

830 CMR 118.00: AID TO FAMILIES WITH DEPENDENT CHILDREN

Section

118.1: Full Employment Program Credit

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(1) Purpose and Overview, Effective Date.

(a) Purpose and Overview. 830 CMR 118.1 explains how to calculate the Full Employment Program Credit ("Employment Credit" or "credit") allowed by St. 1995, c. 5, § 110(m). The Employment Credit may be applied against the corporate excise by qualified M.G.L. c. 63 employers or the Massachusetts personal income tax by qualified M.G.L. c. 62 employers.

(b) Effective Date. Qualified employers may claim the credit for months of eligible employment beginning on or after November 1, 1995.

(2) Definitions. For purposes of 830 CMR 118.1, the following terms shall have the following meanings:

DTA, the Department of Transitional Assistance established under M.G.L. c. 18.

Eligible Employment, the number of full calendar months a participant has been employed after any state subsidy paid to the qualified employer for employing that participant under the Full Employment Program has expired.

Full Employment Program, the program established by St. 1995, c. 5, § 110(l) to provide paid work experience and on-the-job training.

Participant, an employee who participates in the Full Employment Program. Eligibility for participation in the program is subject to the rules established by DTA.

Qualified Employer, an employer who participates in the Full Employment Program under the rules established by DTA.

(3) Taxpayers Who May Claim the Credit. Every employer who participates in the Full Employment Program and continues to employ a participant for at least one full month after any Full Employment Program subsidy for that participant has expired may claim the Employment Credit.

(4) Computation of the Credit. A qualified employer may claim an Employment Credit equal to \$100 per month of eligible employment per participant. The maximum amount of credit that may be claimed in all taxable years with respect to each participant is \$1,200.

(5) Special Credit Limitations

(a) Minimum Excise Limitation. The Employment Credit may not be applied to reduce any minimum excise under M.G.L. c. 63.

(b) Combined Group Members. A qualified employer that participates in the filing of a combined report may apply the Employment Credit against the portions of the combined group's excise liability in accordance with the provisions of 830 CMR 63.32B.2(9).

(c) 50% Limitation Inapplicable. In determining the amount of the Employment Credit allowable for a taxable year, the 50% limitation imposed by M.G.L. c. 63, § 32C does not apply.

(6) Ordering of Credits. The Employment Credit may be applied in combination with other credits allowed under M.G.L. c. 63 in any order. Similarly, the credit may be applied in combination with other credits allowed under M.G.L. c. 62, § 6 in any order.

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(7) Carryover of Unused Credit. Any portion of the Employment Credit that cannot be applied in a taxable year may be carried over to the next taxable year, for a maximum of five successive taxable years.

(8) Special S Corporation Rules

(a) Claiming the Credit. A qualified Massachusetts S corporation employer taxable in any year under M.G.L. c. 63 may take the Employment Credit for that taxable year against either or both the income or non-income measure of the corporate excise. Alternatively, the credit from such taxable year may be passed through to shareholders on a pro rata basis. These alternatives are mutually exclusive.

(b) Carryover of an S Corporation's Unused Credit. If an S corporation takes an Employment Credit for a taxable year against its corporate excise liability, any unused credit from that year may be carried over by the S corporation only and applied only against its corporate excise liability for a maximum of five successive taxable years.

(c) Carryover of Shareholders' Unused Credit. If an S corporation passes the Employment Credit for a taxable year through to its shareholders, any unused credit from that year may be carried over only by the shareholder and applied only against the shareholder's M.G.L. c. 62 personal income tax liability for a maximum of five successive taxable years, regardless of whether the shareholder maintains an interest in the corporation in the taxable year in which the carried over credit is applied.

(9) Record Keeping Requirements. Qualified employers shall maintain adequate records to substantiate the credit taken. Such records must include the name and social security number of each participant for whom the credit is claimed, as well as the number of months of eligible employment completed by such participant. This information must coincide with the information contained in the annual report prepared and sent to each qualified employer by DTA.

Additionally, for each prior year in which there was an earned credit that has not been fully applied and has not lapsed, qualified employers shall maintain a reconciliation of such unused unexpired credit with the amount of such credit to be applied to the current year's return and the remaining amount, if any, to be carried forward to a subsequent year. Finally, qualified employers must attach a copy of such reconciliation to their returns for the taxable year.

REGULATORY AUTHORITY

830 CMR 118.00: St. 1995, c. 5, § 110(m).