Massachusetts Department of Revenue

Self-Assessed Advance Payment Penalty Worksheet

Retain the worksheet for your records, do not submit.

Name_____ Tax Period_____

FID #_____

Business taxpayers who had more than $150,000 in cumulative tax liability in the immediately preceding calendar year may be subject to an advance payment requirement on sales and use tax, including meals tax, sales tax on telecommunications and marijuana retail taxes, and/or room occupancy tax. See 830 CMR 62C.16B.1. Where a taxpayer pays less than the advance payment due, a 5% penalty may be added to the amount of underpayment. Starting with the January 1, 2022 return, a taxpayer will be able to self-assess an advance payment penalty on its tax return. This worksheet may be used to determine if you are subject to the underpayment penalty and to calculate the amount of the penalty. Use a separate worksheet for each period. For examples see below.

Is there an underpayment? Calculation of Underpayment:

Line 1: Advance Payment Due: Lesser of
(1) Tax liability* from 1st through 21st of month, or
(2) 80% of total tax liability in prior month.
(Tax liability is equal to taxable gross receipts or taxable sales/rents times rate)

Line 2: Amount Paid by or before the 25th.

Line 3: Amount of Underpayment (Line 1 minus Line 2; not less than 0).
If Line 3 is 0 you do not have a penalty, skip the remainder of this worksheet.

Is the payment less than 70% of the total liability?

Line 4: Total tax liability* for monthly tax period.

Line 5: Enter 70% of Line 4.

Line 6: Amount less than 70% of tax liability (Line 5 minus Line 2; not less than 0).
If Line 6 is 0 you do not have a penalty, skip the remainder of this worksheet.

Calculation of the Advance Payment Penalty

Line 7: Amount of Penalty (5% of Line 3)
Enter this amount on the "Advance Payment Penalty" line of your return.

*Tax liability includes all sales tax, local tax, marijuana excise, and any additional fees reported on the monthly return; does not include use tax on purchases (for tobacco retailers only: subtract any pre-paid sales tax as applicable)

Examples for Completing Worksheet

The following examples will help you use the worksheet to calculate a penalty, if any.

Example 1. Super Toys Inc., a retail vendor, has a monthly sales tax filing requirement and had $240,000 in cumulative Massachusetts sales tax liability in 2021, so it must make an advance payment for calendar year 2022. Super Toys Inc. has $256,000 in gross receipts from taxable sales from January 1, 2022, through and including January 21, 2022. Super Toys Inc. remits $16,000 on January 25, 2022 ($256,000 x 6.25%). As Super Toys, Inc. has remitted the amount required to be remitted on or before the 25th of the month, there is no underpayment and no need to determine 80% of the prior month. Super Toys Inc. must file its return for the tax period beginning January 1, 2022, and ending January 31, 2022, 30 days after the close of the month on or before March 2, 2022. Super Toys Inc. has $325,000 in total gross receipts from taxable sales for the taxable period. Based on its total taxable sales, Super Toys Inc.'s total sales tax due for the taxable period is $20,313 ($325,000 x 6.25%). Super Toys Inc. must remit the remaining tax due of $4,313, the difference between what was remitted on January 25 and the total tax due for the taxable period, with the return it files on or before March 2, 2022.

How to fill out worksheet for Example 1:

<u>Calculation of Underpayment</u>
Line 1: $16,000 (Lesser of tax liability from 1st through 21st or 80% of prior month)
Line 2: $16,000 (Amount paid by January 25th)
Line 3: $0 (Amount of underpayment: line 1 minus line 2)
Super Toys, Inc. has remitted the amount required to be remitted on or before the 25th of the month, there is no underpayment. Skip the remainder of this worksheet and continue completing your return.

Example 2. Super Toys Inc., a retail vendor, has a monthly sales tax filing requirement and had $240,000 in cumulative Massachusetts sales tax liability in 2021, so it must make an advance payment for calendar year 2022. Super Toys Inc. had $300,000 in total gross receipts from taxable sales in December 2021 that resulted in a total liability of $18,750 in sales tax for the month of December. Super Toys Inc. remits $15,000 on January 25, 2022 (80% of $18,750). As Super Toys, Inc. has remitted the amount required to be remitted on or before the 25th of the month, there is no underpayment and no need to determine the tax liability from January 1st through the 21st. Super Toys Inc. must file its return for the January 2022 period by March 2, 2022. Super Toys Inc. has $325,000 in total gross receipts from taxable sales for the taxable period. Based on its total taxable sales, Super Toys Inc.'s total sales tax due for the taxable period is $20,313 ($325,000 x 6.25%). Super Toys Inc. must remit the remaining tax due of $5,313, the difference between what was remitted on January 25 and the total tax due for the taxable period, with the return it files on or before March 2, 2022.

How to fill out worksheet for Example 2:

<u>Calculation of Underpayment</u>
Line 1: $15,000 (Lesser of tax liability from 1st through 21st or 80% of prior month)
Line 2: $15,000 (Amount paid by January 25th)
Line 3: $0 (Amount of underpayment: line 1 minus line 2)
Super Toys, Inc. has remitted the amount required to be remitted on or before the 25th of the month, there is no underpayment. Skip the remainder of this worksheet and continue completing your return.

Example 3. Super Toys Inc. is subject to the advance payment requirement because it had more than $150,000 in cumulative sales tax liability in 2021, so it must make an advance payment for calendar year 2022. Super Toys Inc. has $256,000 in gross receipts from taxable sales from January 1, 2022, through and including January 21,

2022, and remits $16,000 on January 25, 2022. As Super Toys Inc. has remitted the amount required to be remitted on or before the 25th of the month ($256,000 x 6.25%), there is no underpayment and no need to determine 80% of the prior month. Due to a big sale at the end of January, Super Toys Inc. has $500,000 in total gross receipts from taxable sales for the taxable period. Based on its total taxable sales for the taxable period, Super Toys Inc.'s total sales tax due for the taxable period is $31,250 ($500,000 x 6.25%). Super Toys Inc. must remit the remaining tax due of $15,250, the difference between what was remitted on January 25 and the total tax due for the taxable period, with the return it files by March 2, 2022. Super Toys Inc. remitted less than 70% of the total tax due for the month on January 25 ($31,250 x 70% = $21,857) but because it remitted the amount required to be remitted on January 25, there is no underpayment that is subject to the 5% underpayment penalty.

How to fill out worksheet for Example 3:

Calculation of Underpayment
Line 1: $16,000 (Lesser of tax liability from 1st through 21st or 80% of prior month)
Line 2: $16,000 (Amount paid by January 25th)
Line 3: $0 (Amount of underpayment: line 1 minus line 2)
Super Toys, Inc. has remitted the amount required to be remitted on or before the 25th of the month, there is no underpayment. Skip the remainder of this worksheet and continue completing your return. There is no need to determine whether it also paid 70% of the total liability due.

Example 4. Super Toys Inc. is subject to the advance payment requirement because it had more than $150,000 in cumulative sales tax liability in 2021, so it must make an advance payment for calendar year 2022. Super Toys Inc. has $256,000 in gross receipts from taxable sales from January 1, 2022, through and including January 21, 2022, so its tax liability from the 1st through the 21st is $16,000. In the prior month, December 2021, Super Toys Inc. had $300,000 in total gross receipts from taxable sales that resulted in a total liability of $18,750 in sales tax for the month of December, so 80% of the prior month was $15,000. However, Super Toys Inc. pays only $14,500 on January 25, 2022. As Super Toys, Inc. has remitted less than the amount required to be remitted on or before the 25th of the month (the lesser of $256,000 x 6.25% = $16,000 or $18,750 x 80% = $15,000), there is an underpayment of $500 ($15,000 - $14,500). Super Toys Inc. must file its return for the January period by March 2, 2022. Super Toys Inc. has $325,000 in total gross receipts from taxable sales for the taxable period. Based on its total taxable sales, Super Toys Inc.'s total sales tax due for the taxable period is $20,313 ($325,000 x 6.25%). Super Toys Inc. must remit the remaining tax due of $5,813, the difference between what was remitted on January 25 and the total tax due for the taxable period, with the return it files on or before March 2, 2022. Super Toys Inc. remitted less than the amount required to be remitted on January 25 ($15,000 - $14,500 = $500) but because it remitted at least 70% of the total tax due for the month on January 25 ($20,313 x 70% = $14,219.10), there is no 5% penalty.

How to fill out worksheet for Example 4:

Calculation of Underpayment
Line 1: $15,000 (Lesser of tax liability from 1st through 21st or 80% of prior month)
Line 2: $14,500 (Amount paid by January 25th)
Line 3: $500 (Amount of underpayment: line 1 minus line 2)
Super Toys, Inc. did not pay the full amount of the advance payment due and must complete lines 4-6.

Calculation of 70% Threshold
Line 4: $20,313 (Total liability for January 2022: $325,000 x 6.25%)
Line 5: $14,219 (70% of Total liability for January 2022: line 4 x 70%)
Line 6: $0 (Safe Harbor: line 5 minus line 2; not less than $0)

Super Toys Inc. has an underpayment in line 3 but because it remitted at least 70% of the total tax due for the month on January 25th the 5% penalty is not imposed. Skip the remainder of this worksheet and continue completing your return. There is no need to calculate the underpayment penalty.

Example 5. Super Toys Inc. is subject to the advance payment requirement because it had more than $150,000 in cumulative sales tax liability in 2021, so it must make an advance payment for calendar year 2022. Super Toys Inc. has $256,000 in gross receipts from taxable sales from January 1, 2022, through and including January 21, 2022, so its tax liability from the 1st through the 21st is $16,000. In the prior month, December 2021, Super Toys Inc. had $500,000 in total gross receipts from taxable sales that resulted in a total liability of $31,250 in sales tax for the month of December, so 80% of the prior month was $25,000. However, Super Toys Inc. pays only $10,000 on January 25, 2022. As Super Toys, Inc. has remitted less than the amount required to be remitted on or before the 25th of the month (the lesser of $256,000 x 6.25% = $16,000 or $31,250 x 80%=$25,000), there is an underpayment of $6,000. Super Toys Inc. must file its return for the January 2022 period by March 2, 2022. Super Toys Inc. has $325,000 in total gross receipts from taxable sales for the January 2022 period. Based on its total taxable sales, Super Toys Inc.'s total sales tax due for the taxable period is $20,313 ($325,000 x 6.25%). Super Toys Inc. must remit the remaining tax due of $10,313, the difference between what was remitted on January 25 and the total tax due for the taxable period, with the return it files on or before March 2, 2022. Super Toys Inc. remitted less than the amount required to be remitted on January 25 ($16,000 - $10,000 = $6,000) and it does not qualify for the safe harbor because it only paid $10,000, which is less than 70% of the total tax due for the month on January 25 ($20,313 x 70% = $14,219.10). Super Toys Inc. is subject to a 5% penalty on $6,000, the amount of underpayment.

How to fill out worksheet for Example 5:

<u>Calculation of Underpayment</u>
Line 1: $16,000 (Lesser of tax liability from 1st through 21st or 80% of prior month)
Line 2: $10,000 (Amount paid by January 25th)
Line 3: $6,000 (Amount of underpayment: line 1 minus line 2)
Super Toys, Inc. did not pay the full amount of the advance payment due. You must complete lines 4-6.

<u>Calculation of 70% Threshold</u>
Line 4: $20,313 (Total liability for January 2022: $325,000 x 6.25%)
Line 5: $14,219 (70% of Total liability for January 2022: line 4 x 70%)
Line 6: $4,219 (Safe Harbor: line 5 minus line 2; not less than $0)
If line 6 is more than zero, Super Toys, Inc. paid less than 70% of the total liability. You must complete line 7 to calculate the advance payment penalty.

<u>Calculation of Advance Payment Penalty</u>
Line 7: $300 (Calculation of penalty: line 3 x 5%)
This is the amount of the "Advance Payment Penalty" that must be reported on the return