



The Child Support Card



www.mass.gov/dor



**To the Honorable Mitt Romney, Governor of the Commonwealth,
and the Honorable Members of the General Court of Massachusetts:**

I am pleased to present you with the fiscal 2005 Annual Report. It was a year in which DOR made great strides in tax collection, local services and child support enforcement. We've been stressing technology for some time now, but fiscal 2005 was truly a watershed year in advancing automation.

Revenue collections topped \$17 billion for the first time as we encouraged more individual and corporate taxpayers to file their returns and pay their bills electronically. With fewer DOR workers opening mail and handling paper, we have been able to concentrate on better customer service and more fruitful audits. As an added dividend, the faster collection of taxes allows DOR to provide you with more accurate revenue snapshots throughout the year.

As you can tell by the cover of this report, the Child Support Enforcement Division, which collected more than \$480 million on behalf of families in fiscal '05, introduced a debit card for custodial parents. The effort here is to reduce the anxiety of some parents who are at the mercy of timely written checks and the vagaries of mail delivery. Electronic funds transfers to the custodial parent's bank account or to a debit card account eliminate the need for a paper check. This ensures that the money arrives – and on time.

The Division of Local Services has completed its conversion to electronic transfers of state aid to communities. Gone are the legendary Cherry Sheets. Now cities and towns receive their share of state funds in an instant. DLS also began posting to the website full local aid estimates by city and town throughout the state budget process. This gives local officials involved in writing municipal budgets the best possible information as soon as it is available.

I hope you find this report interesting reading. On behalf of everyone at DOR, I want to thank you for your support. We look forward to working with you in the coming year to bring the best possible service to the taxpayers of the Commonwealth.


Alan LeBovidge, Commissioner of Revenue

Year In Review

Introduction

Fiscal Year 2005 was a successful year for the Department of Revenue – a year that set records in revenue collections, e-filing and child support collections. In FY05 DOR continued to expand its Internet presence to provide a wider range of services to its customers, whether taxpayers, child support clients or municipal officials. The following sections highlight DOR's FY05 achievements in three primary areas of business: tax administration, child support enforcement and local services.

Tax Administration

For the first time in state history, revenue collections surpassed \$17 billion. Tax collections for FY05 increased by 7.1 percent over FY04 and exceeded benchmark estimates by \$436 million. Due to the Department's success in developing and promoting its e-file and ACH (Automated Clearing House) programs, over \$13 billion of this total was collected electronically.

The Department's data warehousing system, DTAX, continues to improve our ability to locate taxpayers who have not filed tax returns or underreported their income. Matching diverse bits of information from more than 330 million pieces of data from 47 databases, DTAX identifies noncompliant taxpayers, computes the tax due and generates bills accordingly. While DTAX is primarily designed to pinpoint tax evaders, it also finds taxpayers

who are owed refunds as well. At the close of FY05, DTAX accounted for roughly \$113 million in collections and \$12 million in refunds. DTAX's net collections for the fiscal year totaled approximately \$101 million.

The Department also continued to add more online tools for taxpayers to its website, rolling out two new web applications in FY05. One new application allows taxpayers to apply for and obtain a Certificate of Good Standing in as little as forty-eight hours. The Certificate of Good Standing application should prove to be an invaluable tool for taxpayers with pending sales, refinancing or other business reasons that require quick proof that no taxes are owed to the Commonwealth. In addition, a new online abatement application allows filers of resident tax returns to abate/amend previously filed personal income tax returns and request a waiver of penalties.

FY2005

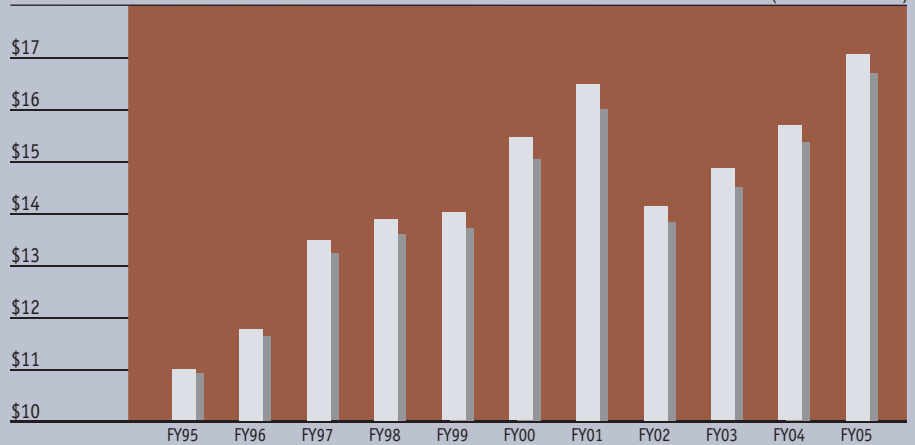
Tax Administration

The turnaround time of electronically filed amendments or abatements – generally within one week – is significantly faster than paper claims.

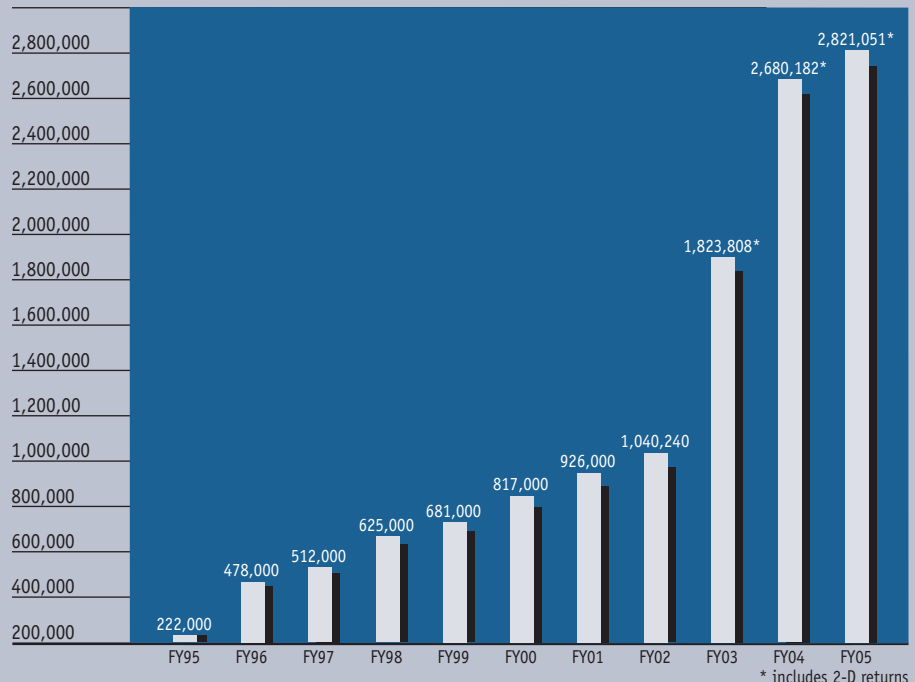
As witnessed during the 2004 income tax filing season, e-filing continued to gain in popularity in FY05. Of the 3.2 million returns processed, approximately 1.6 million, or 50 percent, were filed electronically. One million of those e-filed returns were submitted through professional tax preparers: a new mandate in FY05 required tax preparers filing 200 or more returns to file electronically. A survey by the Federation of Tax Administrators showed that Massachusetts had increased its e-filed returns by 35 percent, more than any other state in the nation. The increase in e-filed returns helped DOR process returns more quickly, efficiently and accurately than in previous years.

Total Revenue

(revenue in billions)



E-Filing Overall Has Increased 8-fold Since 1995



Child Support Enforcement

The mission of the Department of Revenue's Child Support Enforcement Division is to protect the economic well-being of children by enforcing the financial responsibilities of parenthood. CSE provides essential services to families by assisting parents in establishing paternity and child support orders, collecting child support and asking courts to adjust support orders when circumstances change.

Child support collections reached an all-time high of \$479.3 million in FY05, a 5 percent increase over last fiscal year. This increase is particularly noteworthy because many other state child support agencies experienced flat or declining collections. Since joining DOR in 1987, CSE has collected \$5.3 billion, with \$4.1 billion going directly to families, helping them achieve self-sufficiency and remain off the welfare rolls.

A top priority for CSE in FY05 was implementing a "case ownership" model of doing business to improve customer service. With case ownership, each child support case is assigned to a single staff member. The benefits of this system are that parents will know who is handling their case and can get prompt answers to their questions. In addition, CSE staff can be more proactive in identifying and resolving issues before customers call with a problem.

CSE also expanded its electronic delivery of child support payments with the introduction of the Child Support Card. This card is offered as an alternative to direct deposit and works like a debit card. Child support payments are electronically transferred to the card account and child support clients use the card like a debit card to withdraw money from an ATM or make purchases. With the addition of the Child Support Card to the direct deposit program, approximately 60 percent of CSE's disbursements are made electronically.

For the third year in a row, CSE passed the federal Data Reliability Audit with an efficiency rating of 95 percent or above on all five performance measures, making CSE eligible for federal incentive funds.

Local Services

The Department's Division of Local Services has oversight of property taxation and municipal finance for the Commonwealth's 351 cities and towns. The Division of Local Services exists to help the Commonwealth's municipalities achieve fair and equitable property taxation and efficient fiscal management.

In addition to its annual recurring duties, such as certifying tax rates, certifying free cash and distributing cherry sheet and local aid to cities and towns, Local Services implemented a number of new programs in FY05. Among these changes were the introductions of annual property value adjustments for cities and towns and a new method for valuing state-owned land, both of which mean greater accuracy in the calculation of property assessments and taxes. DLS continued to add vital information for

local officials to its website in FY05. Working with the Massachusetts Association of Assessing Officers, DLS developed standardized Income and Expense reporting forms. These new forms will ensure that all assessors are receiving critical information required to value income-producing properties.

To assist local officials in the budgeting process, DLS posted the most current local aid information available on the DOR website. Local Services also began publishing full local aid estimates by city, town and regional school district at each juncture of the state budget process. Narrative links included in the files describe the critical milestones for each program as well as when it is likely to change and why.

DLS provided training to local officials to help them competently perform their various appointed or elected duties. Local Services also produced a videotaped version of its Course 101 (available in DVD format) to provide local officials with a means of completing the class if they are unable to attend a regular classroom offering. The course can be used as a refresher or internal training as well. In conjunction, DLS also replaced its Assessors Manual with a new Assessors Handbook, which presents the Course 101 material in a more concise and organized fashion. The new handbook was designed to complement the Course 101 presentations given in the classroom. The handbook was also posted to the DLS website.

FY2005

Legislative Review FY 2005

An Act Further Regulating the Department of Revenue (St. 2004, c. 262)

Personal Income Tax

Corporate Trusts

The following changes to the taxation of corporate trusts are effective for tax years beginning on or after January 1, 2004.

The Act extends to corporate trusts an expanded set of rules in the Internal Revenue Code that apply to corporations. Under the new law, in determining its Massachusetts adjusted gross income, a corporate trust will be considered a corporation for purposes of any determination involving sections 311, 312, 332 to 338, inclusive, or 346 to 368, inclusive, of the Code. *St. 2004, c. 262, § 12, amending G.L. c. 62, § 8(a). See TIR 04-22 and TIR 04-25.*

In computing the taxable income of a corporate trust, the taxpayer must apply the apportionment percentage used in the net income measure of the corporate excise to its Massachusetts adjusted gross income. The Act amends the corporate trust provisions to incorporate a change made to the corporate excise at G.L. c. 63, § 38(b) that requires allocation of certain income to Massachusetts. By adopting newly amended G.L. c. 63, § 38(b) for the taxation of corporate trusts, the portion of the taxable net income of a corporate trust that a non-domiciliary state is prohibited from taxing under the United States Constitution must be allocated in full to the Commonwealth if the commercial domicile of the corporate trust is in Massachusetts. *St. 2004, c. 262, § 12, amending G.L. c. 62, § 8(a). See TIR 04-22 and TIR 04-25.*

The Act eliminates the exemption for a corporate trust that is a holding company. However, the exemption from taxation is

retained if the corporate trust was a holding company under the terms of G.L. c. 62, § 8(b) as in effect on December 31, 2003, and on such date the corporate trust was a holding company under the Public Utility Holding Company Act of 1935. *St. 2004, c. 262, § 13, amending G.L. c. 62, § 8(b). See TIR 04-25.*

Estates and Trusts

Effective for taxable years beginning on or after January 1, 2005, estate and trust income includable in the federal gross income of a beneficiary by reason of I.R.C. §§ 652 or 662 is no longer taxable at the estate or trust level; rather, it is to be taken into account in calculating the beneficiary's Massachusetts taxable income under G.L. c. 62, § 2. The amount of estate or trust income to be accounted for by the beneficiary is to be adjusted to account for differences between the calculation of federal taxable income under the Internal Revenue Code and the calculation of Massachusetts taxable income under c. 62. The Act further provides that a trustee or other fiduciary receiving income included in the gross income of a beneficiary by reason of I.R.C. §§ 652 or 662 is allowed a deduction on Form 2 in computing the taxable income of the estate or trust for that portion of Part A, B, or C income attributable to such beneficiary. The amount of the deduction is to be adjusted to account for differences between the calculation of federal taxable income under the Code and the calculation of Massachusetts taxable income under c. 62. *St. 2004, c. 262, § 15, amending M.G.L. c. 62, by adding new section 10(h). See TIR 04-23.*

The Act also provides that a trustee or other fiduciary receiving income taxable to a beneficiary under G.L. c. 62, § 10(h), must file with Form 2 a Form 2K-1, *Beneficiary's Massachusetts Information*, and include thereon

(1) the items of income attributable to the beneficiary and (2) the taxpayer identification number of both the beneficiary and the estate or trust. *St. 2004, c. 262, § 15, amending M.G.L. c. 62, § 10(i). See TIR 04-23.*

In addition, the Act requires a trustee or other fiduciary making payments of income taxable to a beneficiary under G.L. c. 62, § 10(h) to withhold and deduct a Massachusetts income tax on these payments at the rate or rates applicable under the provisions of c. 62 to the class or classes of income paid. This requirement applies only to taxable years beginning on or after January 1, 2005 and before January 1, 2006, however. For taxable years beginning on or after January 1, 2006, every beneficiary receiving income taxable to him under G.L. c. 62, § 10(h), will be liable for making his own estimated tax payments. *St. 2004, c. 262, §§ 14, 63, amending M.G.L. c. 62, § 10(g). See TIR 04-23.*

Effective for taxable years beginning on or after January 1, 2005, §§ 12 and 12A of G.L. c. 62 have been repealed. Section 12 allowed a trustee or other fiduciary to claim, on behalf of a beneficiary, the no-tax status exemption provided by G.L. c. 62, § 5(a) on Form 2. Similarly, § 12A allowed, on behalf of a beneficiary, a claim to be made on Form 2 for any personal exemptions to which the beneficiary was entitled under G.L. c. 62, § 3(B)(b) that the beneficiary did not use on his return of income. *St. 2004, c. 262, § 16.*

Nonresident Partners

The Act restates the first sentence of G.L. c. 62, § 17(b), dealing with nonresident partners and the safe harbor exception for nonresident limited partners of certain securities partnerships: A nonresident of the commonwealth who is a member of a partnership that is engaged in the conduct

of a trade or business in the commonwealth or that owns or leases real property in the commonwealth, except a nonresident limited partner of a limited partnership engaged exclusively in buying, selling, dealing in or holding securities on its own behalf and not as a broker, shall be subject to the taxes imposed by this chapter on his distributive share of the income received or earned by the partnership from sources taxable under this chapter. These provisions are effective for tax years beginning on or after January 1, 2005. *St. 2004, c. 262, § 18, amending M.G.L. c. 62, § 17(b). See TIR 04-21.*

Installment Sale Elections

Effective for sales on or after January 1, 2005, taxpayers who are treated as electing installment sale treatment federally will automatically follow Massachusetts installment sale treatment if the Massachusetts gain for the entire transaction is less than \$1 million. In the case of flow-through entities, the \$1 million threshold applies to the gain recognized by individual shareholders, beneficiaries, etc., taxable under chapter 62. Such qualifying taxpayers may not separately elect out of installment sale treatment for Massachusetts tax purposes and do not have to post security with the Commissioner. The basis adjustment provision under G.L. c. 62, § 6F may apply whether or not the taxpayer automatically qualifies for installment sale treatment.

Taxpayers who are treated as electing installment sale treatment federally will be required to file a separate Massachusetts installment sale election and to post security with the Commissioner if their Massachusetts gain for the entire transaction is equal to or greater than \$1 million. G.L. c. 62, § 63(a)(2). In the case of a contingent payment sale, (i.e., where the total gain for

the transaction is uncertain by the close of the tax year in which the sale occurs), taxpayers will be required to file a separate Massachusetts installment sale election and to post security with the Commissioner, unless it is unreasonable to expect the total amount of gain, including the contingent payments, to equal or exceed \$1 million. Taxpayers are not required to file a separate Massachusetts installment sale election and post security in the case of a contingent payment sale with a stated maximum selling price, including all contingent payments, that would result in Massachusetts gain of less than \$1 million. *St. 2004, c. 262, §§ 19, 20, 72, amending G.L. c. 62, § 63. See TIR 04-28.*

Withholding

Withholding of Personal Income Tax

In general, entertainers, participants in certain athletic events and other individuals who are compensated for appearances or events in the Commonwealth are subject to tax on their earnings attributable to such activities. Under prior law, where event payments were made to independent contractors rather than employees, the promoter of the event was not required to withhold personal income tax. Effective August 9, 2004, the Act authorizes the Commissioner to require persons other than employers (1) to deduct and withhold taxes from payments made by such persons to residents, nonresidents and part-year residents of Massachusetts, (2) to file withholding returns as prescribed by the Commissioner, and (3) to pay over to the Commissioner, or to a depository designated by the Commissioner, the taxes so required to be deducted and withheld. The Act provides an exception for certain payments of \$10,000 or less. Any corporation, foundation, organization

or institution that is exempt from federal taxation under § 501(c)(3) of the Internal Revenue Code is not required to withhold taxes from persons who are not employees, except where the payments made by the exempt person for a particular performance or other event exceed \$10,000. *St. 2004, c. 262, § 21, amending G.L. c. 62B, § 2. See TIR 04-25.*

Withholding upon Winnings

In general, the federal threshold for withholding upon winnings is \$5,000. Under prior law, Massachusetts adopted the federal threshold. Effective December 1, 2004, the Act sets the threshold for withholding upon winnings at \$600. *St. 2004, c. 262, § 22, amending G.L. c. 62B, § 2. See TIR 04-25.*

Declaration of Estimated Personal Income Tax

The Act raises the threshold for the filing of estimated taxes from \$200 to \$400 of tax. Also, the Act amends the provision imposing an addition to tax for underpayment of estimated tax to reflect the increased threshold of \$400. Effective for tax years beginning on or after January 1, 2005, these changes apply to individual taxpayers and taxpayers that file Form 2, Form 3F or Form 3M. *St. 2004, c. 262, § 23 and 24, amending G.L. c. 62B, §§ 13 and 14. See TIR 04-25.*

Tax Administration

Penalty for Dishonored Electronic Funds Transfers

The Act extends the existing penalty under chapter 62C, section 35 for dishonored checks to electronic funds transfers. If an electronic funds transfer is made in payment of a tax, and the transfer fails, the penalty will apply, unless the failure is beyond the reasonable control of the taxpayer. The amount of the penalty is 2

percent of the amount of the transfer, or if the transfer is less than \$1,500, the lesser of \$30 or the amount of the payment. The penalty will apply to electronic funds transfers initiated on or after January 1, 2005. *St. 2004, c. 262, § 25, amending M.G.L. c. 62C, § 35. See TIR 04-27.*

Interest on Overpayments

Under prior law, for returns filed on or after January 1, 2002, and before January 1, 2005, taxpayers are eligible to receive interest on overpayments of tax when the Department pays a refund more than 120 days after a return's due date, or, if a return is filed after the due date, more than 120 days after the actual date of the return's filing. No interest is allowed on an overpayment if the tax refund is made within these 120-day periods. The Act extends the 120-day period to include returns filed before January 1, 2006. *St. 2004, c. 262, § 61, amending St. 2002, c. 96, § 10, as amended by St. 2002, c. 363, § 14, amending M.G.L. c. 62C, § 40.*

Levy on Lottery Winnings and Other Payments

The Act authorizes the Commissioner to levy on any periodic or lump sum payments from any state or local agency or authority, including unemployment compensation and other benefits not otherwise exempt, judgments, settlements and lottery winnings. These provisions are effective December 1, 2004. *St. 2004, c. 262, § 71, amending M.G.L. c. 62C, § 53. See TIR 04-27.*

Levy on Certain Mutual Funds

The Act authorizes a person who holds securities or shares of a mutual fund other than a money market fund, with respect to which a levy is outstanding, to sell or repurchase the securities or shares in the ordinary course of investing, but without receiving the proceeds, for a period of up to

45 days. If, at the end of such period, the levy is still outstanding, the person must liquidate sufficient securities or shares to satisfy the related tax lien. These provisions are effective August 9, 2004. *St. 2004, c. 262, § 28, amending M.G.L. c. 62C, by adding new § 53(e). See TIR 04-27.*

Extension on the "Lifetime" of Tax Liens

Prior law permitted the Commissioner to collect unpaid tax liabilities for six years after the date of the assessment, after which the debt was discharged whether or not paid. The Act adopts the federal limitations period of 10 years, or a longer period if the Commissioner takes action to extend the lien. The Act is effective dates as of January 1, 2005, and will be applicable to any tax liability, inclusive of penalties, interest, costs, forfeitures, or additions to tax, which remains due and unpaid as of January 1, 2005, or which is assessed on or after January 1, 2005. Any notice of tax lien in favor of the Commonwealth recorded on a date making it less than six years old as of January 1, 2005 shall, if not sooner discharged as a result of payment of the tax, continue in full force and effect for a period of 10 years from the date of assessment of the tax without the need for any notice of lien re-filing by the Commissioner. *St. 2004, c. 262, §§ 26, 29, amending M.G.L. c. 62C, §§ 50(a), 65. See TIR 04-27.*

Wage Reporting

Electronic Filing Requirements

The Act decouples the Massachusetts wage reporting requirement from the federal requirement, and allows the Commissioner to require an employer of 50 employees or more, including a governmental entity or a labor organization, or a payor of income to file such returns electronically. These provisions are effective date August 9, 2004. *St. 2004, c. 262, §§ 30–31, amending M.G.L. c. 62E, § 2. See TIR 04-27.*

Expansion of Financial Institution Information Reporting

In accordance with the requirements set forth in chapter 62E, the Commissioner operates a wage reporting and financial institution match system under which financial institutions share information with respect to accounts with the Department. The Department uses the information in its administration of the tax and child support laws of the Commonwealth, and also shares it with other agencies specified in chapter 62E for purposes of verifying entitlement to benefits. The Act expands the definition of "account" for such purposes to include brokerage and mutual fund accounts, and expands the definition of "financial institution" that must participate in the match system to include mutual funds and brokers. The Act adds language to include the accounts and institutions described above in the financial institution match system. These provisions are effective August 9, 2004. *St. 2004, c. 262, §§ 32–34, amending M.G.L. c. 62E, §§ 4–5. See TIR 04-27.*

Corporate Excise

The Non-Income Measure Calculation

Calculating tax liability for corporations is a two-step process with respect to the non-income measure of the corporate excise. The corporation must first determine whether it is a tangible or intangible property corporation. A tangible property corporation pays an excise measured by the value of its tangible property; an intangible property corporation must perform a further calculation to determine its net worth. Under prior law, the corporate excise statutes provided separate net worth formulas for domestic corporations and foreign corporations. The Act creates a single formula for determining whether a corporation is a tangible property corporation or an intangible property cor-

poration, and provides a single formula for determining the net worth of an intangible property corporation. The Act also deletes the former G.L. c. 63, § 30.9, the net worth calculation that applied to foreign intangible property corporations. The Act revises G.L. c. 63, § 30.8, making it applicable to both domestic and foreign intangible property corporations, and has removed the language that was invalidated by *Perini Corp. v. Commissioner of Revenue*. These provisions are effective August 9, 2004. *St. 2004, c. 262, §§ 36–39, amending M.G.L. c. 63, § 30. See TIR 04-29.*

Allocation and Apportionment Changes

The Act makes certain changes that pertain to the allocation and apportionment of income of corporations, financial institutions, and other taxpayers that utilize or are affected by the corporate allocation and apportionment rules. The changes (1) provide for the allocation of certain “non-apportionable” income to Massachusetts when the income is realized by an in-state domiciliary corporation; (2) treat a deemed sale of assets pursuant to Internal Revenue Code § 338 as resulting in receipts from the sale of assets for purposes of the sales factor apportionment provision; and (3) restate and clarify existing law to the effect that in the case of the licensing of intangible property the “income-producing activity,” for purposes of the sales factor apportionment provision, will be deemed to be performed in Massachusetts to the extent that the intangible property is used in Massachusetts. The changes apply to domestic and foreign corporations, utility corporations, and also affect other taxpayers (e.g., corporate trusts, and members of flow-through entities and nonresidents taxable under G.L. c. 62) to the extent that the corporate allocation and apportionment rules are applicable. The changes regarding

the allocation of certain non-apportionable income also apply to financial institutions. *St. 2004, c. 262, § 35, amending M.G.L. c. 63, § 2A. St. 2004, c. 262, § 41, amending M.G.L. c. 63, § 38(b). St. 2004, c. 262, § 62. These provisions all apply with respect to income that is recognized on or after July 1, 2004. St. 2004, c. 262, § 43, amending M.G.L. c. 63, by adding new subsection 38(n). This provision is effective for tax years beginning on or after January 1, 2005. St. 2004, c. 262, § 42, amending M.G.L. c. 63, § 38(f). This provision is effective August 9, 2004. See TIR 04-22.*

Security Corporations

Certain corporations may qualify for classification and tax treatment as security corporations if they are engaged exclusively in buying, selling, dealing in, or holding securities on their own behalf and not as a broker. The prior statute and case law give limited guidance on what is considered a security for purposes of qualifying for the section 38B excise. The Act adds a new and specific definition of securities, which include (1) equity or debt instruments and options, futures and other derivatives that are traded on and were acquired through a public exchange or another arms length secondary market; (2) bonds; (3) cash and cash equivalents, including savings and checking accounts and certificates of deposit, and foreign currencies; (4) interests in a real estate investment trust under section 856 of the Code or a regulated investment company under section 851 of the Code, or a real estate mortgage investment conduit under section 860D of the Code; (5) mortgage-backed securities that are guaranteed by the Federal National Mortgage Association, the Government National Mortgage Association, the Federal Home Loan Bank or the Federal Home Loan Mortgage

Corporation; (6) collateralized mortgage obligations; and (7) any other passive investment vehicles that, in the judgment of the commissioner, should be considered to constitute “securities.” These provisions take effect on October 1, 2004, and shall apply to taxable years ending on or after that date; but, a corporation shall not lose its status as a securities corporation for a taxable year that begins before October 1, 2004 if: (1) the instruments that it holds for the portion of the taxable year ending on September 30, 2004 qualify as securities under section 38B of chapter 63 of the General Laws as it read before the effective date of this act; and (2) the instruments that it holds for the portion of the taxable year beginning on October 1, 2004 qualify as securities under section 38B of chapter 63. *St. 2004, c. 262, § 44, amending M.G.L. c. 63, § 38B by adding new subsection (b 1/2). See TIR 04-21.*

Economic Opportunity Area Credit

General Laws chapter 63, section 38N authorizes a credit against the tax imposed by chapter 63 for corporations that participate in a certified project in an economic opportunity area. The credit allowed is an amount equal to five percent of the cost of eligible property. The Act provides that the economic opportunity area credit can be taken only after the taxpayer files an application with the Commissioner and the Commissioner certifies eligibility for the credit. Any corporation filing a return and taking the credit on or after August 9, 2004 is required by statute to file an application with the Commissioner for each year the credit is taken. The Act also requires the Commissioner to determine whether designations for economic target areas, economic opportunity areas, and certified projects are in compliance with the statutory provisions of G.L. c. 23A. Under the Act, the Commissioner is also responsible

for monitoring whether corporations are fulfilling their job creation commitments. The provisions of the Act are effective August 9, 2004. *St. 2004, c. 262, § 45, amending M.G.L. c. 63, § 38N. See TIR 04-24.*

Declaration of Estimated Tax

Every corporation that can reasonably expect to owe more than \$1000 in taxes is required to make estimated tax payments, generally in four payments that are based on a percentage of the “required annual payment.” The required annual payment is the lesser of three statutory options. The third option, at G.L. c. 63B, § 3(c)(iii), has been broken into two subsections by the Act and revised to read: (iii) 90 per cent of the tax for the taxable year, or (iv) 90 per cent of the tax that would be required to be shown on the return for the taxable year if the tax were determined by using the income apportionment percentage determined for the preceding taxable year under chapter 63. This language has the effect of allowing all corporations, regardless of whether they filed a return for the taxable year, to determine the required annual payment under option (iv) of G.L. c. 63B, § 3(c), as amended, by using their apportionment percentage from the preceding year. *St. 2004, c. 262, § 47, amending M.G.L. c. 63B, § 3. See TIR 04-29.*

Sales and Use Tax

Clarification of the Drop Shipment Provisions

Massachusetts sales and use tax law generally requires a wholesaler with nexus to Massachusetts to collect tax when it ships goods into the Commonwealth on behalf of a retailer that is not required to collect the tax because it does not have nexus in the state. The Act clarifies existing law, consistent with the Department’s longstanding policy, that a company shipping goods to a Massachusetts customer may not avoid the application of this provision through contractual provisions governing passage

of title. The Act is effective August 9, 2004. *St. 2004, c. 262, § 48, amending M.G.L. c. 64H, § 1. See TIR 04-26.*

Renewal Period for Charitable Certificates Lengthened

Charitable organizations must secure a Certificate of Exemption (Form ST-2) to qualify for the sales and use tax exemption under G.L. c. 64H, § 6(e). The Act extends the period during which the certification is effective without renewal from five to ten years. *St. 2004, c. 262, § 49, amending M.G.L. c. 64H, § 6. See TIR 04-26.*

Clarification of Exemption for Promotional Advertising Materials

The Act clarifies that the exemption for direct and cooperative direct mail promotional advertising materials is restricted to individual discount coupons or promotional booklets or circulars of six pages or less that incorporate coupons and does not include mail order catalogs, department store catalogs, or telephone directories. The provisions are effective August 9, 2004. *St. 2004, c. 262, § 50, amending M.G.L. c. 64H, § 6(ff). See TIR 04-26.*

Tax on Manufactured, Fabricated or Assembled Items (“Morton Buildings” Case)

The Act provides that use tax is due on manufactured, fabricated or assembled items when they are used in the Commonwealth. The Act applies to items used in the Commonwealth on or after August 9, 2004, regardless of whether (1) the items were purchased prior to August 9, 2004 or (2) the contracts for purchase or use of the items were executed prior to August 9, 2004. *St. 2004, c. 262, § 51, amending M.G.L. c. 64I, § 2. See TIR 04-26.*

Use Tax Reporting Options

Since 2002, the Massachusetts personal income tax return has had a line for consumers to report use tax on items that they may have purchased out-of-state or from

Internet or mail order sellers who did not collect Massachusetts sales or use tax. The Act permits taxpayers to use a schedule, to self-report a “safe harbor” amount of use tax based on their Massachusetts adjusted gross income. A taxpayer may pay this amount in lieu of the actual amount of use tax that would otherwise be due with respect to such purchases. Individual taxpayers electing to report use tax under this method will not be assessed additional use tax on audit with regard to items having a sales price below \$1,000, even if the actual amount of use tax due would have been greater than the amount from the schedule. Purchases of items having a sales price of \$1,000 or more are excluded from the safe harbor. The amendment applies to purchases made on or after January 1, 2004 and will be reflected on the 2004 personal income tax return forms. *St. 2004, c. 262, § 52, amending M.G.L. c. 64I, by adding new § 4A. See TIR 04-26.*

Miscellaneous

Intercept of Lottery Winnings to Pay Past-Due Taxes

The Act repealed chapter 10, section 28A, and replaced it with new section 28A. Under this section, if a lottery winner owes past-due child support or a past-due tax liability, the Lottery Commission must notify the Commissioner of the winner’s name, address and social security number. After statutory state and federal tax withholding, the Commission must first disburse to the Commissioner the full amount of the prize or portion of the prize that satisfies any past-due child support obligation and, if funds remain available after that disbursement, the Commission must disburse to the Commissioner the full amount of the prize or portion of the prize that satisfies any past-due tax liability. The Commission must disburse to the winner only that portion of the prize, if any, remaining after these liabilities have been satisfied. This section is effective December 1, 2004. *St.*

2004, c. 262, § 71, amending M.G.L. c. 10, § 28A. See TIR 04-27.

Intercept of Insurance Payments

Current law requires insurance companies to check information furnished by the Child Support Enforcement Division before paying certain claims, and to pay the claims to CSE if the beneficiary of the policy has outstanding child support obligations. The Act adds new section 24F to chapter 175 and extends this treatment to tax obligations, but gives priority in the distribution of claims to the satisfaction of child support obligations. Under the new law, subject to the requirements of sections 24D and 24E, which take precedence over this section, insurance companies subject to chapter 175 must, before making any nonrecurring payment equal to or in excess of \$500 to a claimant under a contract of insurance, exchange information with the Department of Revenue to ascertain whether that claimant owes child support or taxes to the Commonwealth.

Section 24F sets forth detailed requirements and procedures that insurance companies must follow. In particular, it contains rules pertaining to, among other things, methods of information sharing, remittance of funds, claimants, claim filing, and non-recurring payments. It also contains rules regarding failure to comply with this provision, and use of the information gathered in connection with this provision. These provisions are effective date December 1, 2004. *St. 2004, c. 262, § 71, amending M.G.L. c. 175, by adding new section 24F. See TIR 04-27.*

An Act Relative to Low Income Housing Tax Credits (St. 2004, c. 290) — This Act amended the low income housing tax credit provisions under G.L. c. 62, § 6I and G.L. c. 63, § 31H by extending the date of availability of the credit to a 10-year period beginning January 1, 2002 and ending December 31, 2010. This Act

was effective upon approval on August 10, 2004. *St. 2004, c. 290, §§ 5–12, amending M.G.L. c. 62, § 6I and M.G.L. c. 63, § 31H, further amended by St. 2004 c. 352, §§ 27–28 (Sept. 17, 2004).*

An Act Amending Certain Appropriation Acts (St. 2004, c. 462)

— This legislation provides for a new commuter deduction for purposes of G.L. c. 62. Specifically, the Act provides that amounts expended by an individual for tolls paid for through a FastLane account or for weekly or monthly transit commuter passes for MBTA transit or commuter rail, not including amounts reimbursed by an employer or otherwise, shall be deducted from Part B adjusted gross income in determining Part B taxable income, under chapter 62 of the General Laws. In the case of a single person or a married person filing a separate return or a head of household, as defined in chapter 62 of the General Laws, filing a separate return, this deduction shall apply only to the portion of such expended amount that exceeds \$150, and the total amount deducted shall not exceed \$750. In the case of a married couple filing a joint return, this deduction shall apply only to the portion of such amount expended by each individual that exceeds \$150, and the total amount deducted shall not exceed \$750 for each individual. This deduction is effective for the 2004 calendar year. *St. 2004, c. 462, § 11, amending St. 2004, c. 352, § 165. See TIR 04-25.*

An Act to Decouple from Federal Production Activity Deduction (St. 2004, c. 466)

— The Act provides that, for personal income tax purposes, in determining Massachusetts Part B adjusted gross income there shall not be allowed the new federal production activity deduction at IRC § 199. The deduction at IRC § 199 is equal to a percentage of a taxpayer's net income earned from qualified domestic production activities. Domestic production

activity is broadly defined to include manufacturing, construction, (including engineering and architectural services related to construction), energy production, production of computer software, film production, and processing of agricultural products. The Act also provides that, for corporate excise purposes, in determining net income there shall not be allowed the new federal production activity deduction provided by IRC § 199. These changes to both the personal income tax and the corporate excise are effective for taxable years beginning on or after January 1, 2005. *St. 2004, c. 466, § 1, amending M.G.L. c. 62, § 2(d)(1) by inserting new subparagraph (O); § 2, amending M.G.L. c. 63, § 1; § 3, amending M.G.L. c. 63, § 30(4) by inserting new clause (vi) and § 4, amending M.G.L. c. 63, § 52A(1)(b). See TIR 05-5.*

An Act Providing for a Certain Exemption from the Sales Tax (St. 2005, c. 52)

— The Act provides for a Massachusetts sales tax holiday weekend on August 13 and 14, 2005, during which most purchases made by individuals for personal use will not be subject to Massachusetts sales or use taxes. During the holiday, all non-business sales at retail of single items of tangible personal property costing \$2,500 or less are exempt from sales and use taxes. However, all sales of motor vehicles, motorboats, meals, telecommunications services, gas, steam, electricity, and tobacco products do not qualify for the sales tax holiday. Two changes from the sales tax holiday of 2004 are the *exclusion* of tobacco products from the holiday and the *inclusion* of non-motorized boats such as canoes, kayaks and rowboats costing \$2,500 or less. *St. 2005, c. 52. See TIR 05-9.*

The Taxes FY2005

TYPE OF TAX	MEASURE	RATE ¹	RETURN DUE
Personal income and fiduciary income	Net capital gains ²	5.3–12%	On or before April 15 for calendar year filings.
	Dividends, interest, wages, other income	5.3% ³	The 15th day of the 4th month for fiscal year filings.
Nonresident	Massachusetts source income		
Estimated tax	Liability in excess of \$400		Due quarterly on or before the 15th day of April, June, September and January.
Withholding	Wages	5.3%	Varies depending on amount of tax withheld in calendar year. If annual withholding: up to \$100 — annual filing; \$101–1,200 — quarterly filings; \$1,201–25,000 — monthly filings; over \$25,000 — quarterly filings, weekly payments.
Estate	Federal taxable estate	0.8%–16% ³	Within 9 months after date of decedent's death.
Nonresident	Massachusetts real and tangible property		Within 9 months after date of decedent's death.
Alcoholic beverages	Malt (31-gal. bbl.)	\$3.30	Monthly, on or before the 20th day of the month.
	Cider 3%–6% (wine gal.)	\$.03	
	Still wine 3%–6% (wine gal.)	\$.55	
	Sparkling wine (wine gal.)	\$.70	
	Alcoholic beverages 15% or less (wine gal.)	\$1.10	
	Alcoholic beverages more than 15%–50% (wine gal.)	\$4.05	
	Alcoholic beverages more than 50% or alcohol (proof gal.)	\$4.05	
Cigarettes	20-count package	\$1.51	Monthly, on the 20th day of the month. Unclassified acquirers must file upon importation or acquisition.
	Smokeless tobacco (percentage of price paid by licensee)	90%	Quarterly, on or before the 20th day following the close of the tax period.
	Cigars and smoking tobacco (percentage of price paid by licensee)	30%	
Marijuana and controlled substances tax	Weight of marijuana	\$3.50 per gram	Payment due immediately upon acquisition or possession in Massachusetts by dealer. Payment evidenced by stamps purchased from the Commissioner.
	Weight of controlled substance	\$200 per gram	
	Dosage unit of controlled substance	\$2,000 per 50 dosage units	
Deeds	Sales price (less mortgage assumed) of real estate	\$2.28 per \$500	Monthly, on or before the 10th day of the month (filed by Registers of Deeds).
Motor fuels	Gasoline and diesel fuel per gallon	\$.21	Monthly, on or before the 20th day of the month.
	Propane, liquified gas, etc. (no minimum)	19.1%	
	Aviation (10¢ minimum)	7.5%	
	Jet fuel at local option (5¢ minimum)	5%	
Room occupancy	Transient room occupancy	5.7%	Monthly, on or before the 20th day following the close of the tax period.
	At local option, up to	4.0%	
	Convention Center Financing Fee	2.75%	
	(Boston, Cambridge, Springfield, Worcester, Chicopee and West Springfield)		

¹Tax rates as of August 1, 2004.

²Gains from the sale or exchange of capital assets (except collectibles) held for more than one year are taxed at 5.3%. Short-term capital gains, as well as long-term capital gains arising from the sale of collectibles (with a 50% deduction) are taxed at 12%.

³Resident rate is equal to federal credit for state death taxes based on December 31, 2000 IRC. Nonresident rate is equal to Massachusetts proportionate share of federal credit for state death taxes.

⁴In Barnstable County, the rate is \$5.70 per \$1,000.

TYPE OF TAX	MEASURE	RATE	RETURN DUE
Club alcoholic beverages	Gross receipts	0.57%	On or before April 15.
Sales and use tax	Sale, rental or use of tangible personal property, including cigarettes, telecommunication services and certain fuel.	5%	On or before the 20th day following the close of the tax period. If annual liability: up to \$100 — annual filing; \$101–1,200 — quarterly filings; over \$1,200 — monthly filings.
Sales tax on meals, prepared food and all beverages	All “restaurant” food and on-premises consumption of any beverages in any amount.	5%	Monthly, on or before the 20th day following the close of the tax period.
Business and manufacturing corporations	Net income Tangible property or net worth Minimum	9.5% ⁵ \$2.60 per \$1,000 \$456	On or before the 15th day of third month after close of taxable year.
Estimated tax	Liability in excess of \$1,000		Due quarterly as follows: 15th day of 3rd (40%), 6th (25%), 9th (25%) and 12th (10%) months of taxable year. ⁶
Security corporation			
Non-bank holding co.	Gross income	1.32%	Same as business corporations.
Bank holding company	Gross income	0.33%	
	Minimum	\$456	
Financial institutions	Net income Minimum	10.50% \$456	Same as business corporations.
Public utilities	Net income	6.5%	Same as business corporations.
Ship excise tax	Value (equity interest) of the corporation’s interest in a ship or vessel engaged in interstate or foreign trade.	0.379%	Same as business corporations.
Insurance company			
Domestic life	Premiums	2.0%	On or before March 15.
	Massachusetts net investment income	4.8%–14.0%	
Foreign life	Premiums	2.0%	
Domestic casualty	Premiums	2.28%	On or before May 15.
	Gross investment income	0.2%–1.0%	
Foreign casualty	Premiums	2.28%	
Ocean marine	Underwriting profit	5.7%	
Preferred provider arrangements	Premiums	2.28%	
Motor vehicle garaged outside Massachusetts	90% to 10% of manufacturer’s list price	\$25 per \$1,000	On or before 30 days from issuance of tax bill.
Boston sightseeing tour	Ticket purchase price of any water- or land-based sightseeing tourist venue or entertainment cruise or trolley tour originating or located in Massachusetts and conducted partly or entirely in Boston.	5%	Quarterly, on or before the 20th day following the close of the tax period.
Boston vehicular rental transaction surcharge	Each vehicular rental transaction contract executed in Boston.	\$10	Quarterly, on or before the 20th day following the close of the tax period.
Parking facilities surcharge in Boston, Springfield and/or Worcester	Parking facilities built in conjunction with or as part of a project authorized by the Convention Center Financing Act in Boston, Springfield or Worcester.	\$2 per vehicle per day	Quarterly, on or before the 20th day following the close of the tax period.

⁵S corporations: 4.5% if total receipts \$9 million or more; 3% if total receipts are \$6 million or more but less than \$9 million.

⁶30%, 25%, 25% and 20% for corporations with fewer than 10 employees in their first full tax year.

Revenue Collections FY2005

In thousands	FY01	FY02	FY03	FY04	FY05	FY04-05 % change
STATE TAXES COLLECTED BY DOR						
Tax on personal income						
TOTAL	\$ 9,902,677	\$ 7,912,934	\$ 8,026,148	\$ 8,830,334	\$ 9,690,270	9.7
Taxes on business						
Corporations	\$ 945,253	\$ 586,743	\$ 799,450	\$ 997,602	\$ 1,062,722	6.5
Insurance companies	322,551	347,645	344,626	373,721	372,823	(0.2)
Public utilities	86,726	88,486	40,621	64,733	71,136	9.9
Commercial banks ¹	180,057	134,431	347,833	238,740	198,937	(16.7)
Savings institutions ¹	(453)	2,597	(3,293)	0	0	—
TOTAL	\$ 1,534,134	\$ 1,159,902	\$ 1,529,237	\$ 1,674,796	\$ 1,705,618	1.8
Taxes on commodities sold						
Motor fuels	\$ 659,873	\$ 666,751	\$ 676,426	\$ 684,912	\$ 685,537	0.1
Cigarettes	270,512	274,997	451,044	425,421	423,637	(0.4)
Alcoholic beverages	64,168	65,356	66,298	67,902	68,630	1.1
Sales and use ²	3,273,817	3,194,989	3,196,044	3,211,197	3,331,830	3.8
Sales on meals	482,021	500,885	512,025	532,014	559,115	5.1
TOTAL	\$ 4,750,391	\$ 4,702,978	\$ 4,901,837	\$ 4,921,446	\$ 5,068,749	3.0
Other taxes						
Estate & inheritance	\$ 203,381	\$ 200,547	\$ 181,295	\$ 194,706	\$ 255,127	31.0
Room occupancy excise	149,617	123,306	119,991	120,178	133,487	11.1
Deeds excise ³	91,425	97,782	105,091	132,625	156,501	18.0
Club alcoholic beverage excise	625	571	657	621	621	—
Motor vehicle excise	105	86	72	51	70	37.3
Controlled substances	0	0	0	0	0	—
Convention Center surcharge	13,235	10,502	9,934	9,804	10,390	6.0
Community preservation trust	15,989	42,451	53,503	50,520	37,406	(26.0)
TOTAL	\$ 474,377	\$ 475,245	\$ 470,543	\$ 508,505	\$ 593,602	16.7
Total state taxes collected by DOR	\$16,661,579	\$14,251,059	\$14,927,765	\$15,935,081	\$17,058,239	7.0

¹All bank tax transactions (both savings and commercial) appear in the Commercial Bank Excise category.

²Include sales and use tax on motor vehicles.

³Due to different accounting methods, amounts reported for the deeds excise differ from those amounts reported by the comptroller.

Because of rounding, detail may not add to Totals.

The figures contained herewith are DOR figures pending the Comptroller's Fiscal Year 2004 Statutory Basis Annual Financial Report.

In thousands	FY01	FY02	FY03	FY04	FY05	FY04-05 % change
LOCAL TAXES COLLECTED BY DOR ON BEHALF OF COMMUNITIES						
Urban redevelopment	\$ 44,580	\$ 46,824	\$ 47,083	\$ 48,729	\$ 49,874	2.3
Local option airplane jet fuel	17,861	12,914	12,846	12,541	16,269	29.7
Local option room occupancy	85,559	70,953	69,617	68,484	75,490	10.2
Local rental vehicle (Convention Center 10%)	1,290	1,028	962	945	1,023	8.3
Embarkation fees	—	—	—	72	1,293	1695.8
Total local taxes collected by DOR on behalf of communities	\$ 149,290	\$ 131,719	\$ 130,508	\$ 130,771	\$ 143,949	10.1
OTHER REVENUE						
Utility and insurance assessments	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	—
Department fees, licenses, etc.	4,819	6,475	7,166	8,043	10,924	35.8
County Correction Fund —deeds	5,587	6,121	6,605	8,343	9,902	18.7
County recording fees			17,954	60,384	45,662	(24.4)
Abandoned deposits — bottle	31,422	37,109	36,205	36,422	36,817	1.1
Total other revenue	\$ 41,828	\$ 49,705	\$ 67,930	\$ 113,192	\$ 103,305	(8.7)
STATE TAXES COLLECTED BY OTHER AGENCIES						
Horse and dog racing	\$ 7,542	\$ 6,856	\$ 6,547	\$ 5,697	\$ 4,677	(17.9)
Beano and boxing	3,043	3,066	2,793	2,591	2,146	(17.2)
Raffles/bazaars	881	846	889	965	1,038	7.6
Special insurance brokers	10,348	13,030	21,805	26,042	29,480	13.2
UI surcharge	23,674	22,198	21,394	20,451	21,135	3.3
Deeds, Secretary of State	38,029	39,721	42,704	54,418	63,831	17.3
Total state taxes collected by other agencies	\$ 83,517	\$ 85,717	\$ 96,132	\$ 110,164	\$ 122,307	11.0
TAXES ON PROPERTY COLLECTED BY LOCAL GOVERNMENT						
Real estate	\$ 7,174,441	\$ 7,651,814	\$ 8,126,933	\$ 8,607,527	\$ 9,105,150	5.8
Personal property	345,612	352,104	367,088	407,845	378,305	(7.2)
Motor vehicles	583,165	597,915	645,160	605,090	682,372	7.3
Total taxes on property collected by local government	\$ 8,103,218	\$ 8,601,833	\$ 9,139,181	\$ 9,652,061	\$10,165,827	5.3
TOTAL ALL TAXES	\$24,949,432	\$23,120,033	\$24,361,516	\$25,941,269	\$27,593,627	6.4

Because of rounding, detail may not add to Totals.

The figures contained herewith are DOR figures pending the Comptroller's Fiscal Year 2005 Statutory Basis Annual Financial Report.

Offers in Final Settlement FY2005

Under M.G.L. c. 62C, sec. 37A, the Commissioner of Revenue has the authority, under specific conditions, to accept less than full payment as a final settlement for a state tax liability. The statutory condition for such settlement is "serious doubt" as to collectibility of the tax due or the taxpayer's liability for it. The Commissioner must also determine that the taxpayer or responsible person has acted without intent to defraud. The settlement must be recommended to the Commissioner by at least two deputy commissioners.

The written agreement, signed by all parties and including the reasons for settlement, is a public record. In cases where the liability is reduced by more than half, or by \$20,000 or more, the Attorney General of the Commonwealth must review the settlement and has the authority to object to it.

The law requires that a listing of all settlements entered into during the fiscal year be included in the Commissioner's annual report. In Fiscal Year 2005, 40 settlements were made. All 40 were reviewed by the Attorney General.

The cases approved were as follows:

NAME	TOTAL TAX, INTEREST & PENALTIES	AMOUNT PAID IN SETTLEMENT	AMOUNT ABATED
Just For You, Inc.	\$33,165.63	\$6,000.00	\$27,165.63
Radack, Monte I.	30,412.74	3,675.12	26,737.62
Farmhouse By The Sea, Inc.	20,331.98	4,500.00	15,831.98
Silva, III, John and Julie	57,248.80	4,000.00	53,248.80
Hines, Michael & Jean	4,275.11	2,400.00	1,875.11
Berk, Geraldine	11,398.82	1,140.00	10,258.82
Mahoney, James M.	25,166.38	7,000.00	18,166.38
Bilis Group, Inc.	66,113.45	12,000.00	54,113.45
Buckel, Jeffrey d/b/a	47,393.68	25,000.00	22,393.68
Estate of Roncalli, William and Mary (2nd Offer)	11,557.81	4,000.00	7,557.81
Plymouth Bay Brewing Company Ltd	55,873.40	7,800.00	48,073.40
Nerreau, Marie (R/P)	24,446.57	1,900.00	22,546.57
Heywood, Ronald & Denise	8,988.48	1,975.00	7,013.48
Sterling Press, Inc.	178,668.00	8,110.00	170,558.00
Poirier Jr, Paul T., d/b/a	8,342.93	3,000.00	5,342.93
Howdadesignz, Inc.	7,295.99	780.00	6,515.99
Joseph, Thomas	6,962.79	600.00	6,362.79
Patterson, Inc.	47,422.66	8,000.00	39,422.66
Gardener, Robert W.	11,514.56	2,400.00	9,114.56
Christianson, Charles & Ruth (2nd Offer)	374,677.93	55,000.00	319,677.93
Deandrade, Roberto	12,511.92	6,000.00	6,511.92
Joselson, Gail	7,900.32	1,600.00	6,300.32
Sullivan, Sean & Sarah (RPs, 2nd Offer)	97,631.51	20,000.00	77,631.51
Ivester, Karl RP (2nd Offer)	61,073.11	30,000.00	31,073.11
Dore, Christopher J. d/b/a (2nd Offer)	28,379.54	10,000.00	18,379.54
Barrett, Jr. John (4th Offer)	43,645.22	22,000.00	21,645.22
Jackson, William	67,220.18	13,525.00	53,695.18
Archer, Clifford (2nd Offer)	43,841.28	25,000.00	18,841.28
Kunkler, Dennis RP	49,096.50	20,000.00	29,096.50
Turner, Evelyn S.	5,506.43	1,000.00	4,506.43
Presents & Props, Inc.	21,045.95	1,000.00	20,045.95
Yamamoto, Patricia	6,968.38	1,392.76	5,575.62
Friel Development & Construction	6,443.88	1,655.00	4,788.88
Friel Corporation	9,587.13	2,475.00	7,112.13
Porcaro, Susan	9,564.15	1,000.00	8,564.15
McCassie, Ruth	616.74	200.00	416.74
Friel Urban Construction Inc	3,115.84	870.00	2,245.84
Salvato, Chandler	3,806.18	760.00	3,046.18
Hathors Corp. (3rd Offer)	179,108.36	80,000.00	99,108.36
Bahrke, Scott	4,021.66	800.00	3,221.66
TOTAL	\$1,692,341.99	\$398,557.88	\$1,293,784.11

Because of rounding, detail may not add to Totals.

The figures contained herewith are DOR figures pending the comptroller's Comprehensive Annual Financial Report.

Collection Agencies FY2005

Chapter 209 of the Acts of 1988 permits the Commissioner of Revenue to use private collection agencies to collect unpaid state taxes. The Commissioner is required to notify all taxpayers whose accounts are to be assigned to a collection agency at least 30 days beforehand.

The law requires that the Commissioner list all agencies with whom collection agreements exist, the amount of taxes collected and the amount of compensation paid in the Department's annual report. They are as follows:

CONTRACTOR	TOTAL COLLECTED	FEES PAID	NET TO DOR
GCS	\$3,059,045	\$511,549	\$2,547,496
OSI	2,541,819	357,351	2,184,468
Walker Associates	1,964,175	273,840	1,690,335
TOTAL	\$7,565,039	\$1,142,740	\$6,422,299

Because of rounding, detail may not add to Totals.

The figures contained herewith are DOR figures pending the comptroller's Comprehensive Annual Financial Report.

“The Child Support Card is offered as an alternative to direct deposit and works like a debit card. Child support payments are electronically transferred to the card account and child support clients use the card like a debit card to withdraw money from an ATM or make purchases.”

