



# Massachusetts Department of Revenue

## Annual Report FY2008

### Health Care Reform

#### Paving the Way





## A Word from the Commissioner



Click image to hear  
a message from  
Commissioner Navjeet Bal

### **To the Honorable Deval Patrick, Governor of the Commonwealth, and the Honorable Members of the General Court of Massachusetts:**

I am pleased to present you with the Department of Revenue's fiscal 2008 Annual Report. During FY08 DOR processed record tax collections, distributed a record amount of child support and rolled out the new Gateway financial reporting program for municipal officials. In meeting perhaps the largest operational challenge in Agency history, the Department had a very successful rollout of Schedule HC (Health Care) which is critical to the administration of the state's new individual mandate for health insurance.

Revenue collections of \$20.9 billion were 6 percent greater than the previous fiscal year. To facilitate electronic filing in tax seasons to come, DOR continued its work on developing a new web-based income tax return to provide a free and secure service available to individual taxpayers.

DOR also staffed and drafted the Study Commission on Corporate Taxation's lengthy and detailed report to the Legislature, which formed the basis for the Governor's proposed corporate tax reform legislation that introduced combined reporting and check-the-box conformity to the Massachusetts tax code.

The planning, designing and implementation of the new Schedule HC drew on resources from almost every sector of DOR and required an enormous amount of coordination and dedication. It was a huge challenge to construct the most efficient and reliable method for documenting compliance with the individual mandate and levying the penalty for those who could have afforded health insurance but chose not to obtain it – and then to inform the taxpaying public of the new law and its attendant requirements.

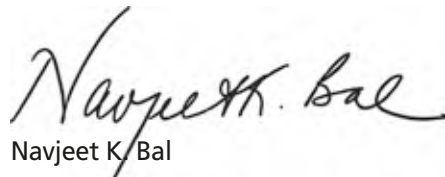
It was gratifying to see that 98.6 percent of tax filers required to file health insurance information with their tax returns did so. This surpassed expectations for public compliance with the law in its first year.

On other technology fronts, WebFile for Business processed more than 2.3 million returns, an increase of 6.1 percent. Discover Tax, a data warehouse system that matches databases and creates audit leads and assessments, generated a record \$156 million in collections, a 16 percent increase. Total audit assessments topped \$617.7 million.

Child Support Enforcement collected a record \$554.3 million in child support, up 6 percent, bolstered by nearly \$11 million collected through the intercept of federal economic stimulus payments. The license suspension program generated \$35.8 million, another 6 percent increase, while a new program, the abandoned property match, generated \$1.3 million. In September 2007 CSE released its 14th Ten Most Wanted poster spotlighting some of the state's worst child support offenders. CSE also worked with MassHealth to enroll children who received state-funded Medicaid in private health insurance, producing cost savings of \$77.1 million for the Commonwealth.

The Division of Local Services distributed \$5.1 billion in local aid, completed 20 financial management reviews to improve the performance of local governments, and staffed and coordinated the new Municipal Affairs Coordinating Cabinet. DLS' Gateway program went online and was a huge hit with local officials by moving all governmental data submissions to a suite of internet applications allowing local officials to enter and validate financial reporting data in real time.

In sum, it was a year of accomplishment, but, as always, I look forward to working with you and the Commonwealth's taxpayers as we continue to find new efficiencies and technologies to provide even better service in the future.

A handwritten signature in black ink, reading "Navjeet K. Bal". The signature is fluid and cursive, with the first name "Navjeet" being more prominent and the last name "Bal" following in a similar style.

Navjeet K. Bal  
Commissioner of Revenue

# Paving the Way

## Implementing Health Care Reform



Health Care Project Team

**Executive Committee:** Kevin Brown, David Davenport, Steve Dukeman, Patrick Ford, Michael Guerin, Tanya Harrison, Theresa O'Brien-Horan, Joe McDermott, Laurie McGrath, Melissa Cummings-Niedzwiecki, Vincent

Piccinni, Debra Rokosz **Administrative Services Division:** Joseph Bellofatto, Matthew Casey, Betty Chin, Richard Jameson, Brian Lynch, Richard Moore, Frank Reardon, Linda Tedeschi, **Audit**

**Division:** John Bernazzani, Paul Celata, Joseph Lupica **Information Services**

**Organization:** Vinod Aggarwal, Rachid Aldakhlallah, William Allan, Gregg

Bedig, Joseph Burgun, Anna Ciamei, Constance Cieri, Janine Cooper, Anthony DelGrosso, Edward Dockham, David Dodge, Thomas Donovan, Jason Ehle, Gail Finkle, Robert Fiore, Jane Fitzpatrick, Gregory French, Laura French, Mary Frink,

Tony Fruciano, Elsa Fuentes, Richard Gallagher, Kavita Gangal, John Gendreau, S. Gnanapradeepan, Dimitry Gorbulev, Suresh Gottimukkula, Julia Gurfinkel, Mary Hallaren, David Higginbottom, Galina Hill, Richard King, Kenneth

Koch, Karen Kolaczyk, Michael Leary, Carmine Magaletta, Robert Manning, Kim Mazzarella, Donald McColgan, Dennis McEvoy, Debra Mestone, Peter Michael, Judith Moran, William Morris, Abhijit Naik, Janice Nassise, Ellen O'Brien, Ninel

Oks, Joely Oliver, Galina Ostrovsky, Gary Palmieri, Frederick Piccinni, Raymond Piccinni, Steven Piro, Nadia Podluzny, Paula Potvin, Marc Ranelli, Maryellen

Sclafani-Abrams, Jignesh Shah, James Sheehy, Susan Sullivan, David Swindle, Kara Tempesta, Jianhua Wang, Stephen Warren, Lenny Washburn, Kerri Wells, Barry White, Louisa Zagieboylo

**Publishing and Media Services:** Ellen Cummings, Laurie Turner, Phil Milstein, Peter Olejnik, Edward Peters, Alan

Sweeney, Creaghan Trainor **Rulings and Regulations:** Kathie Fallon, Ann Herrmann, Elizabeth Moynihan **Taxpayer**

**Services Division:** Sheree Bengin, Philip Byrne, Laura Cadigan, Anne Condon, Bernadette DeAngelis, Mary Jane Devito, Joaquim Fernandes, Patricia Georges, Majken Greenwood, Charlene Hannaford,

Judith Johnson, Deanne Kobzik, Judith Leahy, Edward Marnell, Noelle McDonough, Robert O'Neill, Theodora Stathopoulos.



Members of DOR's Health Care Team accept the Carballo Award from Governor Deval Patrick at the State House. From left to right: Thomas Donovan, Patricia Georges, Steve Dukeman, Governor Patrick, Melissa Cummings-Niedzwiecki, Stephen Warren and Patrick Ford

**In FY08, DOR focused intently on implementing the individual mandate of the Health Care Reform law. This task required that a number of systemic and procedural changes within the Department be in place prior to the start of the 2008 income tax filing season.**

# Health Care Reform



One of the most challenging aspects of implementation was determining the most efficient and reliable method for documenting compliance with the individual mandate. Through careful negotiations with insurance carriers, DOR secured their agreement to send an annual notice, Form MA 1099-HC, to their insured customers. This form, similar to other 1099-like statements, contains the requisite information that taxpayers need to complete their tax returns. The insurance carriers also agreed to submit the same information electronically to DOR once a year, so that it could be matched with the information reported on the tax returns. The Department worked closely with the Patrick Administration and the Legislature to obtain legislative approval for this proposed solution.

With the Form MA 1099-HC framework in place, DOR made the necessary programming changes to its online applications to allow for the electronic filing of Form MA 1099-HC information and worked closely with insurance carriers to provide them with file layout specifications for the electronic transfer of data to DOR. The Department held biweekly conference calls for almost an entire year with insurance carriers to answer their questions concerning the Form MA 1099-HC filing requirements and created a list of Frequently Asked Questions for our website.

In order to verify whether individuals had health insurance, DOR created Schedule HC, Health Care Information, for the Department's resident income tax booklets. The next challenge was ensuring that taxpayers transcribed the information accurately onto the Schedule HC. To ensure that the complexities of this new initiative were presented to taxpayers in a clear and concise manner, Schedule HC was carefully designed to capture the necessary taxpayer information in the most user-friendly way possible.



Above: Informational poster for MBTA buses and trains; right: Schedule HC video tutorial for the DOR website





# Health Care Reform



Commonwealth Health Connector video

Implementation of the health care initiative affected all aspects of the tax-filing process, and had to be incorporated into other departmental electronic filing systems and databases as well. In addition, the new requirements demanded a focused training program for DOR's Customer Service Bureau staff in order to better assist taxpayers in complying with the new law. The Department developed an online tutorial that employees could access through DOR's DORNET intranet, which provided an overview of the health care law and DOR's role in administering the individual mandate.

To promote public awareness of the new law and market DOR's taxpayer assistance tools, DOR used the UMass tax schools and other speaking engagements to get the word out to tax practitioners. In addition to numerous personal appearances by DOR staff, the outreach effort included a wide variety of media: creating Health Care Information and Frequently Asked Questions sections for the DOR website; contributing articles to Massachusetts trade association and Chamber of Commerce newsletters across the state; the direct mailing of informational postcards to over 3 million Massachusetts taxpayers; creating a flyer to hand out to businesses during audits and street drives; and displaying informational posters on MBTA buses and trains. To assist uninsured taxpayers in determining whether they could have afforded health insurance, the Department developed an online affordability calculator. DOR also created an in-depth Schedule HC video tutorial for the DOR website, and posted it to a number of external internet sites, such as YouTube and MySpace. This video and other informational material were transferred to DVD and sent to every state legislator, as well as VITA and other tax help agencies, to assist them in answering inquiries from constituents and customers.

The Department issued regulations and other public written statements explaining the various aspects of the individual mandate, including the need for taxpayers to declare health insurance coverage on their income tax return, exceptions to the mandate, including an exemption for religious beliefs, calculation of the penalty, employer responsibilities and appeal rights.

The Department pitched in to assist the Commonwealth Health Connector with the implementation of health care reform. DOR created a video for the Health

# Health Care Reform

Connector's website and mailed (twice) over 193,000 letters to employers, informing them of their responsibilities under the new law. The Department worked closely with the Health Connector on the affordability tables, which were incorporated into the Schedule HC, for taxpayers to determine whether the mandate and associated penalties applied to them. The Department created an electronic appeals database for the Connector to use to track the receipt and disposition of appeals, thereby providing the Connector with the electronic tools it needed to manage the appeals process. In addition, DOR volunteered to handle all correspondence with taxpayers requesting appeals – incoming and outgoing – and used the appeals database to make all of the documentation it received available to Health Connector personnel to view online in PDF format.

The true measure of DOR's success in implementing the individual mandate and educating taxpayers of their new filing requirement is in the numbers. Massachusetts taxpayers overwhelmingly complied with the new health insurance tax filing requirement. Only 1.4 percent of tax filers required to file health insurance information with their returns failed to comply — a remarkable 98.6 percent compliance rate in the first year of implementation. In addition, tax filing data as of October 2008 showed that only 5 percent of all adult taxpayers in Massachusetts subject to the individual mandate reported being uninsured as of December 31, 2007.

**The successful completion of this comprehensive and multi-faceted project is a direct result of the determination and dedication of DOR employees throughout the Agency. DOR's efforts to successfully implement and market this landmark legislation earned the Agency a 2008 Manuel Carballo Governor's Award for Excellence in Public Service.**





# **FY08 Highlights**

## **Introduction**

**Fiscal Year 2008 was both challenging and successful for the Department of Revenue. Although a great deal of time, energy and resources were devoted to ensuring the success of the health care mandate (see feature story), DOR remained steadfastly focused on providing exceptional service in its other areas of business and in laying the groundwork for future e-filing and customer outreach innovations. The following sections highlight DOR's achievements in tax administration, child support enforcement and local services.**

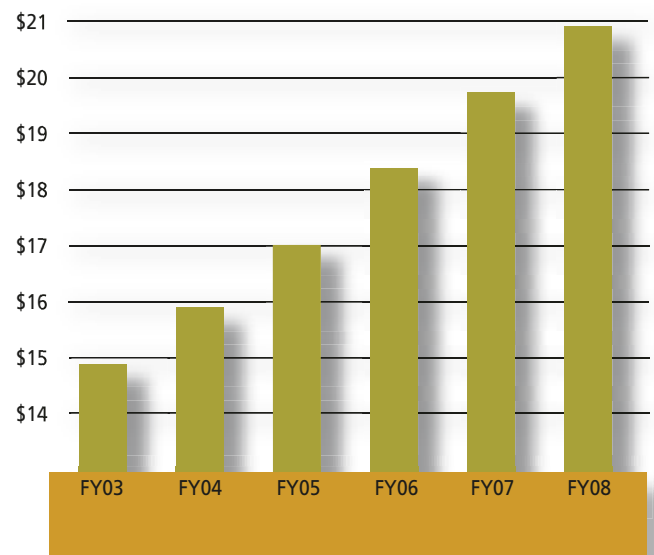


## Tax Administration

Even as the U.S. and state economies started to slump in late 2007, DOR reached a milestone in revenue collections for FY08 with collections totaling more than \$20.9 billion — an increase of 6 percent over FY07. The FY08 tax collections, which exceeded benchmark estimates by \$663 million, were bolstered by income tax paid on capital gains, dividends and interest, settlement of a number of large tax cases, and strong withholding tax collections. For the first time, personal income tax collections included over \$12.4 million in penalties imposed under the individual mandate of the health care reform act; these penalties were deposited into the Commonwealth Care Trust Fund.

Since DOR implemented its Discovery Tax (DTAX) data warehouse system in 2002, the program has issued over 1 million automated assessment and nonfiler notices and collected over \$400 million. In FY08, DTAX generated a record \$156 million in collections — an increase of 16 percent over FY07 totals. The vast amount of audit leads generated by DTAX also allowed the Department to add 44 new tax examiners (retained revenue II) to its audit staff in FY08, whose assessments totaled \$36 million. DOR's retained revenue I assessments far exceeded the \$71 million target set by the Legislature by assessing more than \$166 million. Total audit assessments for FY08 topped \$617.7 million.

**Total State Taxes  
Collected by DOR**  
(revenue in billions)



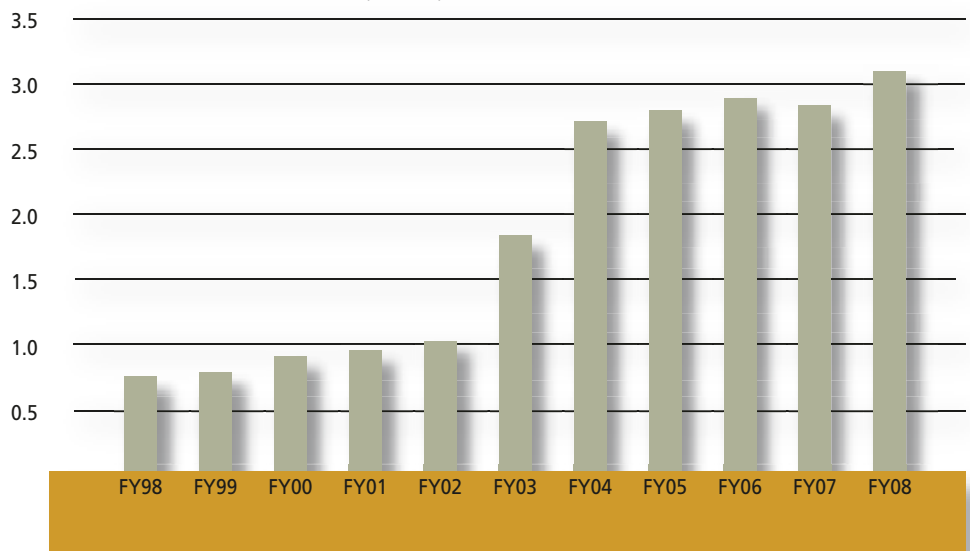
## Tax Administration continued

E-filing numbers also continued to climb steadily in FY08. WebFile for Business processed over 2.3 million returns, an increase of 6.1 percent over FY07. E-filed income tax returns also saw growth with approximately 3.1 million of the 3.4 million returns filed via commercial software, a professional tax preparer, or with a 2-D barcoded return. DOR also began developing an in-house online application (to be rolled out for the 2009 filing season) that allows taxpayers to file their personal income tax returns and pay their taxes directly with the Department for free.

To better educate, engage and communicate with the public, DOR posted a number of new streaming videos to its website in FY08. The Department used its video and multi-media capabilities to: walk taxpayers through the new Schedule HC via an innovative and interactive virtual tour; provide residents with an overview of their taxpayer bill of rights; and reach out to students to educate them about their state tax filing responsibilities. The Department addressed the needs of the practitioner community by creating a filing season update video, that discussed major tax law changes and other key issues for the 2008 filing season. Through watching the video and successfully completing a short quiz, tax professionals had the opportunity to earn a Continuing Professional Education (CPE) credit. In recognition for these and other web video efforts, DOR's Publishing and Media Services Office won both the W3 and Webby awards.

The Department continued to provide support to underground storage tank (UST) owners and operators for clean-up costs associated with leaking UST systems and disbursed grants to communities for removing and replacing underground fuel storage tanks. In FY08, \$78 million in revenues was collected from annual fees and over \$28.8 million was expended for the reimbursement claims, grants and administrative costs.

E-filed Income Tax Returns (in millions)



## Child Support Enforcement

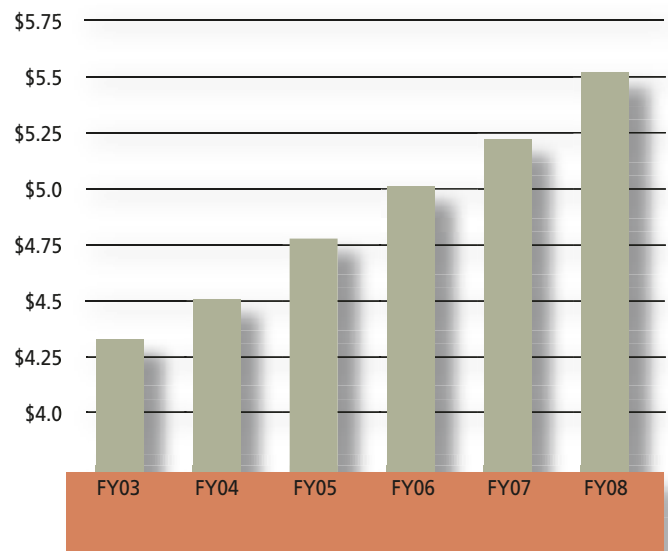
Placing emphasis on action, the Department's Child Support Enforcement (CSE) Division changed its mission statement at the start of FY08 to read: "To make a difference in the lives of children by enforcing the financial responsibilities of parenthood." CSE provides important services to families by assisting parents in establishing paternity and child support orders, collecting child support and asking courts to adjust support orders when circumstances change.

In FY08, CSE collected a record \$554.3 million in child support — a 6 percent increase over FY07. Although collections were on pace to exceed FY07's amount, the FY08 total was boosted by the intercept of federal economic stimulus payments. CSE collected \$10.8 million from intercepted federal stimulus checks that were mailed to over 19,000 noncustodial parents with delinquent child support orders.

CSE added a new collection tool to its repertoire in FY08, the abandoned property match, which generated \$1.3 million in collections. Through this program, DOR exchanges information each week with the State Treasurer's Abandoned Property Division (APD) regarding parents who owe past-due child support. If an exchange reveals that a parent has abandoned property held by APD, the property is subject to offset for past-due support. In addition, the successful license suspension program brought in \$35.8 million, an increase of six percent over FY07, and resulted in the suspension of 8,947 licenses.

In September 2007, CSE issued its fourteenth Ten Most Wanted poster, which spotlights some of the state's worst child support offenders. Within days of its release, three of the featured parents were located.

**Total Child Support Enforcement Collections**  
(revenue in millions)



**Child Support Enforcement continued**

Critical to the collection of child support is paternity establishment, which establishes the father's legal responsibility to make child support payments for his child. In FY08, CSE — working with the Registry of Vital Records and Statistics — established paternity for nearly 25,000 children through voluntary acknowledgement or court action.

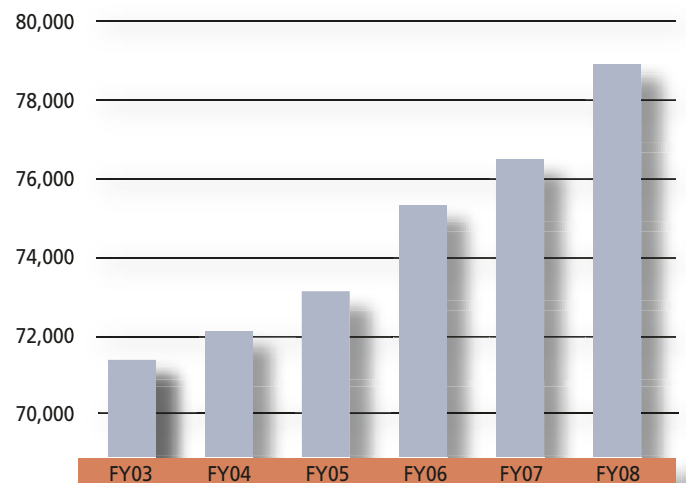
CSE also worked with MassHealth to enroll children who receive state-funded Medicaid in private health insurance, resulting in cost savings of \$77.1 million for the Commonwealth. Since FY2001, CSE's efforts have reaped Medicaid cost savings of \$403.4 million.

CSE's role in enforcing the financial responsibilities of parenthood goes far beyond collecting child support and establishing paternity. The division is also dedicated to helping parents meet their financial obligations to their children through community outreach efforts.

CSE launched a pilot employment services project in collaboration with the Division of Transitional Assistance in three sites across the state — Boston, Brockton and Worcester. The goals of this program are to provide job training and employment opportunities that will increase the earning capacity of noncustodial parents whose children receive or are eligible for Temporary Assistance for Needy Families benefits; facilitate noncustodial parents' responsible involvement in the lives of their children by developing their parental nurturing and caretaking skills; and educate parents on the positive effect that responsible fathers and two-parent families have on children's lives.

Finally, staff in CSE's western region created a partnership with an employment resource center in the region. This collaboration allowed CSE staff to identify noncustodial parents who may benefit from the resources offered and refer them to the center.

**Number of Families  
Receiving Child  
Support**



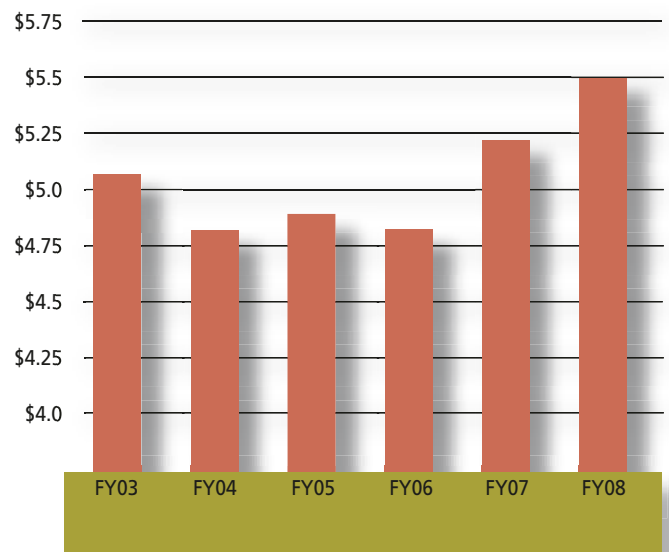
## Local Services

During FY08, the Division of Local Services (DLS) was very successful in accomplishing its core mission of providing regulatory and technical assistance to 351 cities and towns in the Commonwealth.

The division focused on completing the innovative Gateway project, moving all local government data submissions to a suite of internet applications that allows authorized local officials to directly input and validate financial data in real time. In addition, the project developed a flexible and comprehensive activity tracking and workflow management system to guide and document DLS staff activity. The project also introduced a new report-writing technology that enables public internet users of the Municipal Databank to create custom reports at will. Pilot-testing of the DLS Gateway concluded in FY08 and the program was ready for use by all cities, towns and districts at the start of FY09.

As a member of the Municipal Affairs Coordinating Cabinet (MACC), DLS has taken a lead role in partnering with the Governor's office and other state agencies in strengthening the ties between local governments and the state. In FY08 MACC held a series of regional meetings lead by the lieutenant governor, which focused on technology, civil service, health insurance, purchasing, capital asset management and human resources. These meetings encouraged an open forum in which citizens could communicate directly with the lieutenant governor and state agency heads. DLS' deputy commissioner also testified on behalf of the administration at two legislative hearings for the Municipal Partnership Act and or-

**Total Cherry Sheet Receipts**  
(revenue in billions)



Note: FY06 and beyond does not include SBA ongoing payments which have been removed from the Cherry Sheets.

### Local Services continued

ganized Municipal Partnership events with local officials for the Governor's office.

In FY08, DLS certified tax rates for 316 cities and towns and 43 special purpose districts. Free cash totaling \$551.5 million was certified for 295 cities and towns; free cash totaling \$13.4 million was certified for 37 special purpose districts; excess and deficiency funds totaling \$26.6 million were certified for 42 regional school districts. The division also certified property assessments of 136 communities for uniformity and market trends in order to certify tax rates. It also certified 215 interim year adjustments for those communities not on the full revaluation schedule. The bureau certified tax base levy growth in 351 communities. In addition, the bureau centrally valued 27 telephone and telegraph companies and 4 pipeline companies.

Each fiscal year, DLS tracks local aid throughout the state budget process and notifies local officials of their estimated aid at each juncture of the process. In FY08, DLS issued approximately \$5.5 billion in electronic Cherry Sheet aid and distributed \$5.1 billion in local aid to cities and towns.

DLS also helped Massachusetts cities and towns achieve sound and efficient fiscal management through technical assistance, training and oversight. In FY08, DLS staff spoke at a number of events at the request of various municipalities and associations, and completed financial management reviews on behalf of cities and towns across the Commonwealth. Training seminars were also well-attended: more than 420 local officials attended the Municipal Law Seminars and the New Officials Finance Forum drew 90 participants. In addition, DLS staff provided instruction to hundreds of local officials who attended courses offered by various



DLS Gateway welcome screen.





## **A Commitment** to Community

**The commitment and dedication of the Department's employees stretches far beyond the workplace. Through various volunteer, mentoring and fund-raising efforts, DOR employees make significant contributions within their own communities and abroad.**



Left: ISO'S Eric Dillman and CSE's David DeGanne;  
Below: CSE's Michael Tryon



One need look no further than to those in the military for examples of commitment to public service. Two individuals -- ISO'S **Eric Dillman** and CSE's **David DeGanne**, were deployed to Iraq in November 2007. As Civil Affairs Officers for the U.S. Army, they were part of a unit that acted as a liaison between the civilian inhabitants of the area and the military presence, both informing the local commander of the status of the civilian populace as well as offering assistance to locals by either coordinating military operations or directly distributing aid and supplies.

David and Eric's service inspired a donation campaign spearheaded by Audit's Diane Shepard. Bins entitled "Support the Troops" were located on each floor of the MITC building in Chelsea, where employees could drop off much-needed goods for the servicemen and women overseas as well as the children of Iraq. Needless to say, the donations were plentiful.

CSE's **Michael Tryon** answered a call to serve in a different way. As an EMT with the Greater Westfield Chapter of the American Red Cross, Michael provided disaster relief assistance to victims of the California wild fires in October 2007. Upon his return to Massachusetts, Michael gave a presentation to his fellow employees regarding the ordeal and the hazards of fire. When asked what being a member of the Red Cross has meant to him, Michael replied, "It's a humbling experience, a character builder, which has fulfilled me personally and professionally." Michael has also worked for the Special Olympics, the Jimmy Fund, and aided the victims of Hurricane Katrina.

**Peter Olejnik** of Publishing and Media Services used his vacation time to travel to South America where he, along with members of his congregation, helped build a church and recreation center for the poverty-stricken children of Peru. When he wasn't building, he was entertaining -- even going as far as to dress up as a

clown. "Traveling to Peru was an experience to remember. I'll never forget the gratitude the people of Peru expressed for the little they had," said Peter.

On the local front, the volunteer efforts by DOR employees for the State Employees Responding as Volunteers (SERV) program were unmatched in FY08. With 91 volunteers as of May 2008, DOR had more participants in the SERV program than any other state agency. Whether volunteering at a child's school, providing administrative support to a non-profit organization or helping clean up a public park, DOR employees have participated in SERV in a variety of capacities. While the contributions of DOR employees have been invaluable, SERV has also had a significant impact on DOR volunteers.

**Bob Marottta** of CSE volunteered at his son's school to provide computer training to the school's principal and teachers. "Get involved! You will quickly realize how much your time is worth to the group you are dealing with," he said.

"I consider a volunteer day to be as important as a day at my job," said Nancy Winch of CSE, who has used her educational background to work directly with the teachers at her children's school.

**John Keenan** became involved in helping maintain the grounds of a Trustees of Reservations site through SERV. He said that his experience with SERV has furthered his appreciation of the natural world. "The SERV program has allowed me to help the environment, get out from behind my desk and get some fresh air and exercise."

Outside of the SERV program, DOR employees have also participated in a number of events to raise money for a variety of causes.

**Katie Lawson** of the Audit Division is part of a fundraising team. Her team, the Walking Angels was formed in 2006 to raise money for the American Cancer Society's Relay for Life. The Angels (as Katie calls them) have walked Weymouth's



Katie Lawson of the Audit Division

Peter Olejnik  
(right) in Peru.



Relay for Life for the last three years and raised \$8,000 in 2008 through the walk and other fundraising events. “What keeps me smiling is the knowledge that, despite our busy lives, nothing stops the Angels from helping others,” said Katie.

Also making a difference is **Noreen Blanchette** of Audit — who became involved with fund-raising efforts for the Autism Resource Center of Central Massachusetts (ARCCM) after her grandson, Kobe, was diagnosed with autism at age three. “Rather than sit idly by, it gives me great satisfaction to be actively involved in fund-raising activities that benefit the ARCCM. Through the support of the ARCCM, I have seen with my own eyes major improvement in Kobe’s life. My family shares a feeling of camaraderie and strength knowing that we are not facing this issue alone — but has the support of others who like ourselves, care for someone who is affected by autism,” said Noreen.

**Lauren Saraiva**, of the Commissioner’s Office, ran her first Boston Marathon in 2008 to raise money for the New England Chapter of the Multiple Sclerosis Society. “[My boyfriend and I] both have people close to us with MS, so we were really excited to be able to raise money for the National MS Society,” said Lauren — who triumphantly completed the race and raised approximately \$4,200.

The battle against multiple sclerosis is also important to **Philip O’Sullivan** (Underground Storage Tank Unit). Philip (who is also a SERV participant) helped form a bike team in 2006 to raise money for the cause. Called Team Gourmet Garden, Philip’s team biked the annual 150-mile-long MS Cape Cod Getaway and raised over \$20,000 during the 2008 race. “I was a little battered and bruised but I came across the finish with a sense of pride and accomplishment for this very worthy cause. The pain is temporary but the pride of helping those who live with MS everyday will last forever,” said Philip.

In addition to the above mentioned contributions, DOR employees played a role in raising money for the Walk for Hunger, March of Dimes, AIDS Walk and the North Shore Medical Center’s Cancer Walk.

It’s evident that fiscal year 2008 showcased the selflessness and compassion of the Department’s employees. No matter the capacity in which they participated, the common denominator they all shared was the profound impact their actions played in both their lives and the lives of those around them.



# Legislative Review

## FY 2008

### Personal Income Tax

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#### **An Act to Promote Veterans Benefits**

On November 27, 2007, the Legislature approved chapter 186 of the Acts of 2007, under which the Department of Revenue will design and designate a place for a check-off box on its annual income tax forms for taxpayers who are veterans as defined in clause 43 of section 7 of chapter 4 of the General Laws and who served in the armed forces of the United States in active service as part of Operation Enduring Freedom, Operation Iraqi Freedom or Operation Noble Eagle. DOR will include this check-off box on its personal income tax forms until it has determined, in consultation with the Department of Veterans' Services that the need for this check-off box no longer exists.

The Department of Veterans' Services will enter into an interagency service agreement with DOR to obtain veterans' names and current addresses for the purpose of contacting said veterans in order to verify eligibility for the benefits listed in various chapters of the General Laws. DOR may release the names and addresses to the Secretary of Veterans' Services and the Adjutant General of the Massachusetts National Guard. The Department of Veterans' Services shall submit a report not later than June 30 of each year to the Joint Committee on Veterans and Federal Affairs detailing the collected data and the number of veterans who have received benefits described in this Act as a result of outreach conducted after the Department of Veterans' Services received this data from DOR.

#### **Personal Income Tax Treatment of Employer-Provided Health Insurance Coverage for an Employee's Child**

The Massachusetts Health Care Reform Act at chapter 58 of the Acts of 2006, as amended (March 11, 2008) changed chapters 32A, 175, 176A, 176B and 176G of the General Laws to require a broadening of dependent coverage offered by health insurance carriers. The Legislature made several technical corrections to the health care reform law in the recent "Act further Regulating Health Care Access," St. 2007, c. 205, signed into law on November 29, 2007. Collectively, the amendments require that on or after January 1, 2008, carriers issuing or renewing insured health benefit plans with coverage for dependents make coverage available for persons "under 26 years of age or for 2 years after the end of the calendar year in which such persons last qualified as dependents under 26 U.S.C. 106, whichever occurs first." See TIR 07-16.

A non-cash fringe benefit that is included in gross income is sometimes referred to as "imputed income." Under federal income tax law, extending employer-



provided health insurance coverage to an employee's child up until age 26 may create imputed income for the employee. This TIR provides a summary of Internal Revenue Service Notice 2004-79, a federal notice that provides relief from imputed income in many instances where employer-provided health coverage includes an employee's grown child. Although this TIR provides general guidance, an employer or an employee seeking a case-specific determination on federal imputed income must contact the Internal Revenue Service.

The recent Massachusetts legislation provides an exemption for imputed income for personal income tax purposes where health care coverage is required by Massachusetts law. See G.L. c. 62, § 2(a)(2)(Q), as added by St. 2007, c. 205, § 6. As a result, Massachusetts will not follow federal law in the area of imputed income resulting from employer-provided health care fringe benefits.

## **Corporate/Income/Sales/Use Tax**

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### **Incentives for the Film Production Industry**

On July 20, 2007, Massachusetts enacted an Act Providing Incentives to the Motion Picture Industry ("the new Act"). See St. 2007, c. 63. This Act made revisions to statutory provisions enacted by a prior Act with the same title that was signed into law on November 23, 2005 (the "prior Act"). See St. 2005, c. 158; amended by St. 2005, c. 167. The prior Act provided personal income tax and corporate excise credits and a general sales tax exemption as incentives to the motion picture industry. It was effective for taxable years beginning January 1, 2006 with a sunset date of January 1, 2013. The credits and sales tax exemption applied to qualifying motion picture production companies; the sales tax exemption also applied to qualifying film school students. See M.G.L. c. 62, § 6(l), c. 63, § 38T and c. 64H, § 6(ww). Where eligible, a taxpayer could take both the credits and the exemption in connection with a qualifying motion picture. Also, an eligible taxpayer could transfer one or both credits, or a portion thereof.

Specifically, the prior Act provided a payroll credit and a production expense credit, each of which could be taken by an eligible motion picture production company against either its personal income tax or corporate excise liability. M.G.L. c. 62, § 6(l) and c. 63, § 38T. Each credit had different qualification requirements, but shared a minimum expense threshold of \$250,000, required to be met in a 12-month period. The payroll and production expense credits could be claimed in an amount equal to 20 percent or 25 percent of a taxpayer's qualifying payroll or production expenses, respectively; however, there was a \$7,000,000 limitation on the amount of the combined credits that could be taken in connection with any one motion picture.

The new Act amends the Film Statute as set forth at M.G.L. c. 62, § 6(l), c. 63, § 38T and c. 64H, § 6(ww). It is effective for film credit applications that are received on or after January 1, 2007. Pursuant to the new Act, 90 percent of any



payroll and production expense credits not used in the year claimed may now be refunded to a taxpayer, at the taxpayer's election. In addition, the new Act effects the following changes: the minimum expenditure threshold required to be met in a 12-month period has been lowered from \$250,000 to \$50,000; the payroll credit has been increased to apply to 25 percent of a taxpayer's qualifying expenditures; the \$7,000,000 limitation on the amount of credits taken on any one motion picture has been eliminated; a "digital media project" is now included in the definition of a "motion picture;" and, the sunset date for the Film Statute has been extended from January 1, 2013 to January 1, 2023.

## **Sales/Use Tax**

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### **The 2007 Massachusetts Sales Tax Holiday Weekend**

On August 2, 2007, Governor Patrick signed a law providing for a Massachusetts "sales tax holiday weekend," i.e., two consecutive days during which most purchases made by individuals for personal use would not be subject to Massachusetts sales or use taxes. St. 2007, c. 81, §§ 1-6 ("the Act"). The Act provided that the sales tax holiday would occur on August 11 and 12, 2007 and on those days, non-business sales at retail of single items of tangible personal property costing \$2,500 or less were exempt from sales and use taxes, subject to certain exclusions. The following did not qualify for the sales tax holiday exemption and remained subject to tax: all motor vehicles, motorboats, meals, telecommunications services, gas, steam, electricity, tobacco products and any single item whose price is in excess of \$2,500. The Act charged the Commissioner of Revenue with issuing instructions or forms and rules and regulations necessary to carry out the purposes of the Act. See TIR 07-12.

The exemption applied to sales of tangible personal property bought for personal use *only*. Purchases by corporations or other businesses and purchases by individuals for business use remained taxable. Purchases exempt from the sales tax under G. L. c. 64H are also exempt from use tax under G.L. c. 64I. Therefore, eligible items of tangible personal property purchased on the Massachusetts sales tax holiday from out-of-state retailers for use in Massachusetts were exempt from the Massachusetts use tax.

## **Miscellaneous**

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### **Municipal Relief Package (chapter 67)**

On July 25, 2007, as part of his Municipal Partnership Act, Governor Patrick signed a law giving cities and towns permission to join the Commonwealth's Group Insurance Commission (GIC) to take advantage of its negotiating power for better rates and flexibility for health insurance. The GIC generally purchases health insurance for state employees and teachers at a lower cost than most municipalities pay. The purpose of the law is to help communities cut residential property taxes by saving money on pensions and healthcare and giving them

new sources of local revenue. The new law requires cities and towns to obtain permission from local coalitions of labor unions before meeting an October 1, 2008 deadline for joining.

## **Life Sciences Tax Incentive Program**

On June 16, 2008, Governor Patrick signed “An Act Providing for the Investment in and Expansion of the Life Sciences Industry in the Commonwealth” (the Act). St. 2008, c. 130. The goal of the Act is to expand employment in the life sciences sector in Massachusetts and to promote health-related innovations by supporting research, development, manufacturing and commercialization in the life sciences.

The Act establishes the Life Sciences Investment Program as well as the Life Sciences Tax Incentive Program pursuant to chapter 231 of the General Laws. See St. 2008, c. 130, § 13, codified at G.L. c. 231, § 5(a), (d), respectively. It provides for a \$1 billion investment in the life sciences sector, including \$25 million each year for 10 years for the Massachusetts Life Sciences Investment Fund established by G.L. c. 231, § 6 (subject to yearly appropriation by the Massachusetts Legislature), and \$25 million each year for 10 years in various tax incentives for qualifying life sciences companies on a competitive basis (subject to required authorizations by the Massachusetts Life Sciences Center and to approval by the Secretary of Administration and Finance). These incentives are effective from January 1, 2009 through December 31, 2018. St. 2008, c. 130, §§ 52–54.

In general, the Act authorizes the Massachusetts Life Sciences Center (the Center), to review and, as appropriate, approve applications from “life sciences companies” for specified tax benefits. A life sciences company is defined as a business corporation, partnership, firm, unincorporated association or other entity engaged in life sciences research, development, manufacturing or commercialization in the Commonwealth, and any affiliate thereof, which is, or the members of which are, subject to taxation under chapters 62, 63, 64H or 64I. G.L. c. 231, § 2.

The Center, established pursuant to G.L. c. 231, § 3, is responsible for administering the Life Sciences Investment and Tax Incentive Programs and certifying a company as a “certified life sciences company.” G.L. c. 231, § 5. Tax incentives are available only to a certified life sciences company and only to the extent that the incentives are both (i) authorized by the Center under the Life Sciences Tax Incentive Program and (ii) expressly granted by the Secretary of Administration and Finance. G.L. c. 231, § 5(d).

## **Bonds for Public Infrastructure Improvements under St. 2006, c. 293, ss. 5–12 as modified by St. 2008, c. 129**

On June 12, 2008, Governor Patrick approved St. 2006, c. 293, §§ 5–12, part of An Act Relative to the Economic Development of the Commonwealth, as modified by St. 2008, c. 129, and relating to financial assistance for public infrastructure improvements (the Act). Comprehensive guidance for the approval process is found in regulations issued by the Secretary of Administration and Finance (ANF), at 801

# Legislative Review

CMR 51.00 (ANF Regulations). Under the Act, the Massachusetts Development Finance Agency (MDFA) is authorized to issue bonds to finance infrastructure improvements that will support economic development projects. The funds from the bonds may be used to finance the construction of streets, sidewalks, water and sewer service, and similar improvements. See TIR 08-18 which revokes and replaces TIR 06-26.

Approval of a project to be funded by bonds issued pursuant to the Act is a multi-stepped process set forth in the ANF Regulations and the Act. Each proposal from a developer must include, among other things, a financial analysis estimating the new state tax revenues to be generated as a result of each project component of the development. Part of the approval process requires DOR, to the extent practicable, to certify that the amount of new state tax revenues allocable to the project will be at least equal to 1.5 times the projected annual debt service, as determined by ANF, on the bonds to be issued to fund the public infrastructure improvements related to the project. Subsequently, DOR must annually determine and certify the new state tax revenues generated by each project component, after DOR has received the relevant data necessary to make the determination, and must determine the extent of any resulting shortfall after comparing new state tax revenues with the allocable annual debt service on the bonds that is apportioned to each component.

Prior to a project being eligible for financing under the Act, the developer is required to obtain preliminary project approval from ANF. Among other filings detailed in 801 CMR 51.06, the developer must file its Preliminary Economic Development Proposal with the Commissioner of Revenue (Commissioner). In accordance with the procedures at 801 CMR 51.07(5), if the project meets the regulatory criteria for preliminary approval, the Commissioner will issue a preliminary certificate. For final project approval, the Commissioner must provide an updated version of the certificate reflecting any changes. See 801 CMR 51.13(1). In general, the same DOR review criteria apply to preliminary project approval and to final approval. See 801 CMR 51.03, 51.12, 51.13.

# The Taxes

## FY 2008

| TYPE OF TAX                                    | MEASURE  | RATE <sup>1</sup>             | RETURN DUE  |
|--|--|-------------------------------|---|
| <b>Personal income and fiduciary income</b>    | Net capital gains <sup>2</sup>   | 5.3–12%                       | On or before April 15 for calendar year filings.  |
|  | Dividends, interest, wages, other income                                   | 5.3%                          | The 15th day of the 4th month for fiscal year filings.  |
| <b>Nonresident</b>                             | Massachusetts source income  | 5.3%                          |   |
| <b>Estimated tax</b>                           | Liability in excess of \$400   |                               | Due quarterly on or before the 15th day of April, June, September and January.  |
| <b>Withholding</b>                             | 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. |
| <b>Estate</b>                                  | Federal taxable estate   | 0.8%–16% <sup>3</sup>         | Within 9 months after date of decedent's death.   |
| <b>Nonresident</b>                             | Massachusetts real and tangible property <sup>3</sup>                      |                               | Within 9 months after date of decedent's death.   |
| <b>Alcoholic beverages</b>                     | 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                        |   |
| <b>Cigarettes</b>                              | 20-count package   | \$1.51                        | Monthly, on or before the 20th day of the month. Unclassified acquirers must file upon importation or acquisition.  |
|  | Smokeless tobacco (percentage of price paid by licensee)                   | 90%                           | Same as 20-count package.   |
|  | Cigars and smoking tobacco (percentage of price paid by licensee)          | 30%                           | Quarterly, on or before the 20th day following the close of the tax period.   |
| <b>Marijuana and controlled substances tax</b> | 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   |   |
| <b>Deeds</b>                                   | Sales price (less mortgage assumed) of real estate                         | \$2.28 <sup>4</sup> per \$500 | Monthly, on or before the 10th day of the month (filed by Registers of Deeds).  |
| <b>Motor fuels</b>                             | 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%                            |   |
| <b>Room occupancy</b>                          | 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% <sup>5</sup>             |   |
|  | Convention Center Financing Fee  | 2.75%                         |   |
|  | (Boston, Cambridge, Springfield, Worcester, Chicopee and West Springfield) |                               |   |

<sup>1</sup>Tax rates as of August 1, 2007.

<sup>2</sup>Gains 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%.

<sup>3</sup>Resident 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.

<sup>4</sup>In Barnstable County, the rate is \$5.70 per \$1,000.

<sup>5</sup>Boston is authorized to charge up to 4.5%.

# The Taxes continued

## FY 2008

| TYPE OF TAX   | MEASURE   | RATE   | RETURN DUE  |
|---|---|--|---|
| <b>Club alcoholic beverages</b>   | Gross receipts  | 0.57%  | On or before April 15.  |
| <b>Sales and use tax</b>  | 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. |
| <b>Sales tax on meals, prepared food and all beverages</b>                  | 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.   |
| <b>Business and manufacturing corporations</b>                              | Net income<br>Tangible property or net worth<br>Minimum   | 9.5% <sup>6</sup><br>\$2.60 per \$1,000<br>\$456 | On or before the 15th day of third month after close of taxable year.   |
| <b>Estimated tax</b>  | 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. <sup>7</sup>   |
| <b>Security corporation</b>   |   |  |   |
| Non-bank holding co.  | Gross income  | 1.32%  | Same as business corporations.  |
| Bank holding company  | Gross income  | 0.33%  |   |
|   | Minimum   | \$456  |   |
| <b>Financial institutions</b>   | Net income<br>Minimum   | 10.50% <sup>7</sup><br>\$456 <sup>7</sup>        | Same as business corporations.  |
| <b>Public utilities</b>   | Net income  | 6.5%   | Same as business corporations.  |
| <b>Ship excise tax</b>  | 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.  |
| <b>Insurance company</b>  |   |  |   |
| Domestic life   | Premiums  | 2.0%   | On or before March 15.  |
| Foreign life  | Premiums  | 2.0%   |   |
| Domestic casualty   | Premiums  | 2.28%  | On or before May 15.  |
| Foreign casualty  | Premiums  | 2.28%  |   |
| Ocean marine  | Underwriting profit   | 5.7%   |   |
| Preferred provider arrangements   | Premiums  | 2.28%  |   |
| <b>Motor vehicle</b> garaged outside Massachusetts                          | 90% to 10% of manufacturer’s list price   | \$25<br>per \$1,000                              | On or before 30 days from issuance of tax bill.   |
| <b>Boston sightseeing tour</b>  | 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.   |
| <b>Boston vehicular rental transaction surcharge</b>                        | Each vehicular rental transaction contract executed in Boston.  | \$10   | Quarterly, on or before the 20th day following the close of the tax period.   |
| <b>Parking facilities surcharge in Boston, Springfield and/or Worcester</b> | 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.   |

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

<sup>7</sup>30%, 25%, 25% and 20% for corporations with fewer than 10 employees in their first full tax year.

# Revenue Collection

## FY 2008

| In thousands                              | FY04                | FY05                | FY06                | FY07                | FY08                            | FY07-08<br>% change |
|---|---------------------|---------------------|---------------------|---------------------|---------------------------------|---------------------|
| <b>STATE TAXES COLLECTED BY DOR</b>       |                     |                     |                     |                     |                                 |                     |
| <b>Tax on personal income</b>             |                     |                     |                     |                     |                                 |                     |
| <b>TOTAL</b>                              | <b>\$ 8,830,334</b> | <b>\$ 9,690,270</b> | <b>\$10,483,437</b> | <b>\$11,399,649</b> | <b>\$12,496,141<sup>1</sup></b> | <b>9.6</b>          |
| <b>Taxes on business</b>                  |                     |                     |                     |                     |                                 |                     |
| Corporations                              | \$ 997,602          | \$ 1,062,722        | \$ 1,390,684        | \$ 1,587,636        | \$ 1,511,973                    | (4.8)               |
| Insurance companies                       | 373,721             | 372,823             | 396,683             | 369,030             | 368,605                         | (0.1)               |
| Public utilities                          | 64,733              | 71,136              | 118,492             | 178,325             | 120,173                         | (32.6)              |
| Financial institutions                    | 238,740             | 198,937             | 349,932             | 340,937             | 547,809                         | 60.7                |
| <b>TOTAL</b>                              | <b>\$ 1,674,796</b> | <b>\$ 1,705,618</b> | <b>\$ 2,255,791</b> | <b>\$ 2,475,928</b> | <b>\$ 2,548,560</b>             | <b>2.9</b>          |
| <b>Taxes on commodities sold</b>          |                     |                     |                     |                     |                                 |                     |
| Motor fuels                               | \$ 684,912          | \$ 685,537          | \$ 671,844          | \$ 676,119          | \$ 672,654                      | (0.5)               |
| Cigarettes                                | 425,421             | 423,637             | 435,336             | 438,074             | 436,942                         | (0.3)               |
| Alcoholic beverages                       | 67,902              | 68,630              | 68,854              | 70,958              | 71,169                          | 0.3                 |
| Sales and use <sup>2</sup>                | 3,211,197           | 3,331,830           | 3,421,166           | 3,460,549           | 3,456,662                       | (0.1)               |
| Sales on meals                            | 532,014             | 559,115             | 588,205             | 615,000             | 641,699                         | 4.3                 |
| <b>TOTAL</b>                              | <b>\$ 4,921,446</b> | <b>\$ 5,068,749</b> | <b>\$ 5,185,405</b> | <b>\$ 5,260,700</b> | <b>\$ 5,279,126</b>             | <b>0.4</b>          |
| <b>Other taxes</b>                        |                     |                     |                     |                     |                                 |                     |
| Estate & inheritance                      | \$ 194,706          | \$ 255,127          | \$ 196,260          | \$ 249,597          | \$ 253,966                      | 1.8                 |
| Room occupancy excise                     | 120,178             | 133,487             | 144,808             | 157,515             | 174,157                         | 10.6                |
| Deeds excise <sup>3</sup>                 | 132,625             | 156,501             | 149,283             | 140,825             | 110,444                         | (21.6)              |
| Club alcoholic beverage excise            | 621                 | 621                 | 672                 | 770                 | 766                             | (0.5)               |
| Motor vehicle excise                      | 51                  | 70                  | 76                  | 74                  | 96                              | 29.7                |
| Controlled substances                     | 0                   | 0                   | 0                   | 0                   | 0                               | —                   |
| Convention Center surcharge               | 9,804               | 10,390              | 11,039              | 11,911              | 13,018                          | 9.3                 |
| Community preservation trust              | 50,520              | 37,406              | 36,088              | 31,914              | 27,031                          | (15.3)              |
| <b>TOTAL</b>                              | <b>\$ 508,505</b>   | <b>\$ 593,602</b>   | <b>\$ 538,226</b>   | <b>\$ 592,606</b>   | <b>\$ 579,478</b>               | <b>(2.2)</b>        |
| <b>Total state taxes collected by DOR</b> | <b>\$15,935,081</b> | <b>\$17,058,239</b> | <b>\$18,462,859</b> | <b>\$19,728,883</b> | <b>\$20,903,305</b>             | <b>6.0</b>          |

<sup>1</sup>FY08 Personal Income includes \$12,364K from penalties assessed under Section 2 of Chapter 111M of the General Laws and Deposited into the Commonwealth Care Trust Fund.

<sup>2</sup>Include sales and use tax on motor vehicles.

<sup>3</sup>Due 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.



# Revenue Collection continued

## FY 2008

| In thousands   | FY04                | FY05                 | FY06                 | FY07                 | FY08                 | FY07-08<br>% change |
|--|---------------------|----------------------|----------------------|----------------------|----------------------|---------------------|
| <b>LOCAL TAXES COLLECTED BY DOR<br/>ON BEHALF OF COMMUNITIES</b>       |                     |                      |                      |                      |                      |                     |
| Urban redevelopment  | \$ 48,729           | \$ 49,874            | \$ 50,681            | \$ 53,600            | \$ 54,965            | 2.5                 |
| Local option airplane jet fuel   | 12,541              | 16,269               | 20,228               | 26,395               | 27,978               | 6.0                 |
| Local option room occupancy  | 68,484              | 75,490               | 81,590               | 88,345               | 96,854               | 9.6                 |
| Local rental vehicle (Convention Center 10%)                           | 945                 | 1,023                | 1,086                | 1,152                | 1,207                | 4.8                 |
| Vehicle rental surcharge   | 0                   | 0                    | 267                  | 646                  | 642                  | (0.6)               |
| Embarkation fees   | 72                  | 1,293                | 1,290                | 1,321                | 1,284                | (2.8)               |
| <b>Total local taxes collected by DOR<br/>on behalf of communities</b> | <b>\$ 130,771</b>   | <b>\$ 143,949</b>    | <b>\$ 155,142</b>    | <b>\$ 171,459</b>    | <b>\$ 182,930</b>    | <b>6.7</b>          |
| <b>OTHER REVENUE</b>   |                     |                      |                      |                      |                      |                     |
| Utility and insurance assessments                                      | \$ 0                | \$ 0                 | \$ 0                 | \$ 0                 | \$ 0                 | —                   |
| Department fees, licenses, etc.  | 8,043               | 10,924               | 20,021               | 19,142               | 23,183               | 21.1                |
| County Correction Fund — deeds   | 8,343               | 9,902                | 9,413                | 9,689                | 7,226                | (25.4)              |
| County recording fees  | 60,384              | 45,662               | 43,103               | 37,109               | 30,079               | (18.9)              |
| Abandoned deposits — bottle  | 36,422              | 36,817               | 39,009               | 39,211               | 38,774               | (1.1)               |
| <b>Total other revenue</b>   | <b>\$ 113,192</b>   | <b>\$ 103,305</b>    | <b>\$ 111,546</b>    | <b>\$ 105,151</b>    | <b>\$ 99,262</b>     | <b>(5.6)</b>        |
| <b>STATE TAXES COLLECTED<br/>BY OTHER AGENCIES</b>                     |                     |                      |                      |                      |                      |                     |
| Horse and dog racing   | \$ 5,697            | \$ 4,677             | \$ 4,181             | \$ 3,859             | \$ 3,496             | (9.4)               |
| Beano and boxing   | 2,591               | 2,146                | 1,964                | 1,714                | 1,559                | (9.0)               |
| Raffles/bazaars  | 965                 | 1,038                | 1,121                | 967                  | 930                  | (3.8)               |
| Special insurance brokers  | 26,042              | 29,480               | 30,377               | 28,250               | 27,591               | (2.3)               |
| UI surcharge   | 20,451              | 21,135               | 21,400               | 21,449               | 21,509               | 0.3                 |
| Deeds, Secretary of State  | 54,418              | 63,831               | 60,860               | 53,253               | 43,470               | (18.4)              |
| <b>Total state taxes collected<br/>by other agencies</b>               | <b>\$ 110,164</b>   | <b>\$ 122,307</b>    | <b>\$ 119,903</b>    | <b>\$ 109,492</b>    | <b>\$ 98,555</b>     | <b>(10.0)</b>       |
| <b>TAXES ON PROPERTY COLLECTED<br/>BY LOCAL GOVERNMENT</b>             |                     |                      |                      |                      |                      |                     |
| Real estate  | \$ 8,608,389        | \$ 9,105,150         | \$ 9,602,983         | \$ 10,113,661        | \$ 10,600,077        | 4.8                 |
| Personal property  | 407,845             | 378,305              | 380,155              | 375,125              | 392,041              | 4.5                 |
| Motor vehicles   | 635,827             | 683,168              | 694,259              | 636,886              | 639,929              | 0.5                 |
| <b>Total taxes on property collected<br/>by local government</b>       | <b>\$ 9,652,061</b> | <b>\$ 10,166,623</b> | <b>\$ 10,677,397</b> | <b>\$ 11,125,672</b> | <b>\$ 11,632,047</b> | <b>4.6</b>          |
| <b>TOTAL ALL TAXES</b>   | <b>\$25,941,269</b> | <b>\$27,594,423</b>  | <b>\$29,526,847</b>  | <b>\$31,240,657</b>  | <b>\$32,916,099</b>  | <b>5.4</b>          |

Because of rounding, detail may not add to Totals.

# Offers in Settlement

## FY 2008

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 2008, 45 settlements were made. All 45 were reviewed by the Attorney General.

The cases approved were as follows:

| NAME  | TOTAL TAX, INTEREST & PENALTIES | AMOUNT PAID IN SETTLEMENT | AMOUNT ABATED |
|---|---------------------------------|---------------------------|---------------|
| Raymond D. Arnold, Jr. d/b/a Bizarre Hair Salon   | \$24,051.31                     | \$7,200.00                | \$16,851.31   |
| Alan B. and Linda R. Peterson   | 48,922.71                       | 18,000.00                 | 30,922.71     |
| Harvey Soolman d/b/a Audio Replay & Harvey Soolman, Individually                              | 36,547.22                       | 12,000.00                 | 24,547.22     |
| Paul K. Raposo  | 46,572.40                       | 15,840.00                 | 30,732.40     |
| Christopher M. Bearse   | 28,364.66                       | 5,800.00                  | 22,564.66     |
| Cynthia E. Dempster d/b/a The Garden Patch  | 10,154.92                       | 3,500.00                  | 6,654.92      |
| Christine A. Holland  | 6,355.49                        | 1,100.00                  | 5,255.49      |
| Salt Rock Management Corp.; Whidah Management Corp. & Sean R. Crump (R/P)                     | 52,608.62                       | 33,308.00                 | 19,300.62     |
| M. G. Dimas Corp. & Michael G. DiMascio (R/P) & Michael G. & Lauren M. DiMascio, Individually | 32,724.12                       | 22,500.00                 | 10,224.12     |
| Stephen G. Richmond   | 47,991.91                       | 5,000.00                  | 42,991.91     |
| S.L.J.B.A Pizza, Inc. & Lisa N. Tessier (R/P)   | 101,536.22                      | 20,000.00                 | 81,536.22     |
| Majic, Inc. & James B. Potts, III & Mamie M. Potts (R/P)                                      | 31,968.21                       | 12,000.00                 | 19,968.21     |
| Paul A. Weber d/b/a PW Paint Ball, & Paul A. Weber, Individually                              | 300,299.68                      | 97,600.00                 | 202,699.68    |
| A Jay, Inc. & Alan J. Warner (R/P)  | 245,071.78                      | 100,000.00                | 145,071.78    |
| Michael M. Siltan   | 42,296.38                       | 14,000.00                 | 28,296.38     |
| Richard D. Harrington   | 8,743.43                        | 1,800.00                  | 6,943.43      |
| Home Enterprises, Inc. & Paul H. Whitten (R/P)  | 35,345.81                       | 5,000.00                  | 30,345.81     |
| Stonestreet, Inc. & William S. Hootstein (R/P), & William S. Hootstein, Individually          | 38,023.13                       | 10,000.00                 | 28,023.13     |
| Jacob Enterprises, Inc. & Antonio R. & Donna M. Jacob (R/P)                                   | 41,877.45                       | 24,000.00                 | 17,877.45     |
| Kenneth J. Brown  | 5,611.97                        | 1,500.00                  | 4,111.97      |
| Dennis R. Cadieux   | 28,330.90                       | 5,000.00                  | 23,330.90     |
| Walter S. Sully   | 25,042.24                       | 10,000.00                 | 15,042.24     |
| Mario Cugini d/b/a Brighton Exxon   | 6,919.50                        | 1,000.00                  | 5,919.50      |
| Benson's Home Made Ice Cream, Inc. & Alan J. Benson & The Estate of Sharon L. Benson (R/P)    | 465,581.10                      | 369,168.00                | 96,413.10     |
| Estate of Samuel O. Penni, Jr.  | 33,317.42                       | 2,500.00                  | 30,817.42     |
| Stephen P. Harrington   | 24,681.01                       | 5,000.00                  | 19,681.01     |
| Michele Krabisch d/b/a Court Street Café & Deli   | 10,831.20                       | 2,160.00                  | 8,671.20      |
| Eric W. & Tina M. Ayre  | 12,244.22                       | 6,250.00                  | 5,994.22      |
| William E. McIntosh, III, (R/P) for American Custom Designs, Inc. & Individually              | 358,294.80                      | 82,000.00                 | 276,294.80    |
| Ferdauz N. & Alice M. Canteenwalla  | 35,158.52                       | 2,500.00                  | 32,658.52     |
| Loud N Clear Car Stereo, Inc. & Matthew D. Chapman (R/P)                                      | 154,006.85                      | 69,000.00                 | 85,006.85     |
| Douglas R. Carpenter  | 12,471.91                       | 1,000.00                  | 11,471.91     |
| Gene's Auto Repair, Inc. & Gene E. Hartlett (R/P) & Individually                              | 114,576.63                      | 35,000.00                 | 79,576.63     |
| Jose C. Almeida   | 6,602.06                        | 2,000.00                  | 4,602.06      |

# Offers in Settlement continued

## FY 2008

| NAME   | TOTAL TAX, INTEREST & PENALTIES | AMOUNT PAID IN SETTLEMENT | AMOUNT ABATED         |
|--|---------------------------------|---------------------------|-----------------------|
| Union House, Inc. of Framingham & Philip R. Ottaviani, Jr. (R/P), & Philip R. Ottaviani, Jr. (R/P) for Filippo-Dario Restaurant Group, Inc. & Philip R. Ottaviani, Jr., Individually | 186,352.76                      | 25,000.00                 | 161,352.76            |
| Christopher A. Rowell  | 11,575.53                       | 6,264.81                  | 5,310.72              |
| Usman Ansari   | 5,156.50                        | 1,100.00                  | 4,056.50              |
| Stanley E. Merry, Jr.  | 8,926.21                        | 3,000.00                  | 5,926.21              |
| Michele M. Skovera   | 22,536.87                       | 14,100.00                 | 8,436.87              |
| Appliance Factory, LLC & Appliance Factory, Inc. & Steven A. Dana (R/P)  | 665,532.00                      | 150,000.00                | 515,532.00            |
| Thomas M. Mendes d/b/a My Daily Grind  | 94,295.46                       | 8,250.00                  | 86,045.46             |
| Richard B. Wentworth, II   | 5,707.32                        | 2,286.00                  | 3,421.32              |
| Lion's Club of Wilbraham, Inc.   | 7,546.42                        | 2,500.00                  | 5,046.42              |
| Sherri L. Hutton   | 7,689.88                        | 5,000.00                  | 2,689.88              |
| Karen E. Massey  | 8,972.02                        | 1,500.00                  | 7,472.02              |
| <b>TOTAL</b>   | <b>\$3,497,416.75</b>           | <b>\$1,221,726.81</b>     | <b>\$2,275,689.94</b> |

Because of rounding, detail may not add to Totals.

# Collection Agencies

## FY 2008

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         |
|-------------------------|--------------------|------------------|--------------------|
| GC Services LP          | \$2,195,642        | \$323,408        | \$1,872,233        |
| Walker Associates, Inc. | 3,320,191          | 450,600          | 2,869,591          |
| CCA                     | 775,380            | 124,061          | 651,319            |
| <b>TOTAL</b>            | <b>\$6,291,212</b> | <b>\$898,069</b> | <b>\$5,393,143</b> |

Because of rounding, detail may not add to Totals.