2025 Form 63D-ELT Instructions

Revised August 4, 2026

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

Form 63D-ELT and all accompanying forms and schedules must be filed electronically

Form 63D-ELT 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.

Note: Taxpayers must refer to the instructions for all other related Massachusetts tax and/or information returns and schedules to ensure amounts reported on Form 63D-ELT are properly reflected and reported.

Form 63D-ELT (Entity Level Tax)

Effective for taxable years beginning on or after January 1, 2021, pass-through entities treated as S corporations, partnerships or trusts that pass taxable income through to beneficiaries (Eligible PTEs) may make an annual irrevocable election to pay an excise on qualified income taxable in Massachusetts at a rate of 5% (PTE Excise). The annual voluntary election must be made on the Eligible PTE's tax return. The PTE Excise is reported and paid by an electing Eligible PTE on Massachusetts Form 63D-ELT which is due at the same time the Eligible PTE's Form 3, Form 355S, Form 63-FI or Form 2 is due.

Each qualified member of an electing Eligible PTE is allowed a credit equal to 90% of its distributive share of PTE Excise paid (PTE Excise Credit). A qualified member is a natural person, estate or trust subject to Massachusetts personal income tax as a shareholder, partner or beneficiary of an electing Eligible PTE. A qualified member may be a resident, nonresident or part-year resident.

A qualified member of an electing Eligible PTE may claim a PTE Excise Credit against its personal income tax due for the taxable year in which the electing Eligible PTE's taxable year ends. The PTE Excise Credit is refundable meaning that any excess credit amount is treated as an overpayment for which the qualified member may request a refund. The PTE Excise will expire if the federal SALT deduction limitation expires or is otherwise repealed. For further information see MGL chapter 63D §§ 1-7; TIR 22-6 Pass-through Entity Excise. See also Elective pass-through entity excise FAQs.

Who Must File Form 63D-ELT?

Massachusetts Form 63D-ELT must be filed by an Eligible PTE if it has made the annual voluntary election to pay PTE Excise on its return (Form 355S – Schedule S, Form 2 or Form 3). An S corporation that is a Financial Institution may make the election on Schedule S of Form 63 FI. Once the election is made for a tax year it is irrevocable for that year and is binding on all qualified members. See Form 355S, Form 63 FI, Form 2 or Form 3 instructions for information relating to the PTE Excise.

When is Form 63D-ELT Due?

Form 63D-ELT is due at the same time the Electing Eligible PTE's Form 3, Form 355S, Form 63-FI or Form 2 is due.

Is a Taxpayer Allowed an Extension of Time to File Form 63D-ELT?

Yes. The general rules relating to extensions apply to the PTE Excise. See TIR 16-10 for additional information on the simplified extension process for partnerships and trusts. See TIR 15-15 for additional information on the simplified extension process for corporate excise taxpayers.

Major 2025 Tax Law Changes (***)

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 pass-through entity that has a valid extension but has not yet filed a return, the **Entity Level-Tax (63D-ELT)** must attach to their original **2025** tax return: **(***)**

- **Massachusetts Schedule M-2210** (Underpayment of Massachusetts Estimated Tax).
- **Attach a Formal 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-2210**.

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.

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. Data sheets, account forms or other supporting schedules must be available to explain amounts entered on the forms and schedules. Referencing lines to enclosures in lieu of entering amounts onto the return is not sufficient. An exact copy of all pertinent U.S. tax forms (including all applicable schedules and forms and any other documentation required to substantiate entries made on this return) must be made available to DOR upon request.

Can Trusts be Eligible PTEs?

A trust filing MA Form 2 is an Eligible PTE if it has income that flows through to its beneficiaries and is reported on Massachusetts Schedule 2K-1 for Massachusetts personal income tax purposes. A trust beneficiary that is itself a PTE is not a qualified member (but may be a separate Eligible PTE) for purposes of the PTE Excise.

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.

The electing Eligible PTE must provide all requested information. Electing PTEs should fill in the **Amended return** oval if reporting changes to the originally filed Massachusetts Form 63D-ELT return. If your amended return is being submitted due to an IRS BBA Partnership Audit then fill in the **Amended return due to IRS BBA Partnership Audit** oval.

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**, an **Entity Level Tax (63D-ELT)** must include with their amended **2025** tax return, or their original **2025** tax return if filing on extension: **(***)**

• **Massachusetts Schedule M-2210** (Underpayment of Massachusetts Estimated Tax).

• **Attach a Formal 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-2210**.

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.

Members of Eligible PTE

Taxpayers should report the total number of members in the electing Eligible PTE without regard to whether such members are qualified members for purposes of determining PTE Excise. Taxpayers should also report the total number of qualified members. These two amounts will differ if one or more members of the electing Eligible PTE are not qualified members.

Type of Entity

The electing Eligible PTE should fill in the appropriate oval to indicate whether it is an S corporation (Form 355S or Form 63-FI), partnership (Form 3) or trust (Form 2).

Total Amount of Entity-Level Tax Paid

Enter the total amount of Entity-Level Tax Paid by the electing pass-through entity on this line. This amount should match the sum of all 100% of entity-level tax reported and paid by pass-through entity in the Qualified Members of Electing Pass-through Entity section.

Line Instructions

Certain line items are addressed in detail below. Lines without specific instructions are considered self-explanatory.

Total Qualified Income subject to 5% Entity-Level Tax

An electing Eligible PTE's total qualified income subject to tax under Chapter 63D is the sum of all distributive shares of qualified member income subject to Massachusetts personal income tax.

Reporting of Aggregate Information

The electing Eligible PTE must report and calculate its total qualified income subject to 5% Entity-Level Tax as an aggregate amount derived from the total distributive shares of all qualified members.

Section 1

Section 1 of Form 63D-ELT should be completed by S corporations and partnerships only.

Amounts reported in lines 1 through 13 of Section 1 should reflect the aggregate sum of the distributive shares of income of all qualified members of the electing Eligible PTE that are subject to Massachusetts personal income tax.

Section 2

Section 2 of Form 63D-ELT should be completed by Eligible PTEs that are trust taxpayers only. Eligible S corporation and partnership taxpayers should complete Section 1.

Amounts reported in lines 1 through 11 of Section 2 should reflect the aggregate sum of the distributive shares of income of all qualified members of the electing Eligible PTE that are subject to Massachusetts personal income tax.

Qualified Members of Electing Eligible PTE

Complete the table by providing all information for each qualified member in the same manner as is reported in each qualified member's Massachusetts K-1 schedule generated by the electing Eligible PTE (Schedule SK-1, 2K-1 or 3K-1). The table should not include information relating to any members of the electing Eligible PTE that are not qualified members for purposes of determining the PTE Excise.

Name of member – enter name of each qualified member in the same manner reported by the Eligible PTE on the qualified member's Massachusetts K-1 schedule (SK-1, 2K-1 or 3K-1).

Taxpayer identification number – enter the EIN, TIN or SSN of each qualified member.

Address – enter address of each qualified member.

Type of member – indicate whether each qualified member is an S corporation shareholder, partner or trust beneficiary in the same manner as reported on each qualified member's Massachusetts K-1 schedule (SK-1, 2K-1 or 3K-1).

Total ordinary income or loss, interest, and dividend income – report each qualified member's Massachusetts K-1 schedule (SK-1, 2K-1 or 3K-1):

- Schedule SK-1, line 32a
- Schedule 2K-1, line 19a
- Schedule 3K-1, line 41a

Net gain or loss from the sale of capital assets – report each qualified member's Massachusetts K-1 schedule (SK-1, 2K-1 or 3K-1):

- Schedule SK-1, line 32b
- Schedule 2K-1, line 19b
- Schedule 3K-1, line 41b

Total income subject to 5% entity-level tax – report each qualified member's Massachusetts K-1 schedule (SK-1, 2K-1 or 3K-1):

- Schedule SK-1, line 32c
- Schedule 2K-1, line 19c
- Schedule 3K-1, line 41c

100% of entity-level tax reported and paid by pass-through entity – report each qualified member's Massachusetts K-1 schedule (SK-1, 2K-1 or 3K-1):

- Schedule SK-1, line 32d
- Schedule 2K-1, line 19d
- Schedule 3K-1, line 41d

Qualified Member's refundable credit – report each qualified member's Massachusetts K-1 schedule (SK-1, 2K-1 or 3K-1):

- Schedule SK-1, line 32e (Shareholder's refundable credit)
- Schedule 2K-1, line 19e (Beneficiary's refundable credit)
- Schedule 3K-1, line 41e (Partner's refundable credit)

Calculation of 5.0% PTE Excise

This section must be completed by all electing Eligible PTE taxpayers.

Line 1

Total income subject to 5% entity-level tax – enter the total income subject to the 5% entity-level tax as an aggregate amount derived from the total of all distributive shares of all qualified members.

Line 3

Overpayment of entity-level tax from prior year applied to this year's estimated entity-level tax.

Line 4

Enter the amount of Massachusetts estimated PTE Excise paid by the PTE.

Note: The total amount of all estimated entity-level tax payments for the 2025 taxable year is due by January 15, 2026. See "Are estimated payments required for the PTE Excise?" Elective PTE Excise FAQs.

Line 6

Use line 6 only if you are amending the original Form 63D-ELT return. Enter in line 6 the amount of tax you paid with the original return from line 14 (Payment due at time of filing). If estimated tax payments were made on the original return they should be reflected on line 4 (as on the original return). Select the appropriate Amended return oval on page 1 and attach a supporting statement as required (see page 1 **Filing an Amended Return** instructions above). Complete the entire amended return, correct the appropriate lines with the new information and recompute the tax liability. All amended Form 63D-ELT returns and payment of associated tax should be submitted through MassTaxConnect. Alternatively, taxpayers may file Form 63D-ELT and make payments due with a return using third party software.

Line 12

The following penalties may apply:

Penalty for underpayment of estimated tax. Taxpayers should enclose Form M-2210 with Form 63D-ELT to determine the penalty with respect to the PTE Excise and enter that amount on Line 12.

If the taxpayer is seeking an underpayment penalty exception it must fill in the Exception oval and enclose Form M-2210 with the return. See Form M-2210 instructions for further details.

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 payment due with this form is 1% of the tax due per month (or fraction thereof) up to a maximum of 25%.

Line 13

Any electing Eligible PTE that fails to pay the entity level tax when due will be subject to interest charges on the unpaid balance.

Line 14

Enter the total payment due. All payments can be made electronically on MassTaxConnect or by using third party software.

Declaration

When Form 63D-ELT 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 63D-ELT and attach Form M-2848, Power of Attorney, with the retun. 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 this year's 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, off-sets 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 2025 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.

Privacy Act Notice

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