2025 Instructions for Massachusetts Corporation Excise Return **Form 355**

This form has an electronic filing requirement.
See instructions.

(Revised August 4, 2026)

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Notice:

For tax year **2025**, several significant changes have been made to Massachusetts corporate excise tax law. These changes impact how certain federal tax provisions are treated on your Massachusetts return.

All new or updated provisions for **2025** are marked with three asterisks **(***)** at the end of the relevant title throughout these instructions.

Summary Table:

Tax Provision	Federal Code	MA Schedule E Line	Reporting Guidance
Business Interest Expense Deduction	§ 163(j)	11	Report difference; attach explanation
Special Depreciation Allowance	§ 168(n)	13	Report difference; attach explanation
Research & Experimental Deductions	§ 174/174A	13	Report difference; attach explanation
Section 179 Expensing	§ 179	13	Report difference; attach explanation

Major 2025 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 corporate excise returns on or before the 15th day of the fourth month following the close of each taxable year.

The 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.

Withholding on Sales of Massachusetts Real Estate

Sales of Massachusetts real estate are subject to withholding on the gross sales price or estimated net gain from the sale, when the gross sales price equals or exceeds $1,000,000. The amount withheld is calculated based on the gross sales price of the real estate, unless the seller elects the alternative withholding calculation based on the seller's estimated net gain from the sale of the real estate. The seller must report gain from the sale of real estate on their return for the tax year in which the sale takes place, and the seller may claim the amount withheld as a credit on their return. The credit is available for tax years beginning on or after January 1, 2025, for real estate closings that occur on or after November 1, 2025. There are many exemptions from the withholding requirement, including for corporations with a continuing Massachusetts business presence, a member of a combined group where one member of such group has a continuing Massachusetts business presence; insurance companies; and financial institutions that maintain a place of business in Massachusetts. For additional information, see 830 CMR 62B.2.4 and the Department's website at https://www.mass.gov/info-details/withholding-requirement-sale-of-real-estate-by-non-residents.

Massachusetts Credits

Several new credits are available. In addition, certain existing credits have been revised. These are discussed in detail in TIR 24-16 and TIR 25-5.

New Climatetech Tax Incentive Program:

The Climatetech Tax incentive program adds three new credits for eligible expenses incurred by climatetech companies in developing and deploying technologies aimed at mitigating or adapting to climate change. The credit takes effect for tax years beginning on or after January 1, 2024. A climatetech company must be certified as such by the Massachusetts clean energy technology center ("CEC").

The program provides for the following credits:

- The Climatetech Incentive Jobs Credit is awarded in an amount determined by CEC (in consultation with the Department of Revenue) to climatetech companies that create at least five new jobs in the climatetech sector. The credit is available to both corporate excise and personal income tax filers.
- The Climatetech Capital Investment Credit is awarded in an amount, determined by CEC, up to fifty percent of a climatetech company's investment in a climatetech facility.
- The Climatetech Qualified Research Expenses Credit is awarded at the discretion of CEC in an amount equal to the sum of (i)10% of the excess of qualified research expenses for the taxable year, over a base amount, and (ii)15% of the basic research payments as determined for federal tax purposes.

See TIR 25-5, Section I, for a more detailed discussion of the credits, including eligibility, refundability, carryover of unused credits, and limitations on the credits

New Live Theater Credit

The Live Theater Credit is available for costs incurred in presenting certain live theater productions in Massachusetts. The credit is equal to the sum of (i) 35% of a theater company's total in-state payroll costs, (ii) 25% of its total in-state production and performance expenditures, and (iii) 25% of its total in-state transportation expenses. The Massachusetts Office of Business Development awards the credit based on applications submitted by theater companies. The credit is transferable but is not refundable. Unused credit may be carried forward for five years. The credit is available for tax years beginning on or after January 1, 2025, and will expire on January 1, 2030. For additional information see TIR 25-5, Section II.

New Homeownership Credit

The Homeownership Credit is available to real estate developers that build certain new housing units. The credit is awarded in an amount determined by the Massachusetts Housing Finance Agency based on applications submitted by developers. The credit is transferable but not refundable. The credit is available for tax years beginning on or after January 1, 2025. For additional information, including eligibility rules, see TIR 24-16, Section II.

New Qualified Conversion Credit

The Qualified Conversion Credit is available to real estate developers that convert existing commercial property to residential or mixed use. The credit is awarded in an amount determined by the Executive Office of Housing and Livable Communities based on applications submitted by developers. The credit cannot exceed 10% of a developer's costs. The credit is transferable but not refundable. The credit is available for tax years beginning on or after January 1, 2025, and expires on or before December 31, 2029. For additional information see TIR 24-16, Section III.

Other Credits

Certain existing credits have been revised by recent legislation. These revisions expand the availability of the following credits for the tax years indicated:

- Community Investment Credit (effective for tax years beginning on or after January 1, 2025);
- Economic Development Incentive Program Credit (effective for credits awarded on or after November 20, 2024);
- Historic Rehabilitation Credit (effective for tax years beginning on or after January 1, 2024);
- Life Sciences Tax Incentive Program (effective for tax years beginning on or after January 1, 2024);
- Research Credit (effective for research expenses incurred on or after November 20, 2024);
- Offshore Wind Investment Tax Credit (effective retroactively for tax years beginning on or after January 1, 2023); and
- Offshore Wind Jobs Tax Credit (effective retroactively for tax years beginning on or after January 1, 2023).

For additional information see TIR 24-16 Sections IV and V and TIR 25-5 Sections V through VIII and X through XIII.

Single Sales Factor Apportionment

Effective for tax years beginning on or after January 1, 2025, corporate excise and financial institution excise filers that apportion their income to Massachusetts must do so by using the sales or receipts factor only. In addition, for such tax years, the computation of the receipts factor for financial institutions has been changed with respect to receipts from investment and trading assets and activities. See TIR 24-4, Section IV.

Special Rule when Sales Factor is Inapplicable

A special rule will apply to business corporations(other than financial institutions) for tax years when the sales factor is inapplicable. For such years, such a filer will be required to base its apportionment on the percentage of property and payroll in Massachusetts. The sales factor of such filer is inapplicable if: (i) both its numerator and denominator are zero; (ii) the denominator is

less than 10 per cent of one third of the taxable net income; or (iii) it is otherwise determined by the Commissioner to be insignificant in producing income.

Note: All filers that apportion their income to Massachusetts must complete the tangible property and payroll sections of their respective apportionment computation even if they are basing apportionment solely on the sales or receipts factor.

Federal Conformity

Massachusetts generally conforms to the Internal Revenue Code (IRC or Code) as currently in effect for Massachusetts corporate and financial institution excise purposes. However, in some instances Massachusetts has enacted laws to decouple from the federal law. An example of this is the disallowance of the federal deduction for bonus depreciation (IRC § 168(k)). For more up-to-date and detailed information on tax changes and federal conformity, visit DOR's website at mass.gov/dor.

Federal Tax Law Changes

Federal tax legislation passed in **2025** made a number of changes to the IRC. The Massachusetts corporate excise generally adopts those changes that pertain to the computation of income and deductions, unless Massachusetts enacts laws to decouple from the federal law. See TIR 26-4: Massachusetts Conformity to Certain Provisions in Public Law No. 119-21 and TIR 26-xx: Tax Provisions in the Fiscal Year 2026 Final Mid-Year Supplemental Appropriation Bill for a discussion of Massachusetts' conformity to recent federal legislation. **(***)**

Relief from Certain Penalties and Interest on Late Payments and Underpayments (***)

Taxpayers who timely filed their tax year **2025** return or timely made their **2025** extension payment applying certain provisions of federal Public Law No. 119-21 before the enactment of the Supplemental Budget can obtain relief from certain penalties and interest. No interest or penalties shall be imposed on any underpayments, late payments, or underpaid estimated payments attributable to changes in law made by the Supplemental Budget for those taxpayers. See St. 2026, c. 101, § 38. This relief applies to adjustments taxpayers are required to make to their deductions under IRC §§ 163(j)(8), 168(n), 174, 174A, and 179, and any exclusions taken under IRC § 1400Z-2. **See the "Filing an Amended Return" section. (***)**

Business Interest Expense Deduction (***)

Starting with tax year 2025, federal law has been revised to increase the limitation on the deduction for business interest expenses. See IRC § 163(j). IRC § 163(j) limits the business interest expense deduction to a percentage of a taxpayer's adjusted taxable income. See TIR 19-17. The federal computation of adjusted taxable income has been revised to exclude certain income, reducing the amount of the limitation and thereby increasing the potential deduction. Federal law has changed the definition of adjusted taxable income in IRC § 163(j) in several respects.

Massachusetts does not adopt the change to the federal adjusted taxable income definition in IRC § 163(j)(8) for tax years 2025 and 2026 that permanently allows the calculation to be made without regard to any deduction allowable for depreciation, amortization, or depletion. See TIR 26-4: Massachusetts Conformity to Certain Provisions in Public Law No. 119-21 and TIR 26-xx: Tax Provisions in the Fiscal Year 2026 Final Mid-Year Supplemental Appropriation Bill.

Special Depreciation Allowance for Qualified Production Property (***)

Federal law provides a special depreciation allowance for specified qualified production property placed in service after July 4, 2025, and before January 1, 2031. See IRC § 168(n). Qualified production property refers to nonresidential real property used in manufacturing, chemical or agricultural production, or refining that results in the production of physical products. The federal special depreciation allowance is 100% of the cost of such property.

Massachusetts does not adopt the federal special depreciation allowance for tax years 2025 and 2026. The amount of the federal deduction is disallowed as a Massachusetts deduction. However, taxpayers may recover the cost of qualified production property using a depreciation method available under the provisions of federal tax law that Massachusetts has adopted. See TIR 26-4: Massachusetts Conformity to Certain Provisions in Public Law No. 119-21 and TIR 26-xx: Tax Provisions in the Fiscal Year 2026 Final Mid-Year Supplemental Appropriation Bill.

Domestic Research and Experimental Expense Deduction (***)

Starting with tax year 2025, domestic research and experimental expenses are fully deductible in the tax year they are incurred pursuant to IRC § 174A for federal tax purposes. For federal tax purposes, eligible expenses that were capitalized in prior years may be deducted in full in the 2025 tax year or ratably in a two-year period in 2025 and 2026 tax years. For federal tax purposes, certain small businesses may also elect to retroactively apply IRC § 174A by amending their **2022**, **2023**, and **2024** federal tax returns.

Massachusetts does not conform to IRC § 174A for tax year 2025 or any prior tax years. For Massachusetts purposes, all research and experimental costs must be capitalized and recovered through amortization deductions pursuant to IRC § 174 as amended and in effect prior to Public Law 119-21. Previously amortized amounts may be deducted as permitted by federal amortization schedules in effect prior to the enactment of IRC § 174A. Filers that claimed the federal IRC § 174A deduction on their Massachusetts returns for prior years must file amended Massachusetts returns to reduce the amount of the Massachusetts deduction. See TIR 26-4: Massachusetts Conformity to Certain Provisions in Public Law No. 119-21 and TIR 26-xx: Tax Provisions in the Fiscal Year 2026 Final Mid-Year Supplemental Appropriation Bill. **See the Filing an Amended Return section. (***)**

For the most up-to-date and detailed information about penalty and interest relief for tax years 2022–2024 related to Massachusetts conformity with federal law P.L. 119-21, visit mass.gov/dor.

Increased IRC § 179 Dollar Limitations (***)

Starting with tax year 2025, the federal limitation on the full expense deduction under IRC § 179 has been increased to $2.5 million and the deduction phases out at $4 million. Both amounts are subject to adjustment for inflation.

Massachusetts does not adopt these limits for tax years 2025 and 2026. The Massachusetts limit and phase-out amounts, adjusted for inflation, are $1,250,000 and $3,130,000. See TIR 26-4: Massachusetts Conformity to Certain Provisions in Public Law No. 119-21 and TIR 26-xx: Tax Provisions in the Fiscal Year 2026 Final Mid-Year Supplemental Appropriation Bill.

Changes to the Tax Treatment of Investments in Qualified Opportunity Zones Under IRC § 1400Z-2 (***)

Federal law permanently renewed and modified the tax benefits of investments in qualified opportunity zones provided by IRC § 1400Z-2.

Massachusetts does not adopt these renewals and modifications for taxable years beginning on or after January 1, 2025, but before January 1, 2027. See TIR 26-4: Massachusetts Conformity to Certain Provisions in Public Law No. 119-21 and TIR 26-xx: Tax Provisions in the Fiscal Year 2026 Final Mid-Year Supplemental Appropriation Bill.

Qualified Opportunity Zones Must Be Located Entirely Within Massachusetts (***)

For taxable years beginning on or after January 1, 2026, Massachusetts requires that a qualified opportunity zone must be located entirely within Massachusetts. Taxpayers must add back any exclusions taken for investments made after January 1, 2026, in qualified opportunity zones not located entirely within Massachusetts. See TIR 26-4: Massachusetts Conformity to Certain Provisions in Public Law No. 119-21 and TIR 26-xx: Tax Provisions in the Fiscal Year 2026 Final Mid-Year Supplemental Appropriation Bill.

Applying for Relief Related to Massachusetts Conformity with the Provisions of Federal Law P.L. 119-21 (***)

To claim relief from certain penalties on late payments and underpayments for the **2025 tax year** for a **business corporation** that has a valid extension but has not yet filed a return, the **business corporation** must attach to their original **2025** tax return: **(***)**

- **Massachusetts Schedule M-2220** (Underpayment of Massachusetts Estimated Tax by Corporations).
- **Massachusetts Schedule TDS** (Taxpayer Disclosure Statement), including:
  - The following statement: "Taxpayer is applying for relief related to Massachusetts conformity with the provisions of federal law P.L. 119-21" and clearly specify which IRC provision(s) are being adjusted. Relevant provisions include:
    - Domestic Research and Experimental Expense Deductions under **Code § 174** and **New Code § 174A;**
    - Special Depreciation Allowance for Qualified Production Property under **Code § 168(n);**
    - Increased Dollar Thresholds for Deductible Amounts when Expensing Certain Business Assets under **Code § 179;**
    - Modification of Limitation on Business Interest Expense Deduction under **Code § 163(j); and**
    - Changes to the Tax Treatment of Investments in Qualified Opportunity Zones under **Code § 1400Z-2.**
- An explanation of how the adjustment was calculated, and how it is reflected in the attached **Schedule M-2220**.

For more up-to-date and detailed information concerning penalty and interest relief related to Massachusetts conformity with the provisions of federal law P.L. 119-21, visit mass.gov/dor.

Privacy Act Notice

The Privacy Act Notice is available upon request or at mass.gov/dor.

General Instructions

Form 355 Electronic Filing

Form 355 must be filed electronically. Where a return is required to be filed electronically, any schedules or supporting documents filed with the return must be submitted electronically. In addition, any amendment of that return, or request for abatement with respect to that return, must also be filed electronically. Submissions other than by electronic filing will not be considered a timely filed return. For more information, see TIR 21-9: Expansion of Certain Electronic Filing and Payment Requirements.

Who Must File and Pay Corporate Excise?

The purpose of the corporate excise is to require payment for the right granted by the laws of the Commonwealth to exist as a corporation and for the enjoyment under the protection of the Commonwealth's laws of the powers, rights, privileges and immunities derived by reason of the corporate form of existence and operation. The corporate excise is due and payable when any of the following conditions are met:

- The corporation actually does business within the Commonwealth;
- The corporation exercises its charter within the Commonwealth;
- The corporation owns or uses any part of its capital, plant or other property in the Commonwealth;
- The corporation owns and/or rents real or tangible personal property as a lessor in Massachusetts even without having a usual place of business here; or
- The corporation has no other contacts with the state but has more than $500,000 in Massachusetts sales.

Corporations which must file and pay corporate excise include any corporation which:

- Is organized under, or subject to, MGL chs 156, 156A, 156B or 180; or
- Has privileges, powers, rights or immunities not possessed by individuals or partnerships.

The following corporations are not obligated to file:

- Corporations organized under the provision of MGL ch 157, § 10 and corporations described in MGL ch 157, § 18.

Which Form Should Be Filed?

Businesses incorporated under the laws of the Commonwealth or businesses doing business in Massachusetts but incorporated elsewhere should file Form 355.

DOR also has the following tax forms to meet the unique filing needs of combined filers, security corporations and S corporations.

Corporations participating in a combined report of their net income to Massachusetts must file Form 355U. Most combined report filers will also pay the non-income measure of excise when filing the 355U. Combined report filers are not required to also file a Form 355 unless their taxable year ends on a different date than the taxable year of the combined report. See the instructions for the Registration Section, line 7 for further information.

Corporations engaged exclusively in buying, selling, dealing in or holding securities on their own behalf and not as brokers must file Form 355SC.

S corporations which are incorporated under the laws of the Commonwealth or S corporations doing business in Massachusetts but incorporated elsewhere should file Form 355S.

Business corporations that file Form 355, 355U, 355S or 355SC, must submit the return and payment electronically. For further information on electronic filing requirements, see TIR 21-9.

Many corporate filers qualify to file using Form 355SBC. The criteria for filing Form 355SBC online includes:

- Gross receipts or sales under $1,000,000;
- Total income under $1,000,000;
- 100% of net income must be taxable in Massachusetts;
- Taxpayer not subject to corporate tax in another state;
- Corporation is not a DISC, an S corporation or a Massachusetts security corporation.

These small businesses must file their corporate excise returns online for free through DOR's MassTaxConnect system at mass.gov/masstaxconnect.

Note: Under Massachusetts corporate law, all corporations in the Commonwealth are required to file an annual report form with the Secretary of State within a limited time after the close of their fiscal year. For further information on this requirement, visit www.sec.state.ma.us or call the Secretary of State's Corporate Information Line at (617) 727-9640.

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.

What Are the Differences Between the Massachusetts Corporate Excise and the IRC?

Gross income for corporate excise purposes is the same as that defined under the IRC, as amended and in effect for the taxable year, with the following additions:

• Interest from the bonds, notes and evidences of indebtedness of any state, including Massachusetts.

Net income is gross income less the deductions, but not the credits, allowable under the IRC. The following deductions, however, are not allowed:

• Dividends received, except as permitted under Massachusetts law (See Schedule E-1 instructions); and

• Taxes on or measured by income, franchise taxes measured by net income, franchise taxes for the privilege of doing business and capital stock taxes imposed by any state or U.S. territory.

The deduction for losses sustained in other taxable years is allowed subject to certain restrictions. See Schedule NOL for further information.

DOR and the IRS maintain an extensive exchange program, routinely sharing audit results. Discrepancies between income and deductions reported federally and on this return, except those allowed under state law, will be identified and may result in a state audit or further investigation.

If the corporation is the parent of a wholly-owned domestic international sales corporation (DISC), the U.S. net income of the parent shall be reported to Massachusetts with no allocation of income, deductions, assets or liabilities made to the DISC. The DISC income, which must be included in the parent's return, must be for the same taxable year or the taxable year immediately following the close of the parent's taxable year. DISCs which are not wholly-owned, either directly or indirectly, are taxable as regular business corporations.

Massachusetts generally adopts the IRC treatment of transactions between foreign sales corporations (FSC) and shareholder corporations.

Changes Related to Federal Tax Reform

On December 22, 2017, Public Law 115-97, the Tax Cuts and Jobs Act (TCJA), was signed into law. The TCJA provides for federal changes to a variety of provisions of the Internal Revenue Code (IRC) that affect business entities subject to the corporate and financial institution excise. In response to the TCJA, the Department of Revenue (DOR) has issued written guidance addressing the impact of the TCJA in Massachusetts. This guidance is available on DOR's website.

For more information on differences related to the impact of the TCJA in Massachusetts see TIR 19-17: Application of IRC § 163(j) Interest Expense Limitation to Corporate Taxpayers; TIR 19-11: Legislation Impacting the Massachusetts Tax Treatment of Selected International Provisions of the Federal Tax Cuts and Jobs Act, TIR 19-9: Extension of Time to File Short-Year Returns Resulting from Partnership Technical Termination, TIR 19-7: Massachusetts Treatment of Investments in Qualified Opportunity Zones, and TIR 19-6: Impact of the Federal Tax Cuts and Jobs Act on a Taxpayer's Overall Method of Accounting for Massachusetts Purposes.

Form 355 - Special Filing Situations

Are Combined Reports Sometimes Required?

Yes. If two or more corporations under common control are engaged in a unitary business, any such corporations that are taxed on their income in Massachusetts must determine their income measure of excise by filing a combined report, Form 355U. This requirement applies regardless of whether 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 and is calculated on schedules attached to the Form 355U. A separate return for the non-income measure (Form 355 or Form 355S, as appropriate) is required if the corporation's federal taxable year ends at a different time than the taxable year of the combined report.

What If a Corporation's Taxable Year Is Less Than Twelve Months?

Corporations whose taxable year is less than twelve calendar months may determine their excise by prorating calendar months for the non-income measure of the excise only. Schedules should be available to explain any prorating computations.

A corporation may never pay less than the $456 minimum excise on a return, and this amount can never be prorated as Massachusetts law makes no provision for the proration of the minimum excise.

What if the Tax payer Is a Fiscal or Short Year Filer?

File the 2025 return for calendar year 2025 and fiscal years that began in 2025 and ended in 2026. For a fiscal year return, fill in the tax year space at the top of page 1. Short year filers should file using the tax form for the calendar year within which the short year falls. If the short year spans more than one calendar year, the filer should file using the tax form for the calendar year in which the short year

began. If the current form is not available at the time the short year filer must file, the filer should follow the rules explained in TIR 11-12.

When Are Form 355 Returns Due?

Form 355 corporate excise returns and all required accompanying schedules, 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 meeting certain payment requirements will be given an automatic seven-month extension in the case of corporate excise taxpayers filing combined reports and a six-month extension for other corporate excise taxpayers. Taxpayers filing unrelated business income tax returns will be given an eight-month extension. 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 payment.

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

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.

An exact copy of U.S. Form 1120, including all applicable schedules and any other documentation required to substantiate entries made on this return, must be submitted along with Form 355.

Should the Corporation Be Making Estimated Tax Payments?

All corporations which reasonably estimate their corporate excise to be in excess of $1,000 for the taxable year are required to make estimated tax payments to the Commonwealth. Estimated taxes may be paid in full on or before the 15th day of the third month of the corporation's taxable year or in four installment payments according to the schedule below.

Note: The due dates for estimated tax payments are not the same as the corporate excise return due dates. An overpayment from the prior year Form 355 applied to the following year's estimated tax will be credited on the 15th day of the fourth month; one month after the due date for the first installment.

- 40% of the estimated tax due for the year is due on the 15th day of the 3rd month of the taxable year.
- 25% of the estimated tax due for the year is due on the 15th day of the 6th month of the taxable year.
- 25% of the estimated tax due for the year is due on the 15th day of the 9th month of the taxable year.
- 10% of the estimated tax due for the year is due on the 15th day of the 12th month of the taxable year.

Corporations must submit their estimated payments electronically. See TIR 21-9 for further information.

Note: New corporations in their first full taxable year with less than 10 employees have different estimated payment percentages — 30%, 25%, 25% and 20% respectively.

To avoid a possible underpayment penalty on its taxes, a corporation should, when making its first payment, estimate its tax to be at least equal to the prior year's tax. If the prior year's tax was the minimum tax, the corporation should make a payment or payments equal to the minimum tax to safeguard against a possible underpayment penalty.

Note: Any corporation having $1 million or more of U.S. taxable income in any of its three preceding taxable years (as defined in IRC § 6655(g)) may only use its prior year tax liability to calculate its first quarterly estimated tax payment. Any reduction in the first installment payment that results from using this method must be added to its second installment payment.

For more information on corporate estimated taxes, refer to 830 CMR 63B.2.2, and MGL ch 63B.

What Are the Penalties for Late Returns?

Business corporation returns which are not filed on or before the due date are subject to interest and penalty charges. The penalty for failure to pay the total payment due with this form is 1% of the tax due per month (or fraction thereof), up to a maximum of 25%. A late payment penalty does not apply to amended returns when the amount shown on the original return was paid. The penalty for failure to file a return by the due date is 1% of the tax due per month (or fraction thereof), up to a maximum of 25%.

Any tax not paid on or before the due date without regard to the extension is subject to interest charges.

Filing an Amended Return

Supporting Statement Required. 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 return with the corrected information and fill in the **Amended return** oval. An amended return can be filed to either increase or decrease your tax. Generally, an amended return must be filed within three years of the date that your original return was filed. Electronic filing requirements apply to amended returns and disputes. See TIR 21-9 for further information.

Federal Changes

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 both the **Amended return** oval and the **Amended return due to federal change** oval. If the amended Massachusetts return incorporates changes that are the result of an IRS audit, check both the **Amended return** and **Amended return due to federal audit** ovals; enclose a complete copy of the federal audit report and supporting schedules.

Amended Return Due to IRS BBA Partnership Audit

The **Amended return due to IRS BBA Partnership Audit** oval is only to be used if you are an upper-tier member of a partnership that was impacted by an IRS adjustment to a lower-tier partnership resulting from a federal centralized BBA audit. If you are a partnership that was directly impacted by an IRS adjustment from a federal centralized BBA audit do not file an amended Form 3 return to report such IRS adjustments. Instead, a partnership directly impacted by such IRS adjustment must file a Centralized Federal Partnership Audit Report on MassTaxConnect. For further details see TIR 22-1, Reporting Rules Related to Centralized Federal Partnership Audits.

Applying For Relief Related To Massachusetts Conformity With The Provisions Of Federal Law P.L. 119-21: (***)

To claim relief from certain penalties and interest on late payments and underpayments for the **2025 tax year**, a **business corporation** must include with their amended **2025** tax return, or their original **2025** tax return if filing on extension: **(***)**

• **Massachusetts Schedule M-2220** (Underpayment of Massachusetts Estimated Tax by Corporations).

• **Massachusetts Schedule TDS** (Taxpayer Disclosure Statement), including:

  • The following statement: "Taxpayer is applying for relief related to Massachusetts conformity with the provisions of federal law P.L. 119-21" and clearly specify which IRC provision(s) are being adjusted. Relevant provisions include:

    • Domestic Research and Experimental Expense Deductions under **Code § 174** and **New Code § 174A;**

    • Special Depreciation Allowance for Qualified Production Property under **Code § 168(n);**

    • Increased Dollar Thresholds for Deductible Amounts when Expensing Certain Business Assets under **Code § 179;**

    • Modification of Limitation on Business Interest Expense Deduction under **Code § 163(j); and**

    • Changes to the Tax Treatment of Investments in Qualified Opportunity Zones under **Code § 1400Z-2.**

  • An explanation of how the adjustment was calculated, and how it is reflected in the attached **Schedule M-2220**.

No penalties or interest will be imposed on any underpayments, late payments, or underpaid estimated payments attributable to changes made by the Supplemental Budget, provided these conditions are met:

  • The amended **2025** tax return or, in the case of a taxpayer filing on extension the original **2025** tax return, is filed in accordance with the Supplemental Budget, and

  • The return is filed within **90 days** of the Supplemental Budget's enactment, and

  • The return is otherwise timely filed and any tax due is timely paid.

For more up-to-date and detailed information concerning penalty and interest relief related to Massachusetts conformity with the provisions of federal law P.L. 119-21, visit mass.gov/dor.

Schedule DRE. Disclosure of Disregarded Entity

A business corporation that (i) is doing business in Massachusetts (including through activities by a disregarded entity owned by such business corporation) and (ii) is the owner of a disregarded entity for any portion of the taxable year for which a return is being filed, must identify each disregarded entity by filing Schedule DRE with its return. A separate Schedule DRE is required for each disregarded entity. See Schedule DRE instructions for additional information. Fill in the **Enclosing Schedule DRE** oval and submit all schedules DRE as applicable.

Schedule FCI. Foreign Corporation Income

Fill in the oval and enclose Schedule FCI (Foreign Corporation Income) if the corporation is required to complete and file Schedule FCI with Form 355.

All taxpayers with foreign corporation income (including GILTI income) must complete Schedule FCI. Detailed instructions for completing Schedule FCI are available on DOR's website. See Schedule FCI and Instructions.

Enclosing Schedule TDS. Inconsistent Filing Position Penalty

Fill in the oval and enclose Schedule TDS, Taxpayer Disclosure Statement, if you are disclosing any inconsistent filing positions. Schedule TDS is available on our website at mass.gov/dor. The inconsistent filing position penalty (see TIR 06-5, section IV) applies to taxpayers that take an inconsistent position in reporting income. These taxpayers must disclose the inconsistency when filing their Massachusetts return. If such inconsistency is not disclosed, the taxpayer will be subject to a penalty equal to the amount of tax attributable to the inconsistency. This penalty is in addition to any other penalties that may apply.

A taxpayer is deemed to have taken an inconsistent position when the taxpayer pays less tax in Massachusetts based upon an interpretation of Massachusetts law that differs from the position taken by the taxpayer in another state where the taxpayer files a return and the governing law in that other state is the same in all material respects as the Massachusetts law. The Commissioner may waive or abate the penalty if the inconsistency or failure to disclose was attributable to reasonable cause and not willful neglect.

S Corporation Election Termination or Revocation

Fill in this oval if the taxpayer was an S corporation in the prior tax year and its S status was terminated or revoked by election or otherwise.

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 Instructions

Note: Lines without specific instructions are considered to be self-explanatory.

Line 1

Fill in the oval if the corporation is incorporated within Massachusetts.

Line 2

Enter the date the corporation was incorporated in Massachusetts.

Line 3

Mutual fund service corporations are required to attribute their mutual fund sales to Massachusetts based on the domicile of the shareholders in the fund. Mutual fund service corporations, like all other business entities, must apportion their net income from mutual fund sales based solely on their sales factor. Taxable net income not derived from mutual fund sales must also be apportioned solely on the basis of the sales factor.

A corporation is a mutual fund service corporation if it derives more than 50% of its gross income from providing, directly or indirectly, management, distribution or administration services to or on be half of a regulated investment company, and from trustees, sponsors and participants of employee benefit plans which have accounts in a regulated investment company.

If a corporation is a mutual fund service corporation, fill in the applicable oval and complete Schedule F, Income Apportionment, accordingly.

Mutual fund service corporations must complete one Schedule F based on mutual fund sales and a second separate Schedule F based on non-mutual fund sales (if any). For further information on apportionment for mutual fund service corporations, see 830 CMR 63.38.7.

Line 4

An R&D corporation is a business corporation whose principal business activity in Massachusetts is research and development and which (a) derives more than two thirds of its gross receipts attributable to Massachusetts from that activity or (b) incurs more than two thirds of its expenditures in that activity. Research and Development corporations may be eligible for certain tax benefits. See 830 CMR 64H.6.4.

A classified manufacturing corporation is a business corporation engaged in manufacturing in Massachusetts, whose manufacturing activities in Massachusetts are substantial and which has filed Form 355Q and had its manufacturing status approved by the Commissioner. Classified manufacturing corporations may be eligible for certain tax benefits. See 830 CMR 58.2.1.

A Regulated Investment Company ("RIC") must file an informational return and may do so by filing Form 355. The excise, balance due and refund lines should be left blank and "RIC Informational Return" must be written across the front of the return.

If the corporation is a public Real Estate Investment Corporation (REIT), which is an intangible property corporation, it is required to file Schedule RNW, REIT Net Worth Calculation in place of Schedule D. See TIR 06-6 for further information.

Line 5 and 6

Fill in the oval on line 5 if the taxpayer is included in a Form 355U filing. If line 5 is filled in the taxpayer must also complete line 6 by providing the Federal Identification number (FID) of the principal reporting corporation of the Form 355U combined report in which the taxpayer is included.

Line 7

If line 7 is filled in you are still required to file Form 355 if this corporation has a taxable year that ends on a different date than the taxable year end date for which the combined report is being filed. The taxpayer must fill in the oval on line 7 and file a separate Form 355 if this situation applies. The taxpayer may not be required to file a separate Form 355 if it is participating in a combined report and the above situation does not apply.

Fiscalization (Combined Reporting)

When two or more corporations are required to file a combined report, the taxable members' apportioned shares of the combined income are based on the combined group's taxable year. If not all the members have the same taxable year, the combined group's taxable year is determined under 830 CMR 63.32B.2(12)(b).

If a member's non-income measure of excise is due on the same day as the combined report (if the member's taxable year ends at the same time as the combined group's taxable year), the member will pay such non-income measure with the combined report and should not also submit Form 355 for the same taxable year.

If a member has a separate taxable year that ends on a different date than the combined group's taxable year, that member must file a separate return to pay the non-income portion of the excise. These members will file Form 355 or Form 355S (as appropriate) indicating on the face of such return that they are subject to combined reporting for their income measure of excise and exclude from that separate return the income that is reported on the group's Form 355U.

The separate non-income measure return, if required, must include Schedules A, B, C and D 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 is taxable on its income in another state without regard to the activities of its other combined group members) must also complete Schedule F without regard to the combined reporting provisions in order to determine its non-income measure. If a corporation would not be allowed to apportion its income based on its own separate activities, no Schedule F is required and the corporation will use an apportionment percentage of 100% in determining the non-income measure. Such corporations include all of their property, payroll and sales, including those attributes used to apportion income for purposes of a combined report, in completing their stand-alone Schedule F for this purpose.

Schedule E is not required unless:

- The taxpayer has income from a source other than a unitary business that is to be reported on a separate company basis; and
- The taxpayer has a tax year that is different than the combined group's tax year.

In such cases, the corporation is to report on Form 355 or Form 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.

The total of credits taken by such corporations against the non-income measure of excise is entered directly on line 7 of the excise calculation. The amount of credit allowable to the taxpayer and the allocation of credits between the income and non-income measures is calculated on schedules attached to the combined report. Schedules that are required to calculate individual credits should be submitted with the combined report if the credit is calculated on an aggregated basis.

Line 8

Insurance mutual holding companies are subject to the corporate excise as business corporations but are not required to pay the portion of tax based on the value of their tangible property or net worth (i.e., the non-income measure of the excise). The corporate excise tax for an insurance mutual holding company is the greater of 8.00%of its net Massachusetts income in Massachusetts or the minimum excise tax of $456.

Line 9

If the corporation is requesting alternative apportionment under MGL ch 63, § 42, it must fill in the appropriate circle in line 9 of Form 355, enclose Form AA-1, and attach to its return 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 enclose 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 be submitted with the return and 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. The return and Schedule F must be completed and the amount of tax must be paid according to the statutory apportionment formula. For further information on alternative apportionment, see MGL ch 63, § 42 and 830 CMR 63.42.1.

Line 10

Enter the taxpayer's principal business code as reported on its U.S. tax return.

Lines 11 and 12

Enter the number of Massachusetts employees on line 11 and the number of worldwide employees on line 12 for the taxpayer.

Line 13

If the taxpayer is a foreign corporation it must enter its first date of business in Massachusetts here.

Line 14

Enter the last year the taxpayer was audited by the IRS here.

Line 15

If your corporation has undergone a federal audit for some prior year, you must fill in the Federal audit oval on page 1. You must report any federal audit changes within three months after the final determination of the correct taxable income by the

IRS. Otherwise, you will be subject to a penalty. If the federal change results in less tax due to Massachusetts than was assessed or paid, you may apply for abatement under the federal change rules within one year of the final federal determination. Answering line 14 does not relieve the corporation from this filing obligation. Fill in line 15 if you reported the IRS audit results related to the year reported in line 14.

Line 16

If the corporation is deducting intangible or interest expenses, fill in line 16. Complete Schedule ABI, Exceptions to the Add Back of Interest Expense, and/or Schedule ABIE, Exceptions to the Add Back of Intangible Expenses, to claim the 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 17

Corporations that are doing business in Massachusetts but are exempt from the income measure of excise pursuant to federal PL 86-272 claim the exemption here by filling in the oval.

These corporations remain subject to the non-income measure of excise or the minimum excise, whichever is greater. Such corporations are not required to submit Schedule E but must complete Schedule F for the purpose of determining their non-income measure of excise.

If the taxpayer is only taxable with respect to partnership activity then fill in the second oval.

Line 18

Fill in the oval if at any time during 2025 you received (as a reward, award, or payment for property or services) a digital asset, or sold, exchanged, gifted, or otherwise disposed of a digital asset (or a financial interest in a digital asset). Digital assets include non-fungible tokens (NFTs) and virtual currencies, such as cryptocurrencies and stablecoins.

Excise Calculation

In order to complete the excise calculation, all appropriate Form 355 schedules must be filled out first. Therefore, schedule instructions precede the instructions for the excise calculation section. Use the whole dollar method.

Form 355 Schedule Instructions

Note: Instructions for the Excise Calculation section of the Form 355 starts on page 13.

Schedule A. Balance Sheet

Enter the closing amounts for the taxable year covered by this return. Once the corporation's balance sheet is completed, it will be easier to complete subsequent schedules.

Assets

Capital Assets in Massachusetts

Line 1a

Enter here the book value of all buildings. A portion of the cost attributable to buildings under construction and reported on the corporation's books as construction in progress (CIP) is considered real estate for purposes of the property measure of the corporate excise and must be re-ported in line 1a. Enter 100% of the corporation's real estate CIP costs, less 15% of the current year's accumulation.

Line 1j

The value of any certified solar/wind units for which a deduction is claimed this year should be entered here. Amounts of certified industrial waste and/or air pollution treatment facilities and certified solar/wind deductions claimed in any prior year should be included. In order to be eligible for this deduction, property must be certified by the appropriate state agencies and copies of such certificates must be available upon request. See instructions for Schedule E, line 24.

Line 1k

Enter here the value of all tangible property reported on the corporation's books as CIP. In addition, enter here 15% of the current year's real estate CIP accumulation. For further information, see DD 02-11.

Line 1l

Add the total of lines 1a through 1k and enter it here. This is the taxpayer's total capital assets in Massachusetts.

Inventories in Massachusetts

Line 2b

Enter here the value of inventory that is exempt from the tangible property measure of the excise. An example of exempt inventory is merchandise of foreign origin imported and immediately placed in a federally bonded warehouse. Merchandise of do mestic origin is not exempt from the tangible property measure of the excise. A schedule listing the components of any entry in line 2b must be available upon request.

Line 12

In order to be a subsidiary, the parent must own at least 80% or more of the voting stock of a corporation in accordance with IRC § 1504 or, in the case of a subsidiary business corporation that does not have voting stock, the book value of its investment in such business corporation must represent an 80% or more ownership interest. Advances should include payments in the nature of capital contributions. Do not include loans or other receivables.

Line 12a

Enter in line 12a the total of capital stock and equity contributions of subsidiary corporations 80% or more owned.

An amendment to MGL ch 63 § 30(8) allows a deduction of an ownership interest in a pass-through entity (such as an LLC or a partnership) that is treated for tax purposes as a business corporation under MGL ch 63, § 30. See TIR 14-11.

Line 12b

Enter in line 12b the value of capital stock investments with less than 80% ownership and also any other investment entities that are not treated for tax purposes as a business corporation under MGL ch 63, § 30.

Line 14

If the reserve for bad debt exceeds 2% of accounts receivable, a complete explanation to enable a review and determination of the proper amount allowable must be available upon request.

Line 17

Enter here the value of any assets not included in lines 1 through 16. Examples include, but are not limited to, goodwill and company patents.

Liabilities and Capital

Line 19a

Enter the value of mortgages on Massachusetts real estate, motor vehicles, machinery owned by a corporation which is not classified as a manufacturing corporation, and other tangible personal property located in Massachusetts and subject to local taxation. Mortgages do not include conditional sales, pledges or other types of security interest.

Line 19b

Enter the value of mortgages on all other tangible assets here.

Line 26

Add the total of lines 19 through 25 and enter it here. This is the taxpayer's total liabilities.

Line 31

Add the total of lines 27 through 30 here. This is taxpayer's total capital.

Schedules B, C and D

Tangible or Intangible Classification and Calculation of Non-Income Measure

Schedules B, C and D are used to calculate the non-income measure of the Massachusetts corporate excise. Schedule B is used to determine whether a corporation is a tangible or intangible

property corporation. Once determined, tangible property corporations must complete Schedule C (and omit Schedule D) and intangible property cor porations must complete Schedule D (and omit Schedule C). Net book values from Schedule A, col. c. should be used in completing schedules B, C and D.

Schedule B

Schedule B is used to calculate whether a corporation is a tangible or intangible property corporation.

Line 15

If line 15 is 10% or greater, complete Schedule C. If line 15 is less than 10%, complete Schedule D. The maximum entry allowed on line 15 is 9.999999.

Schedule C

If Schedule B, line 15 is 10% or greater, the corporation must complete Schedule C using net book values from Schedule A, column C to determine the non-income measure of the excise. Omit Schedule D if Schedule C must be completed.

Line 4

Taxable Massachusetts tangible property. Subtract line 3 from line 1 and enter it here. Do not enter less than "0." Enter this result in line 1 of the Excise Calculation on page 2 and enter "0" in line 2 of the Excise Calculation.

Schedule D

Schedule D is used by a corporation to calculate its non-income measure excise on the basis of net worth. If line 15 of Schedule B is less than 10%, complete this schedule. Corporations are allowed to deduct the value of investments in, and advances to, qualified subsidiaries. To be a subsidiary, the parent must own 80% or more of the voting stock of the corporation in accordance with IRC § 1504, or if the subsidiary business corporation does not have voting stock, the parent must have 80% or more ownership interest in the subsidiary.

An amendment to MGL ch 63 § 30(8) allows a deduction of an ownership interest in a pass-through entity (such as an LLC or a partnership) that is treated for tax purposes as a business corporation under MGL ch 63, § 30. See TIR 14-11.

Line 10

Calculate taxable net worth by multiplying line 8 by line 9 and entering it here. Also enter this result in line 2 of the Excise Calculation on page 2 and enter "0" in line 1 of the Excise Calculation.

Schedule E-1

Massachusetts Dividends Received Deduction

Massachusetts corporate excise law does not allow the dividends received deduction allowed under the IRC. However, a deduction is generally allowed for 95% of the value of dividends received (MA DRD) except for the following:

- Dividends from ownership of shares in a corporate trust engaged in business in the Commonwealth;
- Dividends resulting from deemed or actual distributions (except actual distributions of previously taxed income) from a DISC which is not wholly-owned; or
- Dividends from any class of stock if the corporation owns less than 15% of the voting stock of the payer corporation.

Dividends received from a RIC or REIT are not eligible for the MA DRD, whether the dividend is paid directly by the RIC or REIT, or indirectly, as through a subsidiary or affiliate of the taxpayer.

The total dividends amount on line 1 of Schedule E-1 is derived from the amount shown on U.S. Form 1120, Schedule C, line 23, less any dividends received directly or indirectly from RICs or REITs as well as any other dividends for which deduction is not allowed under Massachusetts law. The amounts excluded from line 1 are also excluded from line 8. The dividends shown on lines 2 through 6 should not be excluded from line 1, as they will be separately subtracted from line 1 in determining the amount of line 8. For further infor mation, see TIR 04-10.

Enclose a schedule showing payers, amounts and percent of voting stock owned by class of stock if the taxpayer is claiming the MA DRD.

Impact of TCJA on Schedule E-1 Reporting

Certain eligible business taxpayers must report foreign corporation income for federal tax purposes under TCJA. This includes, among other things, reporting of Subpart F income and Global Intangible Low-Taxed Income (GILTI) under IRC § 951A.

For corporate excise purposes, subpart F income and GILTI must be reflected as part of the total dividends reported on Schedule E-1. See TIR 19-11: Legislation Impacting the Massachusetts Tax Treatment of Selected International Provisions of the Federal Tax Cuts and Jobs Act.

Thus, a business corporation that is not part of a combined group must report subpart F income and GILTI as dividends on line 1 of Schedule E-1. For more information on combined group filers see Instructions to Form 355U.

Subpart F income and GILTI are also eligible for the MA DRD (subject to the applicable 15% voting stock ownership requirement). Therefore, a business corporation that is not part of a combined group should also report eligible Massachusetts DRD amounts for subpart F income and GILTI on Schedule E-1.

A business corporation that is reporting subpart F income and GILTI must also file a Schedule FCI with its return.

Schedule E

Mutual fund service corporations eligible to apportion their income under MGL ch 63, § 38 (m) must complete two separate copies of Schedule E:

- For income derived from mutual fund sales; and
- For non-mutual fund sales income, if any.

Taxable net income from mutual fund sales is gross income from mutual fund sales less:

- Any deductions directly traceable to its mutual fund sales; and
- A portion of other allowable deductions. Other allowable deductions consist of deductions not directly traceable to mutual fund sales or non-mutual fund sales. To determine the deductible amount of its other allowable deductions a mutual fund service corporation must multiply the total amount of its other allowable deductions by a fraction, the numerator of which is the mutual fund service corporation's gross income derived from mutual fund sales for the taxable year and the denominator of which is the mutual fund service corporation's total gross income for the taxable year. Taxable net income from non-mutual fund sales consists of any taxable net income not derived from mutual fund sales.

If a corporation is not a mutual fund service corporation, 100% of sales, profits, and income should be entered in lines 1 through 13. If the corporation has income from business activities which is taxable both in Massachusetts and any other state, Schedule F should be completed and the apportionment percentage entered in line 20.

Line 4

Enter U.S. taxable income before deducting net operating loss or other special deductions. If the corporation is the parent of a DISC, income should be reported with no allocation to the DISC.

Line 5

Enter any allowable U.S. Wage Credit used in calculating U.S. Form 1120, line 13.

Line 7

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

Line 8

Massachusetts does not allow a deduction for state, local and foreign income, franchise, excise or capital stock taxes. Any such taxes which have been deducted from U.S. net income should be entered in line 8 and added back into income.

Line 9

For Massachusetts purposes, for taxable years ending after September 10, 2001, 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 § 168(k). For more information, see TIR 02-11 and TIR 03-25.

Line 10

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. If you qualify for an exception to the add back requirement, complete Schedule ABIE. For further information, see TIR 03-19.

Line 11 (***)

Line 11 is used to take into account differences between the federal and Massachusetts deductions for interest expense. Taxpayers should add statements to their returns explaining the calculation of any adjustments relating to those differences. See TIR 26-xx for details regarding the 163(j) limitation. The differences include:

163(j) Limitation (***)

Line 11 should include the amount of the interest expense taken into account in Schedule E, line 4 (stated as a positive amount) reduced by the business interest expense deduction determined for Massachusetts purposes under federal law in effect for 2024 tax years.

Related Member Interest Expense

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. If you qualify for an exception to the add back requirement, complete Schedule ABI. For further information, see TIR 03-19. 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 13 (***)

Line 13 is used to take into account differences between federal and Massachusetts income and deductions that are not taken into account elsewhere on the forms. Taxpayer should attach a statement explaining any such differences. These differences include:

Special Depreciation Allowance (***)

Line 13 should include the amount of the federal special depreciation allowance taken into account in Schedule E, line 4 (stated as a positive amount) reduced by the depreciation deduction determined for Massachusetts purposes without regard to the special depreciation allowance.

Domestic Research and Experimental Expense Deduction (***)

Line 13 should include the amount of domestic research and experimental expenses claimed as an immediate deduction for federal purposes and taken into account in Schedule E, line 3 (stated as a positive amount), reduced by the Massachusetts research and experimental expense deduction determined under amortization requirements applicable to 2024 tax years.

IRC § 179 Expense Deduction (***)

Line 13 should include the amount of the federal IRC § 179 expense deduction taken into account on Schedule E, line 4 (stated as a positive amount) reduced by the allowable Massachusetts IRC § 179 expense deduction determined using the limitations in effect under federal law for 2024 tax years.

Ordinary and Necessary Business Expense Deductions Available for Licensed Massachusetts Marijuana Businesses

Internal Revenue Code (IRC) section 280E prohibits marijuana businesses from deducting business expenses and claiming tax credits for federal tax purposes. Effective for taxable years beginning on or after January 1, 2022, Massachusetts decoupled from the IRC section 280E deduction disallowance with respect to licensed marijuana businesses only. As a result, for Massachusetts tax purposes, a licensed Massachusetts marijuana business can deduct ordinary and necessary business expenses that would otherwise be disallowed under IRC section 280E.

These ordinary and necessary trade or business expenses should be included as a negative amount on line 13

Federal Tax Reform Add-back Adjustments

Massachusetts budget legislation created corporate excise tax add-backs for certain federal deductions enacted by TCJA. These include corporate excise tax add-back adjustments for federal deductions under IRC § 965(c), IRC § 245A and IRC § 250. A business corporation (other than a financial institution) that is not part of a combined group should report the amount of IRC § 965(c), IRC § 245A and IRC § 250 federal tax deductions as add-back adjustments on Schedule E, line 13. See TIR 19-11: Legislation Impacting the Massachusetts Tax Treatment of Selected International Provisions of the Federal Tax Cuts and Jobs Act. In lieu of these deductions, a taxpayer may be eligible for Massachusetts DRD.

Enter any adjustments to income not previously reported on Schedule E, line 13. For example, enter in this line the amount of depreciation or amortization taken this year in computing U.S. net income for the following:

- Certified industrial waste and/or pollution treatment facilities of prior years; or
- Certified solar/wind units of current or prior years, if said facilities were sold during the year.

(See MGL ch 63, § 38D(d) and § 38H(e) for further explanation.)

Capital gains on installment sales of intangible property made prior to 1963 may also be deducted from income. These gains fall under the provisions of prior Massachusetts law when such income was not taxable (see MGL. ch 63, § 38(a)(2)). This adjustment should be made in line 8.

Deduct the full U.S. research credit generated provided that the full U.S. research credit was taken. If a reduced U.S. research credit was taken, no adjustments are necessary.

From Massachusetts Schedule RC, Part 1, line 22, add back the full Massachusetts research credit generated.

The deduction allowed to a corporation for any expense which qualifies for the Massachusetts Research Credit must be reduced by the Massachusetts Research Credit determined in the current taxable year. In addition, subsection (c) of IRC § 280C, which requires a similar reduction of the deduction, shall not apply in determining Massachusetts net income.

Capital loss carryovers are not allowed under Massachusetts law. Any loss claimed on the U.S. return must be added back on line Schedule E, line 13.

If the corporation has income not subject to apportionment, the amount should be deducted on Schedule E, line 13 and entered on Schedule E, line 22.

If the corporation has qualified taxable income and passive income, the amount should be deducted on Schedule E, line 13 and entered on the Excise Calculation Schedule, line 3.

Line 15

Enter the total cost of renovating an abandoned building in an Economic Opportunity Area. Multiply this amount by 10% and enter here.

Line 16

Refer to Schedule E-1 for the allowable deductions for dividends. Dividends from a Massachusetts corporate trust, a non-wholly-owned DISC or a corporation of which less than 15% of the voting stock is owned are not deductible. Also, direct or indirect dividends received from a RIC or REIT are not deductible.

Line 20

If the corporation conducts business activities in another state sufficient to give that state the jurisdiction to tax the corporation, Schedule F should be completed in order to determine the apportionment percentage. If all business is conducted in Massachusetts, 100% (1.00) should be entered in line 20.

Line 24

A deduction is allowed for expenditures paid or incurred during the taxable year for the installation of any solar or wind powered climate control or water heating unit. Ancillary units do not qualify.

In order to be eligible for this deduction, the property must be certified by the Office of Facilities

Management. A copy of such certification must be available along with a schedule itemizing the:

- Cost;
- Allowable U.S. depreciation;
- Date of installation; and
- Place of installation.

If these amounts are prorated, the computation should be explained.

If eligible units do not continue in qualified use for ten years, the deductions previously allowed must be added back to taxable income. The amount should be entered in Schedule E, line 13.

Note: The special deduction for the construction of certified industrial waste and/or air pollution treatment facilities does not apply to expenditures paid or incurred on or after January 1, 1980.

Line 26
Enter the amount of the corporation's loss carryover deduction from Schedule NOL, line 5.

Line 27
Subtract the amount on line 26 from the amount on line 25. Enter this amount in the excise calculation section, line 3.

Line 28
Enter the amount of the total net operating loss available for carryover to future years. This figure is taken from Schedule NOL, line 8.

If Schedule NOL is not filed and Schedule E, line 23 is a loss, enter the amount from line 23 in line 28 as a positive number. If lines 23 and 27 show a loss the taxpayer must complete and enclose Schedule NOL.

Schedule F
Schedule F should be completed by all corporations with income from business activities taxable both in Massachusetts and in any other state. For purposes of this requirement, "taxable" has the meaning set forth in 830 CMR 63.38.1(5)(b). This standard is not satisfied merely because the taxpayer is incorporated in such a state or files a return in another state that relates to capital stock tax or franchise tax for the privilege of doing business.

Certain amounts are excluded from the calculation of the apportionment factors used to determine taxable income (both the worldwide and Massachusetts figures), among them any factors attributable to items of gross income that are excluded from the federal gross income of a taxpayer, in accordance with 830 CMR 63.38.1(9)(e), (see also TIR 10-16), and any factors attributable to income derived from unrelated business activities, in accordance with 830 CMR 63.38.1(3)(d). In addition, 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).

If the corporation is requesting alternative apportionment under MGL ch 63, § 42, it must fill in the appropriate circle in line 9 of Form 355, enclose Form AA-1, and attach to its return 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 enclose 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 be submitted with the return and 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. The return and Schedule F must be completed and the amount of tax must be paid according to the statutory apportionment formula. For further information on alternative apportionment, see MGL ch 63, § 42 and 830 CMR 63.42.1.

For further information about corporations that hold partnership interests and the appropriate method to use to apportion partnership income, see 830 CMR 63.38.1(4)(d) and 12.

Single Sales Factor Apportionment
Effective for tax years beginning on or after January 1, 2025, corporate excise and financial institution excise filers that apportion their income to Massachusetts must do so by using the sales or receipts factor only.

Note: All filers that apportion their income to Massachusetts must complete the tangible property and payroll sections of their respective apportionment computation even if they are basing apportionment solely on the sales or receipts factor. A return which is incomplete will be considered insufficient.

Fill in applicable oval(s):
Sales factor is inapplicable
Fill in the **Sales factor is inapplicable** oval if calculation of the sales factor cannot be used in determining Massachusetts apportionment. See Schedule F, line 4 (**Single Sales Factor-When Sales Factor Inapplicable**) below.

Mutual fund service corporations
Check the **Mutual fund service corporation for mutual fund services income** box if the member is a mutual fund service corporation apportioning income based on sales of mutual fund services. Check the Mutual fund service corporation for other income box if the member is a mutual fund service corporation apportioning income based on sales other than sales of mutual fund services (non-mutual fund sales).

Fill in the **Change in method of calculating one or more factors from prior year** oval if there was a change in method of calculating one or more factors from the prior year. If the taxpayer is changing the method used to calculate any factor from the method used in the prior year the change must be disclosed on the return. Fill in the oval, identify the factors affected and briefly explain each change.

Industry-Specific Apportionment Regulations
All taxpayers must fill in the oval entitled Industry-Specific Regulations if they are subject to any of the following regulations:

- 830 CMR 63.38.2: Apportionment of Income of Airlines;
- 830 CMR 63.38.3: Apportionment of Income of Motor Carriers;
- 830 CMR 63.38.4: Apportionment of Income of Courier and Package Delivery Services;
- 830 CMR 63.38.8: Apportionment of Income of Pipeline Companies;
- 830 CMR 63.38.10: Apportionment of Income of Electric Industry; and
- 830 CMR 63.38.11: Apportionment of Income of Telecommunications Industry.

DOR has issued these industry-specific apportionment regulations to address industries where the application of the general apportionment provisions was not reasonably adapted to approximate the net income derived from business carried on within Massachusetts. See MGL ch 63, § 38(k). These rules remain unchanged for tax year 2025. As in prior years, taxpayers required to use these regulations must apportion their income for 2025 tax years using the three-factor formula with double-weighted sales, calculating the individual factors as set out in the regulation that pertains to them. Taxpayers in these industries that wish to use a different apportionment method should request alternative apportionment under MGL ch 63, § 42.

Corporations must complete all lines, regardless of apportionment method used. Make certain that complete information is entered for all apportionment factors. A return which is incomplete will be considered insufficient.

Property Factor
Line 1a
For tax purposes, average value is based on original cost and is determined by averaging the property values at the beginning and end of the taxable year. If substantial changes occur during the taxable year, the Commissioner may require monthly averaging to properly reflect the average value of the property. For purposes of the property factor, a

taxpayer may elect to use any reasonable method for attributing its mobile property to Massachusetts. The election is made by filing a return that employs the chosen method for the first tax year ending on or after August 11, 1995, in which the taxpayer owns or rents mobile property and apportions income to Massachusetts. The taxpayer must make available a statement describing the method chosen and must use the same method consistently from year to year. For further information, including safe harbor methods, see 830 CMR 63.38.1(7)(d).

Construction in progress is generally excluded from the property factor; see 830 CMR 63.38.1(7) (a) and (b). For the property factor, inventory in transit is deemed to be at its destination; see 830 CMR 63.38.1(7)(c).

Line 1b

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

Payroll Factor

Line 2a

Enter the total amount of wages, salaries, commissions, or any other compensation paid to employees. 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 one or more states, but the non-Massachusetts service is secondary to the Massachusetts service;
- Part of the employee's service is performed in Massachusetts, and the service is controlled from a location in Massachusetts; or
- Part of the employee's service is performed in Massachusetts, and the location of the service is not in a state in which some part of the service is performed, but the employee lives in Massachusetts.

The total amount paid for compensation is computed on the cash basis, as reported for unemployment purposes. A taxpayer that uses the accrual method of accounting in computing its taxable net income may elect to use the accrual method in determining the total amount of compensation paid in Massachusetts during the taxable year. For further information on how to elect the accrual method see 830 CMR 63.38.1(8)(a).

A corporation is a mutual fund service corporation if it derives gross income by providing management, distribution or administration services to a regulated investment company, See instructions for the registration section: line 3 of Forms 355 and 355S.

Sales Factor

Single Sales Factor Apportionment

Effective for tax years beginning on or after January 1, 2025, corporate excise and financial institution excise filers that apportion their income to Massachusetts must do so by using the sales or receipts factor only.

For sales factor, enter the gross receipts of the corporation with the exception of those receipts from interest, dividends and the sale or other disposition of securities or the sale of business "good will" or similar intangible value. Any receipts resulting in allocable income must be excluded. For further information, see 830 CMR 63.38.1(8)(a).

Also, in the case of the sale, exchange or other disposition of a capital asset used in the taxpayer's trade or business, enter the gain from the transaction and not the gross receipts. For further information, see 830 CMR 63.38.1(9)(b).

Line 3a

Sales of tangible personal property are assignable to Massachusetts if the property is delivered or shipped to any buyer, including the U.S. government, in Massachusetts.

Line 3b

Sales of tangible personal property are assignable to Massachusetts if the selling corporation is not taxable in the state of the buyer and the property is not sold by an agent or agencies chiefly situated at, connected with, or sent out from premises for the transaction of business owned or rented by the corporation outside Massachusetts. A buyer for this item includes the U.S. government.

Sales of tangible personal property are not assignable to Massachusetts if:

- The property is shipped or delivered to a buyer in a foreign country; or
- The property is sold to any branch or instrumentality of the U.S. government for resale to a foreign government.

Line 3c

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).

Any amounts required to be excluded from the sales factor calculation should be accounted for by making the necessary exclusion from the Massachusetts and worldwide figures in line 3c. 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.

Assignment of Mutual Fund Sales

Mutual fund sales are assigned to Massachusetts as follows:

- Mutual fund sales are determined separately for each RIC from which the mutual fund service corporation receives fees for mutual fund services;
- Mutual fund sales for each RIC are multiplied by a fraction, the numerator of which is the average number of shares owned by the RIC's shareholders domiciled in Massachusetts at the beginning and end of the RIC's taxable year that ends within the mutual fund service corporation's taxable year, and the denominator of which is the average number of shares owned by all of the RIC's shareholders for the same period; and
- The resulting amounts are totaled for all RICs.

For taxable years beginning on or after January 1, 2014 any corporation that has mutual fund sales, including those that do not qualify as mutual fund service corporations under MGL ch 63, § 38(m), is required to assign those sales according to the rules that apply to mutual fund service corporations. The term "mutual fund sales" is defined in MGL ch 63, § 38(m)(1) and refers to certain services provided to a RIC, including management, distribution, and administrative services.

Line 3d

Rents from property located or used in Massachusetts are assigned to Massachusetts. Income derived from license or lease of intangible property is assigned to the state in accordance with the rules at 830 CMR 63.38.1(9)(d) 5.

Line 3f

Both the Massachusetts and Worldwide columns for lines 3b through 3f must be completed. Enter zero or leave blank only if there are no sales in a category. On line 3f, report the total Massachusetts sales (sum of amounts entered on lines 3a through 3e) and the total Worldwide sales (sum of amounts entered on lines 3b through 3e).

Line 3g

Mutual fund corporations reporting mutual fund sales must divide Massachusetts mutual fund sales by total mutual fund sales from line 3c and enter the amount here. All other corporations (including mutual fund service corporations reporting non-mutual fund sales) divide Massachusetts total sales by worldwide total sales from line 3f and enter the amount here.

Line 4 Single Sales Factor-When Sales Factor Inapplicable

A special rule will apply to business corporations (other than financial institutions) for tax years when the sales factor is inapplicable. For such years, the taxpayer will be required to base its apportionment on the percentage of property and payroll in Massachusetts.

The sales factor of such taxpayer is inapplicable if: (i) both its numerator and denominator are zero; (ii) the denominator is less than 10 per cent of one third of the taxable net income; or (iii) it is

otherwise determined by the Commissioner to be insignificant in producing income. See MGL ch 63, § 38(g) (as revised).

The taxpayer should only complete line 4 when the sales factor is inapplicable (do not complete line 4 if the sales factor applies). Divide the sum of the remaining apportionment percentages (property and/or payroll) by 2 if both the property and payroll factors are applicable (or by 1 if only one such factor is applicable) and enter the amount here.

Line 5

Enter the sales apportionment percentage amount from line 3g here and in Schedule E, line 20. If the sales factor is inapplicable enter the amount from line 4 here and in Schedule E, line 20.

Filers required to use industry-specific regulations should enter the appropriate apportionment percentage determined under the specific regulation that applies to them.

If using a three factor apportionment formula and one or more factors are inapplicable, the following shall apply:

- In cases where only two of the three apportionment factors (property, payroll, sales) are applicable, the taxable net income is apportioned by a fraction, the numerator of which is the remaining two factors with their respective weights and the denominator of which is the number of times that such factors are used in the numerator.
- In cases where only one of the three apportionment factors (property, payroll, sales) Is applicable, the taxable net income is apportioned solely by that factor with its respective weight, and the denominator is the number of times the factor is used in the numerator.

Note: An apportionment factor should not necessarily be considered inapplicable if its Massachusetts total (lines 1c, 2a or 3f) is 0.

If you are claiming an exception on Schedule ABI or ABIE, do the following to see if a factor applies. Complete Schedule E through line 19 without reference to the add back exception but less the amount of deductible and intangible expense stated in line 1 of the respective Schedule ABI or ABIE.

If any of the apportionment totals for "Worldwide" (lines 1c, 2a or 3f) are less than 3.33% of Schedule E, line 19, do not include that factor in your Massachusetts apportionment percentage.

Schedule H. Investment Tax Credit

Corporations claiming an Investment Tax Credit (ITC) must file Schedule H. The amount of the ITC credit is then entered on the Credit Manager Schedule (Schedule CMS).

Part 1. Calculation of Current-Year Investment Tax Credit Generated Lines 1a through 1d

Only R&D corporations should complete these lines. All others leave blank. R&D corporations are eligible for the credit only if 66% of their Massachusetts receipts are derived from the provision of research and development services or from royalties or fees from licensing patents, know-how or other technology developed from research and development. See 830 CMR 64H.6.4 for further information.

Lines 2a through 2h

Enter the total cost basis of all qualified depreciable property placed in service during the tax year by Schedule A category. Qualifying property must be tangible property, including buildings but excluding motor vehicles and other property taxable under MGL ch 60A, used by the corporation in Massachusetts, situated in the Commonwealth on the last day of the taxable year and depreciable under IRC § 167 with a useful life of four years or more. A corporation may not claim the credit for property it leases to others as a lessor.

Line 3

Add lines 2a through 2h to determine the total cost of eligible properties and enter the amount on line 3.

Line 4

If any of the property included in lines 2a through 2h is eligible for a federal tax credit, the total amount of the U.S. credit taken with respect to the qualifying property must be entered here and applied as a reduction to the basis in calculating the Massachusetts credit.

Line 5

Subtract line 4 from line 3d and enter the amount on line 5. This is the amount eligible for Massachusetts Investment Tax Credit (ITC).

Line 6

Enter the tentative tax credit. This is 3% of the cost after any basis reduction.

Line 7

If qualifying property is placed in service and disposed of or otherwise ceases to be in qualified service before the end of the same tax year, the amount of credits available is reduced. Multiply the credit otherwise available (cost as reduced by U.S. tax credits times 3%) by a fraction, the numerator of which is the number of months remaining in the useful life of the asset when it is disposed of or otherwise ceases to qualify and denominator of which is the total number of months in the assets' useful life. For example, an item that is depreciated over a seven-year period for U.S. tax purposes has a useful life of 84 months.

Line 8

Subtract the amount of the credit reduction in line 7 from the tentative credit in line 6.

Note: The taxpayer should enclose a statement with the tax return if any ITC credits have been converted from expiring to non-expiring. The statement should provide details of what specific credits have been converted from expiring to non-expiring.

Excise Calculation

In order to complete the excise calculation, all appropriate schedules must be filled out first. Therefore, schedule instructions precede the instructions for the excise calculation section. Use the whole dollar method.

The excise calculation schedule is used to calculate the various measures of the Massachusetts corporation excise. These are:

Non-income measure: A tax of $2.60 per $1,000 on taxable Massachusetts tangible property or taxable net worth, whichever applies. If the return is for a short taxable year, the tangible property or taxable net worth should be prorated; and

Income measure: A tax of 8.00% on income attributable to Massachusetts.

The law also provides for a minimum excise of $456.

Line 1

If the corporation is a tangible property corporation, enter the taxable Massachusetts tangible property amount (if applicable) from Schedule C, line 4. Multiply this amount by .0026 and enter the total on line 1.

Line 2

If the corporation is an intangible property corporation, enter the taxable net worth amount (if applicable) from Schedule D, line 10. Multiply this amount by .0026 and enter the total on line 2.

Line 3

Enter the amount from Schedule E, line 27, if you had taxable income (a positive number). If the amount in Schedule E, line 27 is a loss, enter 0.

Line 4

Enter the credit recapture amount if any from the Credit Recapture Schedule (CRS) and enclose Schedule CRS. See Schedule CRS instructions below.

Line 5

An addition to tax applies for taxpayers who have deferred the gain, and the tax associated with that gain, on certain installment sales. This addition to tax is measured by an interest charge on the tax that has been deferred.

Include in line 5 an additional tax amount representing an interest charge on the deferred tax on gain from certain installment sales with a sales

price over $150,000 if you are not a dealer and the aggregate face amount of installment obligations arising during the tax year and outstanding as of the close of the tax year exceeds $5 million. For more information see MGL ch 62C, § 32A (a) and IRC § 453A (a)(c).

Also include in line 5 an additional tax amount representing an interest charge on the deferred gain from the installment sale of time shares and residential lots, if the sale meets one of the following criteria:

- The sale is of a timeshare right for six weeks or less;
- The sale is for the recreational use of specified campgrounds; or
- The sale is for a residential lot and neither the dealer nor someone related to the dealer is obligated to make any improvements on the lot. For more information see MGL ch 62C, § 32A (b) and IRC § 453(l)(2)(B).

If you are a partner in a partnership or a shareholder in an S corporation, the entity is required to send you the information you need to calculate the addition to tax under this provision.

To the extent practicable, Massachusetts follows federal income tax rules in determining the deferred gain from installment sales subject to the interest-charge addition to tax. For more information, visit DOR's website at mass.gov/dor and Internal Revenue Service Publication 537.

Line 7

The taxpayer must enter on line 7 the credit amount reported on Schedule CMS that is being used to reduce current year corporate excise tax liability. The total credit amount claimed may be subject to limitations. See Schedule CMS for additional information.

Line 9

If the corporation is a member of a combined group filing a combined report but it is required to file a Form 355 because its taxable year ends on a date which differs from the taxable year end date of the combined group, its income measure of excise is paid with Form 355U. As a result, the taxpayer must enter the amount from Schedule U-ST, line 41 as it reported in such combined report. Corporations which are not members of a combined group enter 0.

Line 10

Corporations taxable under MGL ch 63, §§ 32D and 39 are subject to a minimum excise of $456. If the corporation is a member of a combined group, it must file a combined report and its income measure of excise is determined on Schedule U-ST, line 41 and not on Form 355 or 355S. The taxpayer is also required to file a Form 355 or 355S (because its taxable year ends on a date which differs from the taxable year end date of the combined group). If its income measure of excise from Schedule U-ST, line 41 (as referenced on line 9 above) is greater than or equal to $456 the taxpayer should then enter 0 on line 10. Otherwise, subtract the amount on line 9 from $456 and enter the result on line 10.

If the corporation is not part of a combined group, enter $456 in line 10.

Line 11

Enter the greater of line 8 or 10 on line 11. This amount is the excise due before voluntary contribution.

Line 12

Any corporation that wishes to contribute any amount to the Natural Heritage and Endangered Species Fund may do so on this form. This amount is added to the excise due. It increases the amount of the corporation's payment or reduces the amount of its refund.

Line 17

Use this line only if you are amending the original return. Enter in line 17 the amount of tax you paid with the original return from line 27, "Payment due at time of filing." If estimated tax payments were made on the original return, they should be reflected on line 15, as on the original return. Select the appropriate Amended return oval on page 1. Complete the entire return, correct the appropriate lines with the new information and recompute the tax liability. You must attach a supporting statement to the amended return with an explanation of why you are filing the amended return (including the basis for submitting it) and identify the lines and amounts being changed on the amended return. Electronic filing requirements apply to amended returns. See TIR 21-9 for further information.

Line 18

NEW - Schedule 63-WH: Massachusetts Corporate Excise Withholding

A taxpayer that is a corporation, pass-through entity or other organization subject to MGL Chapter 63 must complete and submit Schedule 63-WH with their tax return to report withholding of Massachusetts corporate excise. All withholding amounts reported to the taxpayer must be entered on the schedule (including forms 1099, Schedules K-1, W-2G and NRW and other forms or schedules that include withholding of Massachusetts corporate excise). If the taxpayer is a member of one or more lower-tier entities and amounts were withheld for the taxpayer by one or more of such lower-tier entities, the taxpayer should indicate how much of the total amount withheld was allocated to it, along with the payer name and identification number of each lower-tier entity.

Include on line 18 the total excise withheld as reported on Schedule 63-WH, line 14 from all forms, schedules or other sources. Enclose Schedule 63-WH and all attached forms, schedules or other sources of withholding with your return.

Note: Failure to submit Schedule 63-WH and all pertinent forms or schedules may delay processing of your return.

Line 19

If the corporation is claiming a refundable credit, enter the amount(s) from Schedule CMS and enclose the completed Schedule CMS with the return.

Line 25

The following penalties may apply:

Penalty for underpayment of estimated tax. 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.

Penalty for failure to file. The penalty for failure to file a tax return by the due date is 1% of the tax due per month (or fraction thereof), up to a maximum of 25%.

Penalty for late payment. The penalty for failure to pay the total pay ment due with this form is 1%of the tax due per month (or fraction thereof), up to a maximum of 25%.

Line 26

Any corporation which fails to pay its tax when due will be subject to interest charges on the unpaid balance.

Line 27

Enter the total payment due. All payments can be made electronically on MassTaxConnect. All payments can be made electronically on MassTaxConnect. Checks for this amount should be made payable to the Commonwealth of Massachusetts. Checks should have the corporation's Federal Identification number written in the lower left corner.

Schedule CMS: Tax Credits

Financial institutions, insurance companies, business corporations, and other taxpayers subject to tax under MGL ch 63 may be eligible for certain tax credits in Massachusetts. Credits may be used to offset a tax due, may be passed or shared with another person or entity, or, in some cases credits may be fully or partially refundable. MGL ch 63 taxpayers with credits available for use in the current taxable year must file a Schedule CMS to claim most credits.

For each credit claimed on a Schedule CMS, report the amount of the credit available for use and

the amount of credit claimed to reduce tax for the current taxable year. For pass-through entities, report the amount of credit distributed to partners/shareholders/beneficiaries in the credit shared column. Taxpayers also report the amount of a refundable credit they are using to request a refund of tax. See the Schedule CMS Instructions for more information on how to complete the Schedule CMS and claim the credits.

Credits reported on the Schedule CMS are generally identified either by a certificate number assigned by the issuing agency (which may be DOR) or by the tax period end date in which the credit originated. If a credit has been assigned a certificate number, the certificate number must be included on the Schedule CMS. A taxpayer that does not include an assigned certificate number on the Schedule CMS will not be allowed the credit on the tax return and will have their tax liability adjusted by DOR. Be sure to omit hyphens, spaces, decimals and other special symbols when entering the certificate number. Also, enter the number from left to right.

Likewise, a taxpayer that is required to complete a separate schedule to claim a credit must include the separate schedule with the taxpayer's return filing. Failure to do so may result in the credit being disallowed.

If, by operation of MGL ch 63, § 32C or another provision of law, a credit normally identified by tax period end date is eligible for indefinite carry-over, the credit should be reported as "non-expiring" and identification of the tax period of origin is not necessary.

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.

For Sections 1 or 3, a credit identified by period end date eligible for indefinite or unlimited carry-over under MGL ch 63 § 32C (or other provision of law) should be reported as "non-expiring" and the period end date or certificate number should be left blank.

Note: Taxpayers reporting "non-expiring" credits must enclose a statement with their return indicating credits converted to non-expiring in a manner consistent with their Schedule CMS "non-expiring" credit reporting.

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.

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.

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.

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.

Privacy Act Notice

The Privacy Act Notice is available upon request or at mass.gov/dor.

Declaration

When Form 355 is complete, it must be signed by the treasurer or assistant treasurer or, in their absence or incapacity, by any other principal corporate officer. If you are signing as an authorized delegate of the appropriate corporate officer, check the box below the signature line on Form 355 and attach Form M-2848, Power of Attorney, with the return. Form M-2848 should be uploaded through MassTaxConnect or electronically filed using other authorized software.

Paid Preparer Authorization

If you want to allow the DOR to discuss your 2025 business tax return with the paid preparer who signed it, fill in the Yes oval in the signature area of the form at the bottom of page 1. This authorization applies only to the individual whose signature appears in the paid preparer section of your return. It does not apply to the firm (if any) shown in that section. If you fill in the Yes oval you are authorizing DOR to call the paid preparer to answer any questions that may arise during the processing of your return. You are also authorizing the paid preparer to:

- Give DOR any information that is missing from your return;
- Call DOR for information about the processing of your return or the status of your refund or payment(s); and
- Respond to certain DOR notices that you have shared with the preparer about math errors, offsets and return preparation. The notices will not be sent to the preparer.

You are not authorizing the paid preparer to receive any refund check, to bind you to anything (including any additional tax liability) or otherwise represent you before DOR. If you want to expand the paid preparer's authorization, see Form M-2848, Power of Attorney and Declaration of Representative. Form M-2848 is available at mass.gov/dor.

This authorization will automatically end no later than the due date (without regard to extensions) for filing your 2026 tax return. If you wish to revoke this authorization, you can do so by submitting a signed statement to the DOR listing the name and address of each representative whose authority is being revoked.

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
Climatetech Capital Investment	Period end date	If authorized, at 100%	CCICRD	62	6(gg)	63	38RR
Climatetech Incentive Jobs	Period end date	If authorized, at 90%	CIJCRD	62	6(hh)	63	38TT
Climatetech Qualified Research	Period end date	No	CQRCRD			63	38SS
Commercial Conversion	Certificate number	No	CCCCRD	62	6(ee)	63	38OO
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 (issued prior to November 20, 2024)	Certificate number and Schedule EDIP**	If authorized, at 100%	EDIPCR	62	6(g)	63	38N
EDIP (issued on or after November 20, 2024)	Certificate number and Schedule EDIP**	If authorized, at 100%	EDICRD	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)		

* 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 Angel Investor Tax Credit has been repealed for tax years beginning on or after January 1, 2024. Taxpayers must continue to report available carryover credits on Schedule CMS to the extent they are allowed to use them.

**** 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 on Schedule CMS 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
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
Live Theater	Certificate number	No	LTCCRD	62	6(ff)	63	38QQ
Low-Income Housing	Certificate number	No	LOWINC	62	6I	63	31H
Low-Income Housing Donation	Certificate number	No	LIHDON	62	6I	63	31H
Massachusetts Homeownership	Certificate number	No	MHCCRD	62	6O	63	38PP
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)		
Training Tax	Certificate number	No	TTCCRD	62	6(dd)	63	38NN
Vanpool	Period end date and Schedule VP**	No	VANPOL			63	31E
Veteran's New Hire Tax	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 on Schedule CMS 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).

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:**

- 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
- 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.