tax purposes and that is a member of such combined group is to include in the combined group's taxable income all of its income from the unitary business, wherever derived. Such income is not limited to items of federal gross income under the Code. See 830 CMR 63.32B.2(6)(c) 2.b.

Each such non-U.S. corporation that is included in a "worldwide" combined report must complete Schedule U-M on a pro-forma basis, checking the box "Pro-forma, other U.S. return filed" if the member filed U.S. 1120F and checking "Pro-forma, no U.S. return filed" in all other cases. In those cases where the non-U.S. corporation included in a worldwide combined group files U.S. Form 1120F, the member must report in column a all of the member's effectively connected income and the deductions allowable with respect to that income under the Code as reported on its Form 1120F.

Further, the non-U.S. corporation must also report in column c any additional gross income of the non-U.S. corporation that is not effectively connected income and any additional income of the member (that is, assuming that the income to be reported in column c is from the combined group's unitary business). The corporation must also report in column c any deductions from such additional income. Columns b, d and e may also apply to the non-U.S. corporation that is included in a worldwide combined group. The non- U.S. corporation that is included in such group and which has income from sources other than the combined group's unitary business must follow the same procedures to exclude such income as would a U.S. corporation (see above discussion of columns d and e). Only amounts included in the member's income as reported in columns a, b or c may be excluded in columns d and e.

Instructions for the Eliminations Schedule (a separately filed "group" Schedule U-M)

Enter the name and other identifying information of the principal reporting corporation in the first line of the header section, then check the box indicating that this is an eliminations schedule (i.e., check the last of the six boxes referenced at the top of Schedule U-M). In completing line 2 of the header, check the tax type that corresponds to the tax type of the principal reporting corporation and respond No to the remaining questions.

Unless otherwise provided for under Massachusetts law, income from inter-company transactions between members of the same combined group that relates to the unitary business of the group (or, where the combined group is subject to an affiliated group election, without regard to any unitary determination) is generally deferred in a manner similar to that in U.S. Treas. Reg. § 1.1502-13 (see 830 CMR 63.32B.2(6)(c)9).

Dividends paid by one group member to another combined group member are subject to elimination if they are paid out of earnings and profits of the unitary business, included in the combined report from the current or earlier year. Where the member paying such a dividend is a REIT or a RIC, the payer must reduce its dividends paid deduction as described in the instructions for column c above. See CMR 63.32B2.(6)(c)4 and DD 10-5.

To the extent that such transactions are reflected in the income or expenses referenced on the Schedules U-M filed by the various group members, enter a single set of Schedule U-M totals reflecting eliminations and any other adjustments required by the combined group filing. When the tax items at issue are recognized in a later tax year, those items will be accounted for at such time, most likely on Schedule U-M (in column a if the item is recognized at the same time for Massachusetts and federal tax purposes or in column c if the deferral terminates for Massachusetts purposes at a different time than it terminates federally).

Enter the amounts reducing income (or expenses) as negative amounts on lines 1 through 28 in both column a and column f.

Do not offset on this schedule any net IRC § 1231 gains or losses of group members with any net capital gains/losses of group members or eliminate any net capital loss. These items, if any, are to be separately stated for a member in determining the member's overall taxable income. The member will report these adjustments, if any, on Schedule U-ST.

Do not make any adjustments on this schedule for federal/state basis differences or limitations on deductions based on taxable net income as determined under the IRC. These adjustments, if any, are to be made on Schedule U-E.

Schedule U-CI Combined Income

The income of all members subject to combination is added together to determine the group income. A single Schedule U-CI is filed for the group, regardless as to whether the group is engaged in more than one unitary business. The amount reported in column (f) from all the Schedules U-M is to be totaled in the respective lines on Schedule U-CI.

General Information

Enter the name of the principal reporting corporation, its Federal Identification number and the beginning and ending dates of the combined group's taxable year.

Line Instructions

Lines 1 through 28

The numbers stated on these lines are the totals, by line, of the amounts stated in column (f) on all Schedules U-M, including the eliminations schedule. For example, the totals on line 1(f) from each Schedule U-M are added to calculate the amount on Line 1 of U-CI. The total stated in line 28 of Schedule U-CI must also match the total stated in line 13 of all Schedules U-E, pertaining to Massachusetts unitary business or affiliated group income.

Line 29

Line 29 must reference the total of all inter-company dividends that are eliminated in preparing federal tax returns of any members of the group filing a consolidated federal return.

Line 30

Line 30 must reference the total of all inter-company dividends that are eliminated in determining the combined group's Massachusetts net income. This should match the total of the amounts reported on line 4 of any U-M eliminations schedules.

Line 31

Line 31 must reference the totals stated in line 28 on all Schedules U-M in column (d) (i.e., claiming an exclusion of net income that is not taxable in Massachusetts).

Line 32

Line 32 must reference the totals stated in line 28 on all Schedules U-M, column (e) (i.e., reporting net income of taxable members of the combined group that is taxable in Massachusetts but is to be separately allocated or apportioned to such members).

Schedule U-E Massachusetts Unitary or Affiliated Group Income

The combined group's income as determined on Schedule U-CI is subject to further modification in determining the combined group's taxable income subject to apportionment for Massachusetts purposes.

Schedule U-E is divided in two parts:

Part 1 completes the calculation of the combined group's taxable income.

Part 2 details the calculation of the denominators of the property, payroll and sales factors that will be used by each member in determining its apportioned share of the combined group's taxable income.

The combined report that is filed by the combined group must include at least one Schedule U-E. A group of corporations engaged in more than one unitary business and not making or subject to an affiliated group election must divide the group income and file separate Schedules U-E for each unitary business. If an affiliated group election has not been made, only the property, payroll and receipts of each member that relate to the unitary business that generates the combined group's taxable income are used to apportion such income.

Once Schedule U-E has been completed, the combined group's taxable income is then apportioned (or attributed in cases where no apportionment is permissible) to the taxable group members using numerators calculated on each separate taxable group member's Schedule U-MSI (based on each individual member's Massachusetts attributes) and denominators representing attributes of all members of the combined group as determined on Schedule U-E.

General Information

Enter the name of the principal reporting corporation, that corporation's Federal Identification number, the beginning and ending dates of the combined group's taxable year and the Principal Business Activity code applicable to the unitary business of the combined group. In the case of an affiliated group election, enter the Principal Business Activity code applicable to the primary business conducted by the combined group.

Enter the unitary business identifier. This is a numeric value (the number must be greater than zero) used to associate supporting and supplementary schedules with a specific Schedule U-E. If an affiliated group election has been made or if the group is not engaged in more than one unitary business, enter 1. If the group separately calculates and apportions income from two or more different unitary businesses, enter 1 on Schedule U-E for the first such business and 2 on Schedule U-E for the second such business, etc.

All of the Schedules ABI and ABIE that relate to deductions taken on Schedule U-E with a unitary business identifier of 1 must also have an identifier of 1. All of the Schedules ABI and ABIE that relate to deductions taken on Schedule U-E with a unitary business identifier of 2 must also have an identifier of 2. All of the Schedules U-MSI that apportion income from the unitary business referenced on Schedule U-E with a unitary business identifier of 1 must also have identifier of 1.

Check one box for the type of group. A financial group is a combined group engaged in a unitary business or a Massachusetts affiliated group all of whose members, including members not taxable on their income in Massachusetts, are entities that qualify as financial institutions under the definition in MGL ch 63, § 1. A non-financial group is a group none of whose members, including non-taxable members, are financial institutions. A mixed group is any group that includes at least one member that is a financial institution and at least one member that is not a financial institution. If the combined group includes two or more Schedules U-E, representing multiple unitary businesses, only those members participating in the unitary business that is to be referenced on the U-E in question should be considered in determining which box to check.

Check box to indicate whether any member of the combined group is taxable on its income in another state. In any case where the combined group has not made an affiliated group election, check box only if a member of the combined group is taxable in another state with respect to the operation of the combined group's unitary business. Note that if no member of the combined group is taxable in another state, combined reporting is still required but special income attribution rules will apply. See 830 CMR 63.32B.2(7)(k).

If the combined group includes at least one financial institution (e.g., it is a group consisting only of financial institutions or is a mixed group), check one box to indicate the method to be used by the group to allocate income from investment assets and trading assets. If the combined group does not include a financial institution, do not check either option. If this section applies, see MGL ch 63, § 2A(d)(xii) for an explanation of the referenced income allocation methods.

Line Instructions

Part 1. Taxable Income

Lines 1 through 13

Report the income and expenses of the unitary business engaged in by the combined group, or in the case of a combined group subject to an affiliated group election, report all of the income and expenses of the combined group. Note that line 8 may be a negative number and that the total in line 11 will reflect that negative amount, if applicable. If only one Schedule U-E is being filed, the amounts on lines 1 through 11 must match the amounts on Schedule U-CI, lines 1 through 11.

Line 14

Enter the total of all interest received on state and municipal obligations not reported in U.S. net income but includible in the combined group's taxable income.

Line 15

Massachusetts does not allow a deduction for state, local and foreign income, franchise, excise or capital stock taxes. Any such taxes that have been deducted from U.S. net income should be entered here and added back into the combined group's taxable income.

Line 16

For Massachusetts purposes, depreciation is to be claimed on all assets, regardless of when they are placed in service, using the method used for U.S. income tax purposes prior to the enactment of Internal Revenue Code (IRC) § 168(k). Enter the difference between he amount deducted for U.S. income tax purposes and the amount deductible for Massachusetts purposes. If the depreciation calculated for Massachusetts purposes exceeds the amount deducted for U.S. income tax purposes, this will be a negative amount.

Line 17

A taxpayer must add back to net income any related member intangible expenses and costs, including losses incurred in connection with factoring or discounting transactions. See 830 CMR 63.31.1.

This rule also applies to any amortization deductions claimed under IRC § 179 when the deduction derives from the acquisition of intangible property from a related member. See DD 07-9.

To the extent that the combined group's deductions as reported on this schedule include such expenses, enter the amount on this line. Note that expenses between members of the same combined group that relate to the unitary business are eliminated and should not be deductions included in the calculation of the combined group's taxable income. See 830 CMR 63.32B.2(13). If one or more taxable members of the combined group qualify for an exception to the add back requirement, complete Schedule ABIE for each such taxpayer. Such exceptions are to be referenced on line 26.

Line 18

A taxpayer must add back to net income any related member interest expenses and costs, including losses incurred in connection with factoring or discounting transactions. See 830 CMR 63.31.1.

To the extent that the combined group's deductions as reported on this schedule include such expenses, enter the amount on this line. Note that expenses as between members of the same combined group that related to the unitary business are eliminated and should not be deductions included in the calculation of the combined group's taxable income. If one or more individual taxable members of the combined group qualify for an exception to the add back requirement, complete Schedule ABI for each such taxpayer. See 830 CMR 63.32B.2(13). Such exceptions are to be referenced on line 27.

Line 19
Reserved. Enter 0.

Line 20
The deduction allowed to a corporation for any expenses that qualify for the Massachusetts research credit must be reduced by the Massachusetts research credit determined for the current taxable year. Enter the amount of the Massachusetts research credit that was generated during the current taxable year under either MGL ch 63, § 38M or 38W on this line.

Line 22
Reserved. Enter 0.

Line 23
Massachusetts allows a deduction of 10% of the total cost of renovating an abandoned building in an economic opportunity area. Enter the amount of the deduction on this line.

Line 24
Taxpayers eligible for the FAS 109 deduction should have filed a FAS 109 Deduction Statement prior to July 1, 2009 to report the financial statement impact resulting from the change from separate to combined reporting in Massachusetts. The amount of the deduction in a taxable year is one-thirtieth of the amount that was reported in 2009, subject to verification by the DOR. Taxpayers that did not file a FAS 109 Deduction Statement on a timely basis are not eligible for the deduction. The financial statement impact amount reported on the FAS 109 Deduction Statement must be apportioned to reflect the amount of the financial impact attributable to Massachusetts using the corporation's current year Massachusetts apportionment percentage. Eligible taxpayers should report the deduction on Schedule U-E, line 24 (see TIR 09-8 and TIR 15-12 for details including taxpayer eligibility). The FAS 109 deduction cannot reduce taxable income below zero. Any amount in excess cannot be used as a deduction and cannot be carried forward. However, the deduction should be applied before any other deduction allowable in determining taxable net income, including the net operating loss and dividends received deductions.

Eligible taxpayers must complete and submit a Schedule TDS with their tax return to substantiate the FAS 109 deduction and attach a detailed worksheet to the Schedule TDS show the calculation of the FAS 109 deduction. Schedule TDS is a Massachusetts taxpayer disclosure statement for purposes of MA Form 355U, line 15. Eligible taxpayers must submit this information to report and disclose the FAS 109 deduction for each taxable year it is claimed.

Line 25
A financial institution or business corporation that receives a dividend from another corporation in which it owns at least 15% of the voting stock is allowed a 95% deduction for any dividends not eliminated under the rules stated in 830 CMR 63.32B.2(6)(c) 4.

The amount of this deduction may not exceed the amount referenced on line 4.

Line 26
If one or more members of the combined group has intangible expenses and costs paid or accrued to any related party and qualifies to deduct these expenses under MGL ch 63 §§ 31J and 31K, enter the amount of the deduction claimed here and complete Schedule ABIE. No deduction is allowed for any amount not added back into income and referenced on line 17. Note that each Schedule ABIE must have the same unitary business identifier as the Schedule U-E to which it relates. The total amount of the deduction claimed must match the total on line 5 of all Schedules ABIE with the same unitary business identifier and may not exceed the amount added back on line 17.

Line 27
If one or more members of the combined group has interest expenses and costs paid or accrued to any related party and qualifies to deduct these expenses under MGL ch 63 §§ 31J and 31K, enter the amount of the deduction claimed here and complete Schedule ABI. No deduction is allowed for any amount not added back into income and referenced on line 18. Note that each Schedule ABI must have the same unitary business identifier as the Schedule U-E to which it relates. The total amount of the deduction claimed must match the total on line 4 of all Schedules ABI with the same unitary business identifier and may not exceed the amount added back on line 18.

Line 28
Enter any allowable U.S. wage credit used in calculating U.S. Form 1120, line 13.

Line 29
The adjustments to be referenced on this line include basis adjustments and other state-federal tax differences that were not previously taken into account.

Charitable contributions that are considered in the calculation of the combined group's taxable income are limited as provided in IRC § 170 but the limitation is determined by reference to the combined group's taxable income. See 830 CMR 63.32B.2(6)(c) 6. Where the total of the group's contributions that would otherwise be deductible exceeds the amount allowable, the contributions of the individual members are allowed on a pro-rata basis and the disallowed amounts are deductible against the other income of the individual member that made the charitable contribution in question, subject to a separately calculated limitation with respect to that other income. Amounts disallowed as a deduction that cannot be deducted from the separate income of the member are carried forward to future years.

This line may also be used to reflect other differences in limitations that are to be applied to Massachusetts tax calculations, such as deductions that are to be based on a percentage of income as determined under the IRC. See 830 CMR 63.32B.2(6)(c)10.

Enter amounts reducing Massachusetts net income as positive amounts.

Line 30
Subtract the total of lines 22 through 29 from the amount on line 21.

Line 31
Enter the amount of capital gain or loss (including capital gains and losses of both taxable and non-taxable members) included in line 30. To the extent that adjustments on Schedule U-E represent adjustments to capital gain or loss as reported on a member's U.S. tax return, the amount of capital gain or loss on this line must also be adjusted.

Line 32
Enter the amount of IRC § 1231 gain or loss (including § 1231 gains and losses of both taxable and non-taxable members) included in line 30. To the extent that adjustments on Schedule U-E represent adjustments to these gains or losses as reported on a member's federal tax return, the amount of § 1231 gain or (loss) must also be adjusted.

Line 33
Subtract the total of lines 31 and 32 from line 30.

Line 34
Enter the amount of the combined group's net capital loss (if any) that is not deductible in deter-

mining whether or not apportionment factors are inapplicable under 830 CMR 563.38.1(11). If the amount on line 31 (the combined group's capital gain or loss to be apportioned) is greater than or equal to 0, enter 0.

If the amount on line 31 is a loss and the amount on line 32 (the combined group's IRC § 1231 gain or loss) is also a loss (or 0), enter, as a positive adjustment, the amount of the loss on line 31.

If line 31 is a loss and line 32 is a gain, combine those amounts; if the total is greater than 0, enter 0 on line 34, otherwise, enter a positive adjustment, equal to the excess of the loss on line 31 over the gain on line 32.

Line 35
Combine the amounts on line 30 and line 34.

Line 36
Enter 10% of .33% of the amount on line 35.

Part 2. Apportionment Denominators
The denominators to be used to apportion the income of the combined group are determined by adding the separately determined denominators for all members of the combined group but disregarding intercompany transactions that relate to the unitary business (or, in the case of an affiliated group election, all intercompany transactions). Each member, including any non-taxable member, is to determine its denominators under the terms of the statutory apportionment provisions that apply to that member under MGL ch 63, except that if the combined group includes one or more financial institutions, each member of the group is to include in its receipts for sales factor purposes interest and other receipts as described in MGL ch 63, § 2A(d)(i) through (d)(xi) in both the numerator and the denominator of its apportionment calculation.

If the combined group has not made an affiliated group election, only property, payroll and receipts of each member that relate to the unitary business generating the income to be apportioned are to be used to apportion the combined group's taxable income. If one or more members of the group have property, payroll and sales that are not used in, or are not part of, the unitary business, that property, payroll and sales must be excluded from both the numerator and the denominator of the apportionment calculations used to apportion the combined group's taxable income.

If the combined group includes one or members which are not U.S. corporations and a worldwide election has not been made, the denominator of each factor must include only the property, payroll and receipts of such non-U.S. corporations that relate to the income they include in the combined report. See 830 CMR 63.32B.2(7)(f). See also 830 CMR 63.32B.2(5)(b)3, as it pertains to non-U.S. corporations that are included in the combined group only with respect to certain interaffiliate income.

A group of corporations engaged in more than one unitary business that is not subject to an affiliated group election must divide the collective income of the different businesses and file separate Schedules U-E for each unitary business.

In such cases, the group of corporations that is engaged in more than one unitary business must divide the group's property, payroll and sales between the different unitary businesses to which they relate. For the rules that govern the apportionment of income in the context of a combined group, see 830 CMR 63.32B.2(7).

Line 37
All combined group members that are financial institutions within the meaning of MGL ch 63, § 1, whether or not taxable on their income in Massachusetts, must determine the average value of their loans and combine the totals. Loans from one member of the unitary group to another (or as between combined group members in the case where the group is subject to an affiliated group election) are eliminated from the calculation. Loans and other financial institution property owned by members that are not financial institutions are not included in this calculation.

Line 38
All members that are financial institutions taxable within the meaning of MGL ch 63, § 1 must determine the average value of their credit card receivables or other financial institution property and combine the totals. Loans from one member of the unitary group to another (or as between combined group members in the case where the group is subject to an affiliated group election) are to be eliminated from the calculation. Loans and other financial institution property owned by members that are not financial institutions are not included in this calculation.

Line 40
If the combined group whose income is being apportioned includes at least one member which is not a financial institution, enter 20%of the amount shown in line 39. If the group is composed solely of financial institutions, enter 100% of line 39.

Line 41
Enter the average total value of tangible property owned by all members of the combined group.

Line 42
Tangible property rented by each member is valued at eight times the annual net rental rate paid less any sub-rentals received.

Lines 45 through 58
These lines total the members' worldwide receipts from various sources applicable for apportioning income of groups containing financial institutions. If the combined group includes at least one financial institution, whether or not that member is a taxable member, all members of the group must determine and include in their sales factor calculations their receipts from loans and other financial instruments as defined in MGL ch 63, § 2A(d).

Enter the total of all members' receipts on the appropriate lines. If no member of the group is a financial institution, enter 0 on each line.

Lines 59 through 62
These lines total the members' worldwide receipts from sources applicable for apportioning income from corporations generally.

Enter the member's total receipts from the sale of tangible property, sales of services, rents and royalties or from other sources, to the extent not already reported in lines 45 through 58, above.

Note: Certain amounts are subject to the rules of exclusion from the sales factor, as set forth in 830 CMR 63.38.1(9)(d)1.f. For example, in the case of a service or license of intangible property where the taxpayer is not taxable in the state to which the sale is to be assigned, the sale amount should be excluded from the sales factor calculation.

Schedule U-MTI Member's Taxable Income from Sources Other Than the Unitary Business
A corporation which is a member of a combined group filing a combined report under MGL ch 63 § 32B may have taxable income or loss that is from sources other than the combined group's unitary business (e.g., allocable income from non-business investment activity or apportionable income that derives from sources other than the combined group's unitary business). In such cases, where the member is a taxable member and no affiliated group election has been made and the taxable member has the same taxable year as the combined group, the member's taxable income from the sources other than the unitary business is to be reported on Schedule U-MTI.

In any case where the members of the combined group are subject to an affiliated group election, all of the income of the group is considered to be income from the activities of such group. Therefore, in such cases, for reporting purposes, there is no distinction between income of the group members that derives from the activities of the group's unitary business and income of the group members that derives from sources other than the group's unitary business. Consequently, no member of the combined group should file Schedule

U-MTI if the combined group is subject to an affiliated group election for the taxable year at issue.

Where a combined group is not subject to an affiliated group election, a taxable member of the group that has income from sources other than the group's unitary business on which the member is taxable in Massachusetts must separately account for that income. Before calculating its income excise, each such member must combine its apportioned share of income or loss from the combined group's unitary business with the total of the member's separate income or loss allocated or apportioned to Massachusetts from its non-unitary business activities, offsetting gains and losses recognized in the same tax year to the extent allowed by Massachusetts law and the Internal Revenue Code.

Schedule U-MTI reports the non-unitary business income and deductions of a taxable member of a combined group except in cases in which the taxable member has a tax year end that differs from the tax year end of the combined group. See below for a discussion of the latter such circumstances. Examples of amounts that are to be reported on the Schedule U-MTI include:

- Allocable non-business investment income of a taxable member that is a Massachusetts domiciliary corporation.
- Income from a business conducted by the member that is separately taxable in Massachusetts but where that business does not form part of the combined group's unitary business, including partnership income that is separately apportioned under the provisions of 830 CMR 63.38.1.
- Income from a portion of the member's tax year in which the member's activities (unlike its activities from the remainder of such year), were not a part of the combined group's unitary business.

A taxable member of a combined group that has income taxable in Massachusetts from a source other than the unitary business may be required to file multiples of Schedule U-MTI if different apportionment percentages apply to the member's different streams of income. Because allocable investment income is not subject to apportionment, a taxable member that is domiciled in Massachusetts should file a single Schedule U-MTI to report all of its allocable investment income. Where a taxable member of a combined group is required to file Schedule U-MTI, the member's separate income, and the deductions that relate to that income which are required to be reported on Schedule U-MTI, must be excluded from the combined group's income calculation. The totals, by line item, of the amounts reported on Schedule U-MTI must match the amounts referenced in column e of Schedule U-M as filed by the taxable member.

Members with a Different Fiscal Year from That of the Combined Group

The taxable members of a combined group must determine their apportioned share of the combined group's taxable income based on a common tax year (i.e., the combined group's taxable year) and pay the tax on this apportioned income with the combined report as filed by the group. If the tax year of a taxable member does not end on the same date as the combined group's taxable year and the combined group is not subject to an affiliated group election, the member must report and pay the tax due on its income from sources other than the combined group's unitary business after the close of the member's separate tax year. Such a taxpayer does not file Schedule U-MTI but rather must report its separate income on the appropriate schedule of whichever return it is required to file at the end of its separate tax year (i.e., Form 355 or 355S).

As noted, in some cases a member of a combined group may have income or loss that derives from sources other than the group's unitary business and therefore may be required to report that income using its own tax year and not that of the combined group. In such cases, if the member is a business corporation within the meaning of MGL ch 63, it may apply a net operating loss (NOL) derived from the operation of the unitary business against its income derived from sources other than the group's unitary business (or vice versa) by applying an NOL carryforward derived from the activities of the combined group to its income as reported on its subsequent, separate tax filing (or alternatively by applying the NOL derived from its separate activities to its income as reported on its subsequent, combined filing). An NOL can only be applied to the member's subsequent tax filing(s) since an NOL can only be carried forward and cannot be carried back.

Capital losses cannot be carried forward or back, and therefore cannot be applied in different taxable years. The deduction of an NOL carryforward must in all cases be consistent with the requirements and limitations that apply to such carryforwards, including the rule that in no instance can a financial institution carryforward an NOL. See 830 CMR 63.32B.2(8).

General Instructions

For each Schedule U-MTI filed, enter the name of the member (as stated on its federal income tax return, if filed), its Federal Identification number and the beginning and ending dates of the group's tax year. Also enter the name and Federal Identification number of the principal reporting corporation of the combined group.

Line Instructions

Line 1 through Line 11

Enter the amounts of income, by line, attributable to the non-unitary business activity that is being reported by the member. This non-unitary business income should have previously been excluded from the unitary group's business income in column e on Schedule U-M. The amounts reported in lines 1 through 10 of Schedule U-MTI must match the amounts reported on Schedule U-M, column e, lines 1 through 10. Line 11 must equal the total of lines 3 through 10.

Line 12

Report the total of all deductions that are included in the amounts set forth on lines 12 through 26 of U.S. Form 1120 that are attributable to sources other than the combined group's unitary business. These amounts must be excluded from the corresponding items to be made on Schedule U-M for the purpose of determining the deductions from group income.

Line 14

A taxpayer must add back to net income any related member intangible expenses and costs, including losses incurred in connection with factoring or discounting transactions. (Note that the use of intellectual property owned by related parties taxable under MGL ch 63 that are also members of the combined group suggest that the activity is part of the unitary business.)

Line 15

A taxpayer must add back to net income any related member interest expenses and costs, including losses incurred in connection with factoring or discounting transactions.

Line 16

The amounts to be reported here include any adjustment required to the income or expenses reported in lines 1 through 13 with respect to differences between the calculation of Massachusetts and federal net income.

Line 18

Where either a financial institution or a business corporation, as determined under the provisions of MGL ch 63, receive a dividend from another corporation in which it owns at least 15% of the

voting stock, it is entitled to a 95% dividends received deduction if the statutory requirements are otherwise met. See MGL ch 63 § 1 or 38. To the extent that the dividends for which the deduction is claimed are included in the amounts reported on Schedule U-MTI, the dividends received deduction is to be claimed on line 18. The amount of the deduction claimed must not exceed the amount stated on Schedule U-MTI, line 4.

Line 19

If one or more members of the combined group has paid or accrued intangible expenses or costs to any related entity and qualifies to deduct these expenses under MGL ch 63 §§ 31I and 31K, enter the amount of the deduction claimed here and complete and enclose Schedule ABIE (in so doing, reference the unitary business identifier on such Schedule ABIE as 0). No deduction is allowed for any amount that is not added back to income on line 14 of Schedule U-MTI. Further, the amount of the deduction claimed must not exceed the amount stated on Schedule U-MTI, line 14.

Line 20

If one or more members of the combined group has paid or accrued interest expenses or costs to any related entity and qualifies to deduct these expenses under MGL ch 63, §§ 31J and 31K, enter the amount of the deduction claimed here and complete and attach Schedule ABI (in so doing, reference the unitary business identifier on such Schedule ABI as 0). No deduction is allowed for any amount that is not added back to income on Schedule U-MTI, line 15. Further, the amount of the deduction claimed must not exceed the amount stated on Schedule U-MTI, line 15.

Line 21

The other adjustments to be included on this line include basis adjustments and any other state and federal tax differences not previously taken into account. See 830 CMR 63.32B.2(6) (c). Enter any amount that reduces Massachusetts income as a positive amount.

Line 22

Subtract the total of lines 18 through 21 from the amount on line 17.

Line 23

Enter the amount of capital gain or loss that is included in line 22. To the extent that adjustments set forth on this schedule represent adjustments to the member's capital gain or loss as reported on a member's U.S. tax return, the amount of capital gain or loss to be stated on this line 23 must also be adjusted.

Line 24

Enter the amount of IRC § 1231 gain or loss that is included in line 22. To the extent that adjustments set forth on this schedule represent adjustments to the member's IRC § 1231 gains or losses as reported on a member's U.S. tax return, the amount of IRC § 1231 gain or loss to be stated on this line 24 must also be adjusted.

Line 25

Subtract the amounts on lines 23 and 24 from the amount on line 22.

Line 26

Enter the apportionment percentage to be applied to the income reported on lines 23, 24 and 25. The apportionment percentage to be applied to this income must be determined based upon the member's property, payroll and sales/receipts that relate to such income. The property, payroll and sales/receipts that are used to apportion the member's non-unitary business income must also be excluded from both the numerator and the denominator of the apportionment calculation used to apportion combined group's unitary business income (i.e., on Schedules U-E and U-MSI). If the member's non-unitary business income is not taxable in any other state, enter 1.00 on this line.

Line 27

Multiply line 25 by line 26. Round to the nearest whole dollar amount.

Line 28

Multiply line 23 by line 26. Round to the nearest whole dollar amount.

Line 29

Multiply line 24 by line 26. Round to the nearest whole dollar amount.

Schedule U-MSI Member's Apportioned Share of Group Income

Each taxable member of the group must file Schedule U-MSI to determine its Massachusetts apportioned share of the combined group's taxable income. The members of a combined group jointly determine the combined group's taxable income but the individual taxable members separately determine their Massachusetts apportioned share of that income. Each taxable member is to use the apportionment provisions that apply to that member pursuant to MGL ch 63 with any further modifications as required under 830 CMR 63.32B.2(7).

Each taxable member calculates the numerator of its property, payroll and sales factors based on its own activities but calculates the denominators of these factors on a group basis that considers the activities of all members of the combined group. The group denominators are determined on Schedule U-E. The factors are then combined as appropriate for an individual taxable member using the formula that applies to that member under MGL ch 63 (e.g., a three-factor formula consisting of property, payroll and sales, a single weighted 100% sales factor, or a three-factor formula but with double weighted sales) to determine the member's apportionment percentage, and that percentage is multiplied by the combined group's taxable income to determine the member's Massachusetts apportioned share of group income. This income is then combined, on Schedule U-ST, with any other taxable Massachusetts income that the member may have (e.g., allocable income from non-business activities) to determine the member's total Massachusetts taxable income and its income measure excise.

If the combined group is not subject to an affiliated group election, only property, payroll and sales/receipts of each member that relate to the unitary business of the combined group are used to apportion the combined group's taxable income.

Mutual Fund Service Corporations

A mutual fund service corporation is to determine its share of a combined group's taxable income as if it was two separate members of such group. For apportionment purposes, a mutual fund service corporation is to divide its Massachusetts property, payroll and sales between its mutual fund sales business and its other business, and file two Schedules U-MSI, one for each of the two businesses. The first Schedule U-MSI reports the property, payroll and sales of the corporation's mutual fund sales business and applies a 100% sales factor to the combined group's taxable income to determine the apportioned Massachusetts income that derives from the corporation's mutual fund sales business. The second Schedule U-MSI reports the remainder of the corporation's property, payroll and sales and applies the traditional three-factor formula but with double weighted sales to the combined group's taxable income to determine the apportioned Massachusetts income that derives from the corporation's non-mutual fund sales business. The two amounts will be combined on Schedule U-ST.

General Information

For each Schedule U-MSI filed, enter the name of the taxable member (as shown on the federal income tax return, if filed), its Federal Identification number and the beginning and ending dates of the combined group's taxable year.

Check one box to indicate whether the financial institution excise or the business corporation excise applies. S corporations taxable under MGL ch 63, § 2B are considered financial institutions. S corporations taxable under MGL ch 63, § 32D are considered business corporations.

Check one box to indicate the group type. A financial group is a combined group all of whose members, including members not taxable on their income in Massachusetts, are entities that are financial institutions under the definition set forth in MGL ch 63, § 1. A non-financial group is a com-

bined group none of whose members, including non-taxable members, are financial institutions. A mixed group is any combined group that includes at least one member that is a financial institution and at least one member that is not a financial institution.

Enter the name and Federal Identification number of the principal reporting corporation. Also enter the unitary business identifier corresponding to the specific Schedule U-E that reports the income to be apportioned (if the group is not separately apportioning income from two or more different unitary businesses, this number is 1).

Line Instructions

Line 1

Is any member of the group taxable in any other state on this income? Check the box if, in the case where no affiliated group election has been made, a member of the combined group is taxable with respect to the activities of the unitary business in another state, or, in the case where an affiliated group election has been made, one member of the group is taxable in another state.

If no member of the group is taxable on the combined group's income in another state as noted, combined reporting is still required but special attribution rules apply to determine each member's share of the combined group's taxable income. In particular, if the income referenced on Schedule U-E is not taxable in another state, this income is to be attributed among group members using the average of each member's respective share of the unitary business' property and payroll (or the property and payroll of the combined group where an affiliated group election has been made). In such a case, the property and payroll figures shown on this Schedule U-MSI must reflect the member's property and payroll included in the group denominator, even though some of that property and payroll may not be within Massachusetts. For the rules that apply when no member of the combined group is taxable in another state, see 830 CMR 63.32B.2 (7)(k).

Line 2

If the corporation has special status for apportionment, check the appropriate box. Check no more than one box. If no box is applicable, leave blank.

A corporation is a section 38 manufacturer for any taxable year if it is engaged in manufacturing and its manufacturing activities during such taxable year are substantial. See MGL ch 63, § 38. This rule applies regardless of whether the corporation, based solely on its activities within Massachusetts, is also classified as a manufacturing corporation under MGL ch 63, § 42B. A section 38 manufacturer is to use 100% of its sales factor as its apportionment percentage.

A corporation's manufacturing activity is substantial if the corporation meets any of the following tests, regardless of whether any of the manufacturing activity occurs within Massachusetts:

- The corporation derives 25% or more of its receipts for the taxable year from the sale of manufactured goods that the corporation manufactures; or
- The corporation pays 25% or more of its payroll for the taxable year to employees working in manufacturing operations and derives 15% or more of its receipts for the taxable year from the sale of manufactured goods that the corporation manufactures; or
- The corporation uses 25% or more of its tangible property in manufacturing during the taxable year and derives 15% or more of its receipts for the taxable year from the sale of manufactured goods that the corporation manufactures; or
- The corporation uses 35% or more of its tangible property in manufacturing during the taxable year.
- The corporation's manufacturing activities are deemed substantial under relevant regulations promulgated by the commissioner. See MGL ch 63, § 38.

In some cases, a member of a combined group purchasing goods manufactured by another member of the group may be considered to be a section 38 manufacturer for the purpose of determining its Massachusetts apportioned share of the combined group's taxable income based upon the manufacturing activity of such other member. See 830 CMR 63.32B.2(7)(g)(2).

A corporation is a mutual fund service corporation if it derives 50% or more of its gross income from providing, directly or indirectly, management, distribution or administrative services to or on behalf of a regulated investment company, and from trustees, sponsors and participants of employee benefit plans that have accounts in a regulated investment company. See MGL ch 63, § 38(m). A mutual fund service corporation must divide its Massachusetts property, payroll and sales between those attributable to its mutual fund sales activities and those attributable to all other activities, and must file two Schedules U-MSI to determine its share of the combined group's taxable income.

Line 3

Check if there was a change in method of calculating one or more factors from prior year. If the taxpayer is changing the method used to calculate any factor from the method used in the prior year (for example, a change in the method of assigning sales under 830 CMR 63.38.1(9)(d), or a change in the method of accounting for mobile property under 830 CMR 63.38.1(7)(d), or a change in the method of determining compensation under 830 CMR 63.38.1(8)(g), etc.) the change must be disclosed on the return. Check the box, identify the factors affected and briefly explain each change.

Member's Property Factor

Each member separately determines its property factor numerator. In making this determination, intercompany transactions that relate to the combined group's unitary business (or business activities in general in the case where the group is subject to an affiliated group election) are generally disregarded, except as provided in 830 CMR 63.32B.2(7)(g)(4), and also property leased from non-group members is attributed to the group member that makes actual use of the leased property. If the group includes at least one financial institution, taxable members that are financial institutions (but not other members of the group) must determine and include their financial institution intangible property (loans, etc.) that are sourced to Massachusetts in determining their property factor.

Line 4

Financial institutions, as defined in MGL ch 63, § 1, must determine the average value of any loans or other financial institution property that are sourced to Massachusetts under the provisions of MGL ch 63, § 2A. Loans that are excluded from the combined group's denominator (e.g., in any case where the group is not subject to an affiliated group election, loans between group members that relate to the group's unitary business) are similarly excluded from the numerator of the member(s) that made the loans. If the member is not a financial institution, enter 0.

Line 5

If the combined group whose income is being apportioned includes at least one member that is not a financial institution, enter 20% of the amount reported on line 4. If the group does not include at least one member that is not a financial institution enter 100% of line 4.

Line 6

Enter the average value of tangible property owned by the member in Massachusetts.

Construction in progress is generally excluded from the property factor. See 830 CMR 63.38.1(7)(a). For purposes of the property factor, inventory in transit is deemed to be sourced to its destination. See 830 CMR 63.38.1(7)(c).

Line 7

Property rented by the corporation is valued at eight times the annual net rental rate paid less any sub-rentals received.

Line 9
Enter the combined group's total property for apportionment purposes from Schedule U-E, line 43.

Member's Payroll Factor
Each member separately determines its payroll/wage factor numerator. In making this determination, intercompany leases of employees that relate to the combined group's unitary business (or business activities in general in the case where the group is subject to an affiliated group election) are generally disregarded, and wages paid are attributed to the group member for whom the employee is providing actual services. If an employee is performing actual services for more than one combined group member, the group shall reasonably allocate the wages among such members.

Line 11
An employee's compensation is allocated to Massachusetts if any of the following apply:

◗ The employee's service is performed within Massachusetts.

◗ The employee's service is performed both in Massachusetts and in other state(s), but the non-Massachusetts service is secondary to the Massachusetts service.

◗ Part of the employee's service is performed in Massachusetts and the employee's base of operations is in Massachusetts.

◗ Part of the employee's service is performed in Massachusetts, there is no base of operations and the service is directed or controlled from a location in Massachusetts.

◗ Part of the employee's service is performed in Massachusetts, and the employee's base of operations and the place from which the employee's service is directed or controlled are not in any state in which some part of the service is performed, but the employee lives in Massachusetts.

Line 12
Enter the combined group's total wages for apportionment purposes from Schedule U-E, line 44.

Member's Sales Factor
Each member separately determines its sales factor numerator. In making this determination, intercompany transactions that relate to the combined group's unitary business (or business activities in general in the case where the group is subject to an affiliated group election) are generally disregarded. In the case of sales other than sales of tangible property, when determining the location of the sale, the activities all group members participating in the transaction shall be considered jointly for purposes of defining the nature of the income producing activity and associated costs of performance (e.g., if a member has receipts from the sale of services, including services subcontracted to another member of the group, the activities of both members are considered when the member making the sale determines whether or not the sale is in Massachusetts. See 830 CMR 63.32B(7)(g)2.)

Line 14
If the combined group whose income is being apportioned includes at least one financial institution, all members must determine, and include in their sales factor calculations, their receipts of interest and other receipts as described in MGL ch 63, § 2A(d)(i) through (d)(xi). To the extent that these receipts are sourced to Massachusetts under those provisions, enter the amount here, whether or not the member is, itself, a financial institution. If the group does not include at least one financial institution, enter 0.

Line 15
Enter the member's total receipts from the sale of tangible property delivered or shipped to any buyer, including the U.S. government, in Massachusetts.

Line 16
Enter the member's total receipts from the sale of tangible property attributed to Massachusetts under the throwback provision of MGL ch 63, § 38. See 830 CMR 63.38.1(9). Sales made by a member of a combined group are not subject to throwback if any member of the group is subject to tax on the combined group's unitary business income (or the income of the group in general in any case where the group is subject to an affiliated group election) in the state to which the property is shipped. See 830 CMR 63.32B.2 (7) (c).

Line 17
Enter the member's total receipts from the sale of services in Massachusetts. Sales of services are assigned to Massachusetts if and to the extent the service is delivered to a location in Massachusetts. See MGL ch 63, § 38(f) and 830 CMR 63.38.1(9)(d). Certain amounts are subject to the rules of exclusion from the sales factor, as set forth in 830 CMR 63.38.1(9)(d)1.f. Any such amounts should be accounted for by making the necessary exclusion from the Massachusetts and worldwide figures shown on Schedule U-E, Part III. For example, in the case of a service or license of intangible property where the taxpayer is not taxable in the state to which the sale is to be assigned, the sale amount should be excluded from these figures. See 830 CMR 63.38.1(9)(d)1.

Line 18
Enter the member's total receipts from rents and royalties in Massachusetts. Rents from property located or used in Massachusetts are assigned to Massachusetts. Royalties derived from the use of intangible property are assigned to Massachusetts to the extent that the property is used in this state. See 830 CMR 63.38.1(9)(d).

Line 19
Enter the member's total receipts in Massachusetts from other sales.

Line 20
If a non-taxable member of the combined group has receipts from sales of the unitary business (or in the case where the group is subject to an affiliated group election, such non-taxable member has any sales) which constitute Massachusetts sales (e.g., sales of tangible property delivered or shipped to Massachusetts), such sales are to be assigned to the taxable members of the group in proportion to each taxable member's own Massachusetts sales. See 830 CMR 63.32B.2(7)(b).

Line 22
Enter the combined group's total sales for apportionment purposes from Schedule U-E, line 63.

Lines 24 and 25
Enter 1 if the factor is applicable for apportioning the combined group income (where at least one member of the group is taxable on this income in another state) or for attributing income (where no member of the group is taxable in another state). Enter 0 if the factor is inapplicable.

The property and payroll factors are inapplicable if the denominator of the factor is 0.

These factors are also inapplicable in apportioning income if:

• The member is a mutual fund sales corporation determining its apportioned share of income attributable to mutual fund sales activities;

• The member is a section 38 manufacturer determining its apportioned share of income; or

• The member is a business corporation apportioning its income and the denominator of the factor is less than 3.33% of combined group's taxable net income to be apportioned as calculated on Schedule U-E, line 36.

Line 26
Enter 1 or 2 if the sales factor is applicable for apportioning the combined group income.

The sales factor is inapplicable if the denominator is 0 or if no member of the group is taxable on this income in another state (See 830 CMR 63.32B.2(7)(k)). The sales factor is also inapplicable if the member is a business corporation and the denominator is less than 3.33% of the combined group's taxable net income to be apportioned as calculated on Schedule U-E, line 36. Enter 0 if the factor is inapplicable.

The sales factor weight is 1 if the member is a financial institution. The sales factor weight is also 1 if the member is a mutual fund sales corporation determining its apportioned share of income attributable to mutual fund sales activities or a section 38 manufacturer. The sales factor weight is 2 for all other business corporations, including a mutual fund sales corporation determining its apportioned share of income for its non-mutual fund sales activities.

Line 27

Calculate the member's percentage share of the combined group's taxable income. In each case, carry the result to six decimal places.

◗ If no member of the group is taxable on the group's unitary business income (or business income in general in the case where the group is subject to an affiliated group election) in another state (as indicated in the response on line 1), each taxable member must determine its share of such income by adding together its percentage share of the group's owned and rented property and its percentage share of the group's payroll and dividing the result by 2. The total of the income thus attributed to the taxable members must equal 100% of the combined group's taxable income.

In any case where the combined group's taxable income is subject to apportionment, the apportionment formula for each taxable member is determined by the MGL ch 63 rules that apply to such member, including any special provisions which may apply based on the nature of the taxpayer's business as noted in the response on line 2.

◗ If the member is taxed as a financial institution, its share of Massachusetts apportioned income is determined by adding the member's receipts factor, property factor and payroll factor together and dividing the result by 3.

◗ If the member is a business corporation that is also a section 38 manufacturer or the member is a mutual fund sales corporation determining its share of the combined income attributable to its mutual fund sales activities (in both cases as noted on line 2), its share of such Massachusetts apportioned income is determined by applying the member's sales factor only (i.e., line 27 must equal line 23).

◗ If the member is a mutual fund sales corporation determining its share of the combined income attributable to its non-mutual fund sales activities (also as noted on line 2), its share of such Massachusetts apportioned income is determined by adding its property factor, payroll factor and twice its sales factor, as determined with respect to the member's non-mutual fund sales business, and dividing the result by 4.

• If the member is any other business corporation (i.e., the member is not taxed as a financial institution and no box is checked on line 2), its share of Massachusetts apportioned income is determined by adding the member's property factor, payroll factor and twice its sales factor and dividing the result by 4.

◗ If a factor is inapplicable (as shown in items 24 through 26 above) that factor should be ignored in the apportionment calculation (i.e., average the remaining factors, double-weighting the sales factor if appropriate). See 830 CMR 63.38.1(11).

Member's Share of Income Allocated or Apportioned to Massachusetts

Line 28

Enter the total for the group from Schedule U-E, line 33.

Line 29

Multiply line 27 by line 28. Round to the nearest whole dollar amount.

Line 30

Enter the total for the group from Schedule U-E, line 31.

Line 31

Multiply line 27 by line 30. Round to the nearest whole dollar amount.

Line 32

Enter the total for the group from Schedule U-E, line 32

Line 33

Multiply line 27 by line 32. Round to the nearest whole dollar amount.

Schedule U-ST Member's Separate Income Tax

Each taxable member of a combined group must complete Schedule U-ST. Schedule U-ST determines the income tax liability of each such taxable member from all sources, including the tax liability due with respect to the members' apportioned share of the combined group's taxable income and the tax liability due with respect to allocable or apportionable income that is derived from sources other than the activities of the combined group. The use of any net operating losses or credits as applied against the member's current year income is also accounted for on Schedule U- ST.

Business corporations, including S corporations, with taxable years ending in the same month as the taxable year for which the combined report is being filed will pay their respective non-income measure of excise (MGL ch 63, § 39(a)(1)) as part of the combined report. A business corporation subject to the non-income measure of excise and that has a separate taxable year ending at a different time than the taxable year of the combined report is still required to file a separate Form 355 (Form 63-FI if a financial institution) and pay their respective non-income measure of excise on the 15th of the fourth month after the end of the corporation's separate taxable year. An S corporation that is a taxable member of a combined group and has a taxable year that differs from the combined group must report its non-income measure on its separate Form 355S (Form 63 FI if a financial institution) on or before the 15th day of the third month following the close of its taxable year. See 830 CMR 62C.11.1.

General Instructions

For each Schedule U-ST filed, enter the name of the member (as shown on the federal income tax return, if filed), its Federal Identification number and the beginning and ending dates of the member's taxable year as shown on its federal income tax return. This may be different than the taxable year for which the combined report is being filed and will include any part of the member's separate taxable year for which it was not considered unitary with the group and separately accounted for its income. Other than in the case where either the group or the member is using a 52 or 53 week year, the ending date of the member's taxable year may not be later than the ending date of the year for which the combined report is being filed.

Check one box to indicate whether the member is subject to the financial institution excise, or the general business corporation excise. Note that S corporations taxable under MGL ch 63, § 2B are considered financial institutions and that S corporations taxable under MGL ch 63, § 32D are considered business corporations.

Check the box to indicate that this member is an insurance mutual holding company as defined in MGL ch 63, § 39. Note that an insurance mutual holding company is not subject to the non-income measure of excise.

Check one box to indicate whether the member is either a manufacturing corporation under the rules stated in MGL ch 63, § 42B and 830 CMR 58.2.1, a research and development corporation within the meaning of MGL ch 63, § 42B, a regulated investment corporation (RIC) or real investment trust (REIT) within the meaning of the Internal Revenue Code (IRC). Do not check any box if the member is not included in one of these categories. A member is a research and development corporation if its principal activity is research and development and it otherwise meets the requirements set forth in MGL ch 63, §42B. A member is a manufacturing corporation if it is engaged in manufacturing in Massachusetts and has filed an application to be

formally classified as such under 830 CMR 58.2.1 and has been so classified.

A taxable member that is qualified as a section 38 manufacturer or is a mutual fund service corporation must check the applicable box here and on Schedule U-MSI. If neither box applies, leave this item blank.

A corporation is a section 38 manufacturer for any taxable year if it is engaged in manufacturing and its manufacturing activities during such taxable year are substantial. A corporation may be a section 38 manufacturer when, based solely on its activities within Massachusetts, it does not qualify as a manufacturing corporation under MGL ch 63, § 42B. A corporation's manufacturing activity is substantial if the corporation meets any of the following tests, regardless of whether any of the manufacturing activity occurs within Massachusetts:

- The corporation derives 25% or more of its receipts for the taxable year from the sale of manufactured goods that the corporation manufactures; or
- The corporation pays 25% or more of its payroll for the taxable year to employees working in manufacturing operations and derives 15% or more of its receipts for the taxable year from the sale of manufactured goods that the corporation manufactures; or
- The corporation uses 25% or more of its tangible property in manufacturing during the taxable year and derives 15% or more of its receipts for the taxable year from the sale of manufactured goods that the corporation manufactures; or
- The corporation uses 35% or more of its tangible property in manufacturing during the taxable year.
- The corporation's manufacturing activities are deemed substantial under relevant regulations promulgated by the commissioner. See MGL ch 63, § 38.

In some cases, a member of a combined group purchasing goods manufactured by another member of the group may be considered to be a section 38 manufacturer for the purpose of determining its Massachusetts apportioned share of the combined group's taxable income based upon the manufacturing activity of such other member. See 830 CMR 63.32B.2(7)(g)(2).

A corporation is a mutual fund service corporation under MGL ch, 63 § 38(m) if it derives 50% or more of its gross income from providing, directly or indirectly, management, distribution or administrative services to or on behalf of a regulated investment company, and from trustees, sponsors and participants of employee benefit plans that have accounts in a regulated investment company.

Also enter the name and Federal Identification number of the principal reporting corporation of the combined report.

Line Instructions

Line 2

Check the box if the member is a business corporation is subject to taxation under MGL ch 63, § 39 but which is exempt from the income measure of that excise pursuant federal Public Law 86-272 or which would be exempt except for tangible personal property stored in a licensed public warehouse as described in MGL ch 63, § 39. Such corporations remain subject to the non-income measure of excise. A member that claims such exemption does not complete lines 11 through 30 of this schedule or Schedule U-MSI, but does complete lines 31 through 39.

Line 3

Check the box if the member has terminated its existence (including by reason of a merger) or the member will not be a taxable member of the combined group in the next taxable year for any reason (including a change of ownership).

Lines 4 through 6

S corporations that are financial institutions or general business corporations are taxed at a different rate. The applicable tax rate for an S corporation is determined based on the business' receipts. See MGL ch, 63 § 32D. However, the receipts used for this determination are calculated on an aggregated basis as to entities under common control and engaged in a unitary business and include certain entities that are not corporations. Also, for tax periods of less than 12 months, such receipts are calculated on an annualized basis. See 830 CMR 62.17A.2.

Check the box on line 4 if the member is an S corporation.

Skip lines 5 and 6 if the member is an S corporation and the unitary group's receipts are $9 million or more. Otherwise, check the box on line 5 if the S corporation and the unitary group's receipt were less than $6 million. Check the box on line 6 if the S corporation and the unitary group's receipts were greater than $6 million but less than $9 million.

Line 7

Indicate if the member has a separate taxable year ending at a different time than the taxable year for which the combined report is being filed.

All members of the combined group determine and pay the excise on their apportioned shares of the combined group's income from the unitary business on Form 355U. The combined report is due on the 15th day of the fourth month following the close of the combined group's taxable year.

Each business corporation that is a member of the combined group and that is taxable under MGL ch 63, § 39 is also subject to the non-income measure of excise. Where both the income and non-income measures of the excise are due on the same date, complete lines 31–35 to calculate the non-income measure of excise with this return. See DD 93-6 if a member of a federal consolidated group is filing a final return because it has merged with its owner.

Fiscalization

A corporation that has a different taxable year end (e.g., a member subject to fiscalization under 830 CMR 63.32B.2 (12)(c)) is required to check the box on line 7 and, if taxable under MGL ch 63, § 39, to file Form 355 or 355S to pay the non-income measure of excise at the close of its separate taxable year. Such corporations do not complete lines 31-35, below.

Line 10

Enter the member's total assets as of the last day of the taxable year. If the member's tax year ends at a different time than the combined group's taxable year, enter the asset total as of the last day of the member's most recently completed tax year. For member corporations that file U.S. Form 1120, this amount must match the total assets as shown on Schedule L as attached to such Form 1120.

Line 11

Enter the total amount from the member's Schedules U-MSI, line 33. If the member files more than one Schedule U-MSI, this amount must match the total of all the amounts on line 33 of all such Schedules U-MSI.

Line 12

If the member has IRC § 1231 gain (or loss) from a source other than the activities of the combined group's unitary business, enter the amount of such income to be allocated or apportioned to Massachusetts. This amount must match the amount stated on Schedule U-MTI, line 29 as filed by the member. If the member files more than one Schedule U-MTI, this amount must match the total of all the amounts on line 29 of all such Schedules U-MTI.

Line 13

Combine the amounts on lines 11 and 12. If the total is a loss, enter 0 here; the combined loss will be entered on line 20.

Line 14

If the member has an unrecaptured IRC § 1231 loss from a prior year combined report (e.g., 2009 Schedule U-ST, line 18 was less than 0), or the member has an urecaptured IRC § 1231 from a year not subject to combined reporting, enter the amount here as a positive amount. Unrecap-

tured losses from years not subject to combined reporting should be converted to post-apportionment amounts by multiplying the amount included in determining pre-apportionment income for the year in which the loss was deducted by the apportionment percentage applicable to the same year.

Line 15

If the amount on line 14 is greater than the amount on line 13, enter 0. If the amount on line 13 is greater, subtract the amount on line 14 from the amount on line 13 and enter the result.

Line 16

Enter the total of all of the member's Schedules U-MSI, line 31.

Line 17

If the member has capital gain (or loss) from a source other than the activities of the combined group's unitary business, enter the amount to be allocated or apportioned to Massachusetts. This amount must match the amount stated on Schedule U-MTI, line 28.

Line 18

If the total of the amounts stated on lines 15 through 17 is a gain, enter the total here. Otherwise, enter 0.

Line 19

If line 13 and line 14 were both greater than 0, enter the smaller amount here. Otherwise, enter 0.

Line 20

If the total of the amounts on lines 11 and 12 was a loss, enter the total here as a negative. Otherwise, enter 0.

Line 21

Enter the total amount from the member's Schedules U-MSI, line 29. If the member files more than one Schedule U-MSI, this amount must match the total of all the amounts on line 29 of all such Schedules U-MSI.

Line 22

If the member has any income other than gains or losses from a source other than the activities of the combined group's unitary business, enter the amount allocated or apportioned to Massachusetts. This amount must match the amount stated on Schedule U-MTI, line 27.

Line 23

Massachusetts S corporations may be subject to an entity-level tax under MGL ch 63 on certain income taxed to the S corporation at the entity level under the IRC (e.g., as to certain built-in gains). See MGL ch 63, § 2B(a)(1) and 32D(a)(i). If the member is an S corporation and its apportioned share of the combined group's taxable income or income otherwise allocated or apportioned to Massachusetts includes such income, reference such income on this line as a negative number and enter the applicable tax on said income on line 33. The tax applicable to such income is determined by applying the MGL ch 63 tax rate that would apply to the S corporation if it were a C corporation (e.g., the rate that applies to a business corporation or a financial institution).

Other adjustments required by applicable law and not otherwise provided for on this Schedule U-ST should also be made on this line. Taxpayers must maintain contemporaneous records to support any such adjustment.

Line 25

A member that incurred a loss in a prior tax year and has a net operating loss (NOL) carryforward by reason of that fact should enter the amount of the allowable NOL deduction to be applied to the member's income in the current tax year on this line and enclose Schedule NOL. The amount stated must match the amount on Schedule NOL, line 9. See 830 CMR 63.32B.2(8). Financial institutions are not allowed a NOL carryforward deduction. If a member is a financial institution, enter 0 on this line.

Line 27

A member that is eligible to claim a NOL carryforward deduction that has exhausted its own such carryforwards, if any, may share the Massachusetts NOL carryforwards of other taxable members subject to the requirements and limitations that apply to the use of such carryforwards. For example, only a NOL that derives from a group loss as determined on a prior year combined report may be shared and such loss may only be applied against apportioned income as derived from the combined group for the current year. See 830 CMR 63.32B.2 (8).

Enter the total amount of the allowable losses incurred and carried forward by other members that are being deducted by the member submitting this Schedule U-ST and enclose Schedule U-NOLS. The amount of the shared NOL deduction stated on this line must match the amount on all Schedules UNOLS, line 24 filed by this member. Financial institutions are not allowed a NOL carry forward deduction. If the member is a financial institution, enter 0 on this line.

Line 29

The member must determine its tax rate based on:

- Its applicable tax type as indicated in its response to the question in the header;
- Whether it is an S corporation and, if so, its receipts for the tax year as stated in lines 4 through 6; and
- The date of the beginning of the combined group's taxable year.

Members that are financial institutions taxable under MGL ch 63, § 2 (not including financial institutions that are S corporations) are taxed at a rate of 9.0% for tax years beginning on or after January 1, 2017.

Members that are S corporation financial institutions taxed under MGL ch 63, § 2B and that have total annualized receipts (calculated on an aggregate basis with commonly controlled entities engaged in a unitary business) of $9 million or more are taxed at the rate that applies to financial institutions that are C corporations less the rate that applies to Part B taxable income under MGL ch 62 for the same tax year. For tax year 2023, the applicable rate is 4.0%.

Members that are S corporation financial institutions taxed under MGL ch 63, § 2B with annualized, aggregated receipts of at least $6 million but less than $9 million pay tax at a rate equal to 66.67% of the rate imposed on those financial institution S corporations that have receipts of $9 million or more. For tax year 2023, the applicable rate is 2.67%.

Financial institution S corporations with annualized aggregated receipts of less than $6 million are subject to an income measure excise only if they have income taxed to the S corporation at the entity level under the IRC (e.g., as to built in gains). Enter 0 on line 29 if the annualized, aggregated receipts are less than $6 million.

Members that are business corporations taxable under MGL ch 63, § 39 (not including S corporations) are taxed at a rate of 8% for tax years beginning on or after January 1, 2017.

Members that are S corporations taxed under MGL ch 63, § 32D and that have total annualized receipts (calculated on an aggregate basis with commonly controlled entities engaged in a unitary business) of $9 million or more are taxed at the rate applicable to business corporations that are C corporations less the rate applicable to Part B taxable income under MGL ch 62 for the same tax year. For tax year 2023, the applicable rate is 3.0%.

Members that are S corporations taxed under MGL ch 63, § 32D with annualized, aggregated receipts of at least $6 million but less than $9 million pay tax at a rate equal to 66.67% of the rate imposed on S corporations with receipts of $9 million or more. For tax year 2023, the applicable rate is 2.0%.

S corporations that have annualized aggregated receipts of less than $6 million are subject to an income measure excise only if they have income taxed to the S corporation at the entity level under the IRC (e.g., as to built in gains). Enter 0 on line 29 if the member's annualized, aggregated receipts are less than $6 million.

Line 30
Multiply line 28 by line 29. Round the result to the nearest whole dollar.

Lines 31 through 35
Each taxable member that is subject to a non-income measure of excise (e.g., a business corporation, including an S corporation regardless of the level of receipts used to determine its tax rate under § 32D, that is not an insurance mutual holding company) and that does not have a different fiscal year end must submit with Schedule U-ST their separately calculated Schedules A, B and either C, D or RNW for the purpose of calculating the non-income measure of excise. Taxable members that are financial institutions leave this section blank. Taxable members that are business corporations that have a separate taxable year ending at a different time than the year for which the combined report is being filed leave this section blank and must file Form 355 or 355S to pay the non-income measure at the end of the member's separate taxable year.

The non-income measure of excise is calculated without reference to MGL ch 63, § 32B. Taxable members complete Schedules A, B, etc. based on their separate assets, liabilities and activities. Taxable members that are not eligible to apportion their income based on their separate activities enter 100% as the apportionment percentage on Schedule B and Schedule D or RNW. Taxable members that are separately eligible to apportion complete both the numerator and denominators on Schedule F without eliminating transactions with other group members as required when apportioning the combined group's income.

Line 31
Enter, as a decimal, the tangible property percentage calculated on Schedule B, line 15. A result greater than 9.99999 (999.999%) is entered as 9.99999.

Line 32
If the result on line 31 is 0.1 (10%) or more, attach Schedule C and enter the amount from Schedule C line 4 (do not enter less than 0). Omit Schedule D.

Line 33
If the result on line 31 is less than 0.1 (10%), attach Schedule D (or RNW if appropriate) and enter the amount from Schedule D line 10 (do not enter less than 0).

Line 34
Enter, as a whole number, the number of months in the member's separate taxable year as shown in the header of Schedule U-ST; this must be at least one and not more than 12. A calendar month is counted if 15 days or more of the month are within the taxable year (e.g., a year beginning on January 1 and ending on March 10 is reported as two months, a year beginning on March 11 and ending on December 31 is 10 months.) If the taxable year includes two taxable months each having less than fifteen days and the total number of days in such partial months is fifteen or more, the aggregate of such two partial months will be treated as an additional calendar month. See DD 07-08.

Line 35
Calculate the non-income measure of excise. If line 34 indicates that this is a taxable year of 12 months, this will be the amount on line 32 or 33 (whichever applies) × 0.0026. If line 34 is less than 12 months, that result is pro-rated by the number of months in the corporation's separate taxable year. Round the result to the nearest whole dollar.

Line 36
Enter any additional excise taxes that may be due from the member under MGL ch 63. These additional taxes may include the following:

- Recapture taxes due with respect to certain credits;
- Additional taxes due from an S corporation with respect to income taxed to the S corporation at the entity level under the IRC (e.g., as to built-in gains). Note that this excise is calculated using the rate that applies to a financial institution or business corporation, as applicable, in the instance where such entity is not an S corporation;

Additional taxes due with respect to certain installment sales under MGL ch 62C § 32A. See TIR 10-11.

Business corporations and financial institutions do not account for the $456 minimum excise on this line.

Line 37
Combine the amounts on lines 30, 35 and 36. It the result is less than $456 and the taxable member is a financial institution or a business corporation that is not filing a separate Form 355 or 355S to determine and pay its non-income measure of excise, enter $456.

Line 38
A taxable member that has a credit, including a credit carried forward from a prior tax year, should enter the total amount of any of the member's own such credits that are being applied to reduce the member's excise for the tax year. See 830 CMR 63.32B.2(9). This amount must match the amount stated on Schedule U-IC, line 11.

Line 39
A taxable member that is eligible to claim a credit that has exhausted its own credits, if any, may share a credit of one or more other members subject to the requirements and limitations that apply to the use of such credits. See 830 CMR 63.32B.2(9). Enter the total amount of credits generated by other members that are being used by the member submitting this Schedule U-ST. This amount must match the amount stated on Schedule U-IC, line 12.

Line 42
Enter the amount from Schedule U-IC, line 13 if the member has income from a pass-through entity (e.g., a partnership) from which Massachusetts income tax has been withheld.

Line 43
Enter the total of the amounts shown on the Credit Manager Schedule, Section 2, column (f), or Section 4, column (g), if the member has refundable tax credits under any of several programs.

Schedule U-TM Tax by Member
General Instructions
Enter the name of the member (as stated on its Schedule U-ST) and its Federal Identification number.

Column Instructions
Each line on the Schedule U-TM should match exactly to a member's Schedule U-ST. There should be one line on the Schedule U-TM for each Schedule U-ST on the return.

Schedule U-TM, column a corresponds to the member's Federal Identification number in the Schedule U-ST header.

Schedule U-TM, column b corresponds to the tax type in the Schedule U-ST header.

Schedule U-TM, column c must equal the amount in Schedule U-ST, line 30 (income measure of excise).

Schedule U-TM, column d must equal the amount in Schedule U-ST, line 35 (non-income measure of excise).

Schedule U-TM, column e must equal the amount in Schedule U-ST, line 36 (other taxes due including recapture and installment sales).

Schedule U-TM, column f must equal the amount in Schedule U-ST, line 40 (member's total credits against excise).

Schedule U-TM, column g must equal the amount in Schedule U-ST, line 41 (member's net tax liability).

Totals are requested at the bottom of columns c, d, e, f and g.

Schedule U-CS Credits Shared from Other Members
A member of a combined group may be allowed to share a credit that is generated by another member to offset against its excise resulting from

its apportioned share of the combined group's taxable income where the credit derives from the combined group's unitary business (or business in general in the case of an affiliated group election). 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 MGL ch 63 to which it is subject. Thus, for example, a financial institution is eligible to share the Economic Development Incentive Program Credit (EDIPC) because it is eligible to generate and use the EDIPC pursuant to the provisions of MGL ch 63, § 38N. However, a financial institution is not eligible to share the Investment Tax Credit (ITC) or the research credit because it not eligible to generate or use either such credit pursuant to the provisions of MGL ch 63, §§ 31A and 38M, respectively. 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 MGL ch 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).

General Information

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 ITC under MGL ch 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 MGL ch 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 MGL ch 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 MGL ch 63, § 2B are considered financial institutions. S corporations taxable under MGL ch 63, § 32D are considered general business corporations.

Enter the name of the contributing member (e.g., 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. Enter the ending date of the combined group's taxable year.

Line Instructions

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 MGL ch 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" (e.g., "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 period ending date (MM/DD/YYYY) to which the shared credits relate. If the shared credits relate to only one tax period, enter the ending date of that period.

Line 2

Enter the total amount of credits that are being shared by the contributing member with the member filing Schedule U-CS.

Member filing more than one 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 3. The total of the line 2 amounts relating to the research credit must be reported on Schedule U-IC, line 6 and the total of the line 2 amounts for all other credits to be shared must be reported on Schedule U-IC, line 9.

Schedule U-IC Member's Individual Credits

Schedule U-IC must be filed by every taxable member of a combined group that possesses Massachusetts credits that are being used against either its own excise or the excise of another member of the combined group. A corporation that is 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 unitary business of the combined group, consistent with the requirements and limitations referenced in 830 CMR 63.32B.2(9). Schedule U-IC must also be filed by a combined group member that is taking credits under the credit sharing rules.

Schedule U-IC works in conjunction with the Credit Manager Schedule (Schedule CMS) and with Schedule U-CS (which must be filed by any member that is taking a credit against its excise under the credit sharing rules).

General Instructions

For each Schedule U-IC filed, enter the name of the member (as stated on its Schedule U-ST) and the member's Federal Identification number. Check one box to indicate whether the financial

institution excise or the general business corporation excise applies. S corporations taxable under MGL ch 63, § 2B are considered financial institutions. S corporations taxable under MGL ch 63, § 32D are considered business corporations.

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

Line Instructions

Line 1

Enter the amount from Schedule U-ST, line 37.

Line 2

If the member is taking EDIPC, EOAC, Investment Tax Credit, Brownfields Credit or Vanpool Credit based on its own activities (not under the sharing rules) those credits are shown on Section 1 of Schedule CMS which must be filed with this return. Enter the total amount EDIPC, EAOC, ITC, BC or VP credits being taken by this member against its own excise on line 2. All credits taken here must be shown in column (f) of Schedule CMS for those credit types.

Line 3

If the member is taking EDIPC, EOAC, Investment Tax Credit, Brownfields Credit or Vanpool Credit under the sharing rules, those credits are shown on schedule U-CS which must be filed with this return (multiple schedules U-CS are allowed and may be required if more than one type of credit is being taken or if more than one affiliate is allowing this member to use its credits). Enter the total amount EDIPC, EAOC, ITC, BC or VP credits belonging to other members of that group but being taken by this member under the sharing rules.

Line 4

Combine the amounts on line 2 and line 3. Except in the case of a Brownfields Credit being taken by a financial institution, or where a credit has been designated as refundable by the EACC, the total shall not be more than 50% of the amount on line 1. This total may also not be more than the amount on line 1 minus $456 (which is the minimum excise amount due).

Line 5

If the member is taking the research credit (MGL ch 63, § 38M) based on its own activities and not under the sharing rules, those credits are shown on Schedule CMS which must be filed with this return. Enter the total amount of the research credit being taken by this corporation against its own excise on line 2. All research credits taken here must be shown in column (f) of Section 1 of Schedule CMS for that credit type. Do not include amounts for which the member is seeking a refund pursuant to the Life Sciences Tax Incentive Program (the refundable portion of any credit is shown on Section 2 of Schedule CMS). Do not include amounts claimed for the Life Sciences research credit under MGL ch 63, § 38W.

Line 6

If the member is taking the Massachusetts research credit (MGL ch 63, § 38M) of an affiliate under the sharing rules, those credits are shown on Schedule U-CS which must be filed with this return (multiple Schedules U-CS are allowed and is required if more than one affiliate is allowing this member to use its credits). Enter the total amount research credits belonging to other members of that group but being taken by this member under the sharing rules line 7.

Line 7

Combine the amounts on line 5 and line 6. A business corporation is required to determine its limitation as applied to this credit under 830 CMR 63.38M.2 (10). In no event shall this latter limitation exceed the lesser of (a) the amount on line 1 minus the total of line 4 and $456 or (b) 75% of the amount on line 1 plus $6,250.

Line 8

Enter the total amount of the member's other credits taken as shown on Schedule CMS, Section 1, column (f) and not included on lines 2 and 5 above on line 8. The total of lines 2, 5 and 8 must equal the total credits taken in Section 1, column (f) of Schedule CMS. Do not include any refundable credits shown in Section 2 of Schedule CMS.

Line 9

If the member is sharing one or more credits generated by another member and not accounted for on lines 3 or 6 above, enter the total amount of such credits being used by the member here. The total of the amounts on lines 3, 6 and 9 must match the total of the amounts shared from other members as reported on all Schedules U-CS, line 2, that list the member as the corporation using these credits.

Line 10

Combine lines 8 and 9. The total of credits taken may not exceed the amount on line 1 minus the total of the amount on lines 4, line 7 and $456.

Summary

Line 11

Combine the amounts on lines 2, 5 and 8. Enter this amount on U-ST, line 38.

Line 12

Combine the amounts on lines 3, 6 and 9. Enter this amount on U-ST, line 39.

Pass-Through Entity Withholding

Line 13

Enter the amount of any withholding tax from pass-through entities on line 13. This is the amount of withholding from all Schedules 3K-1, that the corporation may have received. Also enter the Federal Identification number of the pass-through entity which withheld the amount. The total Pass-Through Entity Withholding is also entered on U-ST, line 42.

Schedule U-INS Payment to Insurance Companies Under Common Ownership

A member of a Massachusetts combined group filing a combined report that is claiming a deduction for amounts paid or accrued directly or indirectly to an affiliated insurance company must file Schedule U-INS. Specifically, such member must file Schedule U-INS if it is under common ownership with the affiliate as that term is defined in MGL ch 63, § 32B and 830 CMR 63.32B.2 and such affiliate qualifies as either a life insurance company as defined in IRC § 816 or an insurance company subject to tax imposed by IRC § 831.

Amounts paid or accrued directly or indirectly to an insurance affiliate include, without limitation, amounts paid or accrued to one or more pass-through entities in which the insurance affiliate has a greater than 5% direct or indirect ownership interest and insurance premiums paid or accrued to a third party where the insurance purchased is re-insured by the insurance affiliate. For purposes of this form an insurance affiliate is deemed to have a direct or indirect ownership interest in a pass-through entity when it has such interest applying the ownership attribution rules set forth in IRC § 318, as modified for purposes of 830 CMR 63.32B.2. See 830 CMR 63.32B.2(2) (definition of "commonly owned").

General Instructions

For each member required to file Schedule U-INS, identify both the member that deducts the amount paid or accrued and the insurance affiliate that receives or is to receive the amount either directly or indirectly (including situations where a pass-through entity owned by the insurance affiliate is the direct or indirect recipient of such amount, as specified above). If the insurance affiliate is a foreign entity that does not have a taxpayer identification number, enter "foreign" in the space provided.

Report the type of U.S. income tax return filed by the insurance affiliate. "Filed other" for this purpose includes reference to U.S. Forms 1120-L and 1120-PC and other returns reporting both income and deductions but does not include reference to U.S. Form 1042-S when filed by a withholding agent. If the insurance affiliate files as a member of a U.S. consolidated return as part of a mixed group, the return type indicated should be the type of return filed by the common parent (e.g., if a

consolidated return including the insurance affiliate is filed by the common parent on U.S. Form 1120, check that box). Report the type of Massachusetts tax return filed under MGL ch 63, if any.

Financial Amounts

The amount reported on line 1 of Schedule U-INS must reflect the insurance premiums deducted by the member that are paid or accrued directly or indirectly to the insurance affiliate. If no such premiums were deducted, enter 0.

The amount reported on line 2 of Schedule U-INS must include all other amounts deducted by the member, including interest, rents, payments for services, fees, commissions and any other amounts that are paid directly or indirectly to the insurance affiliate. If no other amounts were deducted, enter 0.

Schedule U-NOLS Member's Shared Loss Carryforwards

Schedule U-NOLS must be completed by every taxable member of a combined group that is using a net operating loss (NOL) carryforward of another member of the group (i.e., where the loss was incurred in a prior tax year by such other contributing member). If the member is sharing an NOL carryforward from more than one group member, a single Schedule U-NOLS may be used to report the NOL carryforwards that are being shared from all such contributing group members.

A financial institution as determined pursuant to MGL ch 63 is not entitled to deduct an NOL carryforward either itself or on shared basis and therefore cannot file Schedule U-NOLS.

A taxable member cannot share an NOL carryforward that was derived from a loss incurred in separate activities that were not accounted for as part of the determination of a combined group's taxable income included in a combined report (e.g., a NOL carryforward that derived from a loss that was incurred in a tax year beginning prior to January 1, 2009).

In general, a corporation taxable under MGL ch 63, § 39 and an S corporation taxable under MGL ch 63, § 32D may carryforward and deduct an NOL for up to twenty (20) taxable years. For taxable years beginning on or after January 1, 2009, where a taxable member of a combined group has an NOL carryforward that derives from the unitary business of such group (or the general business activities of such group in the instance where the group is subject to an affiliated group election), such NOL carryforward may be shared with another member of the group under certain circumstances. In particular, where the combined group was not subject to an affiliated group election in the tax year in which the loss was incurred, another member of the group may share (i.e., deduct) an NOL carryforward belonging to the member that incurred the loss if the loss was derived from activities of the unitary business and if such other member was engaged in the unitary business in the tax year that the loss was incurred. Further, in any case in which the combined group was subject to an affiliated group election for the tax year in which the loss was incurred, another member of the group may share (i.e., deduct) an NOL carryforward of the member that incurred the loss if it was a member of the combined group in the tax year that the loss was incurred, irrespective as to whether the members were engaged in a unitary business in such prior tax year.

A member of a combined group must first deduct its own NOL carryforwards before it may contribute its NOL carryforwards to another group member or, alternatively, share an NOL carryforward that belongs to another group member. Thus, for example, a member may contribute its NOL carryforwards to another member only if its taxable net income for the tax year in question has been reduced to 0. For the requirements and limitations that apply to the sharing of NOL carryforwards, see 830 CMR 63.32B.2(8).

Schedule U-NOLS requires that a member must first determine the amount of its income against which a shared NOL carryforward may be deducted. If, after deducting its own NOL carryforwards, the member has positive taxable income derived from the activities of the combined group, it must identify, for the NOL carryforward(s) that it seeks to share, the ending date of the tax year in which the underlying loss was incurred and the amount of the deduction claimed. Schedule U-NOLS permits the member to share NOL carryforwards from one or more other contributing members from any or all of up to twenty (20) preceding tax years, assuming that the requirements for sharing such NOL carryforwards are otherwise met. The deduction is only allowed to the extent that the member's taxable income derived from the activities of the combined group exceeds 0.

General Instructions

Enter the name of the taxable member filing the Schedule U-NOLS (using the name referenced on Schedule U-ST), the member's Federal Identification number and the beginning and ending dates of the combined group's tax year.

Also enter the unitary business identifier to identify the unitary business from which income referenced on lines 3 through 7 derives. This is the income from which the taxable member seeks to deduct the NOL carryforward.

In the case of an affiliated group election, the unitary business identifier will be 1. If the NOL relates to a prior year in which an affiliated group election was also in place, the loss may not be shared unless both corporations were members of the same affiliated group in the year in which the loss was incurred. If the NOL relates to a year for which no affiliated group election was made, the loss may not be shared unless both corporations were members of a combined group engaged in the same unitary business in the year to which the loss carryforward relates.

Where no affiliated group election has been made, unless both the income and the NOL carryforward relate to the same unitary business, the sharing of the carryforward is not permitted. If the combined group is engaged in more than one unitary business and has not made an affiliated group election, losses from one unitary business may only be shared as between members engaged in the same unitary business. In such cases, where a member seeks to share NOL carryforwards that relate to more than one unitary business, a separate Schedule U-NOLS is required as to each such business.

Line Instructions

Line 1

Indicate if the combined group is making or is subject to an affiliated group election or a worldwide election in the current year. If applicable, check the box indicating which election is in effect.

Line 2

Indicate if the member taking the NOL carryforward is a mutual fund service corporation. Mutual fund service corporations that derive separate shares of income from a unitary business measured by their mutual fund sales activities and their other business activities must total the amounts from both those Schedules U-MSI when completing lines 3 through 7 of this schedule.

Determination of Taxable Net Income Attributable to the Common Unitary Business

Lines 3 through 7

These lines apply only in the instance in which the combined group is not subject to an affiliated group election for the current year. In any instance in which the combined group is subject to an affiliated group election, skip to line 8.

Line 3

Enter the member's Massachusetts apportioned share of combined IRC § 1231 gain or (loss) from this unitary business. This is the amount from Schedule U-MSI, line 33.

Line 4

Enter the member's Massachusetts apportioned share of combined capital gain or (loss) from this unitary business. This is the amount from Schedule U-MSI, line 31.

Line 5
Enter the member's Massachusetts apportioned share of combined income other than capital or IRC § 1231 gains and losses. This is the amount from Schedule U-MSI, line 29.

Line 6
Enter as a positive adjustment, the amount of any non-deductible capital loss attributable to this business. If the member's share of the combined capital gain on line 4 (above) is greater than or equal to 0, or the net capital gain from all sources on Schedule U-ST, line 20 is greater than 0, enter 0. Otherwise enter the smaller of the adjustment required to offset the capital loss on line 4, above (as a positive value), or the adjustment required to offset the total of the amounts on Schedule U-ST, lines 17, 18 and 19 (also expressed as a positive value).

Line 7
Combine lines 3 through 6. If less than 0, enter 0 and stop here; the member has no taxable income from this unitary business.

Line 8
Enter the amount from Schedule U-ST, line 26.

Line 9
Member's taxable income from which a shared NOL may be deducted. If the group is subject to an affiliated group election, enter the amount from line 8. All other taxpayers enter the smaller of the amount on line 7 and the amount on line 8.

Line 10
An NOL carryforward can only be shared when both of the following conditions apply in the tax year in which the loss was incurred:

- The member using the NOL carryforward and the member contributing the NOL carryforward were both members of a combined group engaged in a unitary business (or were both members of a combined group subject to an affiliated group election); and
- The loss to be shared was derived from the activities of such unitary business (or was derived from the activities of such affiliated group).

Enter the ending date of the oldest tax year in which a loss which may be shared was incurred in the MM/DD/YYYY format. The use of the NOL carryforward must be consistent with the requirements and limitations referenced in 830 CMR 63.32B.1(8).

Line 11
Enter the amount of the shared NOL from the tax year referenced on the prior line that is being used. The total amount of all shared NOL deducted may not exceed the amount shown on line 9, above. If more than one other member is contributing an eligible NOL carryforward from the tax year that is being shared, enter the total amount from all contributing members being deducted by this member.

If more than one other member has an NOL carryforward that is eligible to be shared with the member that date back to the tax period referenced on the prior line, and the total amount available exceeds the amount that can be used by the member filing the Schedule U-NOLS, the NOL carryforward that is to be used is considered to be shared from each such contributing member on a pro-rata basis with respect to the amount available.

Each contributing member must reflect the amount of the NOL carryforward that it has contributed to the member sharing such carryforwards when it files its Schedule U-NOL, and must reduce the amount of its NOL carryforward that is available for carryforward to future years by the amount so shared. This reporting is to be made on the contributing member's own Schedule U-NOL.

Line 12
Subtract the amount on line 11 from the amount on line 9.

Lines 13 through 69
Repeat the procedure used for lines 11 through 13 for each of up to 19 additional prior tax years.

Credit Table

Credit name	Requirements	Refundable?	Credit type	a. MGL Chapter	Section	b. MGL Chapter	Section
Angel Investor	Certificate number*	No	AGLCRD	62	6(t)		
Apprenticeship	Certificate number	Yes, at 100%	APPCRD	62	6(v)	63	38HH
Brownfields	Certificate number	No	BRWFLD	62	6(j)	63	38Q
Certified Housing	Certificate number	No	CRTHOU	62	6(q)	63	38BB
Community Investment	Certificate number	Yes, at 100%	CMMINV	62	6M	63	38EE
Conservation Land	Certificate number	Yes, at 100%	CNSLND	62	6(p)	63	38AA
Cranberry Bog Renovation	Certificate number	Yes, at 100%	CRBCRD	62	6(w)	63	38II
Dairy Farm	Certificate number	Yes, at 100%	DAIFRM	62	6(o)	63	38Z
Disability Employment	Period end date	Yes	DETCRD	62	6(Z)	63	38JJ
EDIP	Certificate number and Schedule EDIP**	If authorized, at 100%	EDIPCR	62	6(g)	63	38N
EDIP-Vacant Store Front	Certificate number	Yes, at 100%	VACSTR	62	6(g)	63	38N
EOAC	Period end date and Schedule EOAC**	If authorized	EOACCR	62	6(g)	63	38N
Farming and Fisheries	Period end date and Schedule FAF**	No	FRMFSH	62	6(s)		
Film Incentive	Certificate number	If authorized, at 90%	FLMCRD	62	6(l)	63	38X
Harbor Maintenance***	Period end date	No	HRBMNT			63	38P
Historic Rehabilitation	Certificate number	No	HISRHB	62	6J	63	38R
Investment Tax	Period end date and Schedule H**	No	INVTAX			63	31A
Lead Paint	Period end date and Schedule LP**	No	LEDPNT	62	6(e)		
Life Science (FDA)	Period end date and Schedule RLSC**	If authorized, at 90%	LFSFDA	62	6(n)	63	31M
Life Science (ITC)	Period end date and Schedule RLSC**	If authorized, at 90%	LFSITC	62	6(m)	63	38U
Life Science (Jobs)	Period end date and Schedule RLSC**	If authorized, at 90%	LFSJOB	62	6(r)	63	38CC
Life Science (RD)	Period end date and Schedule RLSC**	If authorized, at 90%	LFSRDC			63	38W
Low-Income Housing	Certificate number	No	LOWINC	62	6I	63	31H

* As of 2023 the method for reporting the Angel Investor credit on Schedule CMS is by certificate number. Prior to 2023 the method of reporting was by period end date.

** A schedule is required when the credit is generated or awarded in the current year.

*** Eligibility for obtaining the Harbor Maintenance Tax Credit has been repealed for tax years beginning on or after January 1, 2022. Taxpayers must continue to report available carryover credits to the extent they are allowed to use them.

Credit Table

Credit name	Requirements	Refundable?	Credit type	a. MGL Chapter	Section	b. MGL Chapter	Section
Low-Income Housing Donation	Certificate number	No	LIHDON	62	6I	63	31H
Medical Device****	Certificate number	No	MEDDVC	62	61⁄2	63	31L
National Guard Employee	Certificate number	No	NGHCRD	62	6(aa)	63	38KK
Offshore Wind Facility Capital Investment	Period end date	Yes	OSWITC	62	6(cc)	63	38MM
Offshore Wind Jobs	Period end date	Yes	OSWJTC	62	6(bb)	63	38LL
Pass-Through Entity Excise Tax (Form 63D-ELT)	Period end date	Yes*****	ELTCRD	63D	2		
Research	Period end date and Schedule RC**	No	REARCH			63	38M
Septic	Period end date and Schedule SC**	No	SEPTIC	62	6(i)		
Solar and Wind Energy	Period end date and Schedule EC**	No	SLRWND	62	6(d)		
Vanpool	Period end date and Schedule VP**	No	VANPOL			63	31E
Veteran's New Hire	Certificate number	No	VETHIR	62	6(u)	63	38GG

** A schedule is required when the credit is generated or awarded in the current year.

**** Eligibility for obtaining the Medical Device Tax Credit has been repealed for tax years beginning on or after January 1, 2022. Taxpayers must continue to report available carryover credits to the extent they are allowed to use them.

***** Shareholders, partners, or beneficiaries of an eligible pass-through entity (qualified members) may claim a refundable credit equal to 90% of their allocable share of PTE Excise paid by such pass-through entity. See MGL ch 63D §§ 1-7; TIR 22-6 Pass-through Entity Excise. See also Elective pass-through entity excise FAQs.

Note: Certified life sciences companies with a Research Credit exceeding the amount of credit that may be claimed under section 38M for a taxable year may, to the extent authorized under the Life Sciences Tax Incentive Program, elect to make 90% of the balance of remaining credits refundable. See MGL ch 63, § 38M(j).