



Massachusetts Department of Revenue

TAX COLLECTIONS ROSE TO

\$18.5b

SALES TAX INCREASED FROM 5% TO

6.25%

A RECORD INCREASE IN CHILD SUPPORT

\$19.2m

FY 2010

Annual Report

SCHEDULE HC COMPLIANCE

+98%

CORPORATE TAX RATE REDUCED TO

8.75%

A NEW INTEGRATED TAX ADMINISTRATION SYSTEM

masstax2

TWO-MONTH AMNESTY NETTED

\$32.6m



FROM THE COMMISSIONER

a word



To the Honorable Deval Patrick, Governor of the Commonwealth, and the Honorable members of the General Court of Massachusetts:

I am pleased to present the Massachusetts Department of Revenue's fiscal 2010 Annual Report. FY10 saw the beginnings of a recovery in the Massachusetts economy, and consequently in state tax collections, which increased \$279 million or 1.5 percent over FY09 collections. FY10 collections of \$18.538 billion were \$78 million above the benchmark of \$18.460 billion for the year.

As I have seen during my tenure as Commissioner, DOR's employees are resilient and resourceful, and are dedicated to performing their jobs at the highest level even as the Department's budget was reduced, and 97 positions were eliminated through attrition, retirement or voluntary layoffs.

So it was that in FY10, DOR:

- Conducted a very successful tax amnesty for businesses;
- Implemented the increase in the sales tax from 5 percent to 6.25 percent and began collection of a sales tax on alcohol;
- Implemented the first phase of a reduction in the corporate tax rate from 9.5 percent to 8.75 percent as part of the change to a combined reporting corporate structure, benefiting all businesses in Massachusetts;
- Continued to successfully administer Schedule HC with a compliance rate of better than 98 percent;
- Quickly implemented a delay in the April 15 filing deadline to May 11 due to widespread flooding in eastern and central Massachusetts;
- Supported Deputy Commissioner for Local Affairs Robert Nunes as he was installed as the Fiscal Overseer for the City of Lawrence;
- Set another record for child support collection; and
- Selected a vendor to work with DOR on the development of MasTax2, a new integrated tax administration system, which will improve tax processing efficiency for DOR and provide greater transparency to taxpayers about their own tax information.

For the second consecutive year, the Taxpayer Services Division, along with the Audit Division, the Office of the Taxpayer Advocate and the Information Services Division, had to quickly devise a plan to administer a tax amnesty after the Legislature set one in motion. This time, DOR chose to focus on so-called "trustee taxes" – mostly sales, meals and withholding taxes – collected by businesses but not forwarded to DOR. The two-month amnesty netted a collection of \$32.6 million, exceeding DOR's \$20 million estimate.

Another team effort, this time involving the Division of Local Services, the Audit Division and the Information Services Division, allowed for the smooth implementation of

the .75% local option meals tax, providing additional revenues to cities and towns that have adopted the tax.

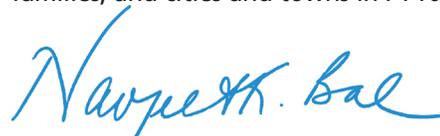
The Audit Division completed 36,241 audits and assessed \$1.169 billion. The number of audits rose 14 percent even as the audit workforce declined 5 percent, due largely to expanded use of DOR's Discover Tax database, which generates computer-driven assessments off a wide variety of financial and tax databases.

Child Support Enforcement collected \$597.7 million in child support, a record and an increase of \$19.2 million over the amount collected in FY09. Driving that performance was CSE's ability to exceed the 80 percent threshold for cases with court orders for the second straight year. Even in tough economic times, the number of non-custodial parents paying child support increased by 3 percent, from 80,357 in FY09 to 82,616 in FY10. CSE collected \$7.04 for every dollar expended in Federal Fiscal Year 2009, and was able to process 98 percent of child support payments within two business days, significantly above the federal standard of 75 percent.

The Division of Local Services certified free cash for 347 communities in the amount of \$687.6 million; certified new tax levy growth of \$93.4 million; distributed \$3.696 billion in net local aid to 351 cities and towns; certified \$21.7 billion in state and local revenues for the Commonwealth's 351 cities and towns; and conducted 14 management reviews for local governments. DLS hosted and led the second annual Regionalization Conference at the College of the Holy Cross in Worcester, highlighted by an address from Lt. Governor Murray on the importance of regionalization and shared services as communities look for innovative ways to address the new economic reality. DLS's Gateway system, which allows local governments to file their financial reports online with DLS, grew such that 99.7 percent of city and town tax rates and 82 percent of district tax rates were submitted on Gateway.

DOR also continued to expand its web, video and social media initiatives. A new amnesty website was created to fully address the rules of the state's amnesty program – and to allow taxpayers to pay any arrearages via Webfile. Over the course of the fiscal year, the department's production studio created web videos and television public service announcements (PSA) for its Webfile program as well as for a host of other state agencies, among them the Governor's and Lt. Governor's Offices, MBTA, and Massachusetts Commission Against Discrimination. Other television PSA topics included anti-texting, Earned Income Tax Credit and Haiti earthquake support. Looking to educate future taxpayers about their responsibilities, DOR also created a new "Teens 'n' Taxes" YouTube video series. In March, 2010, DOR received the Communicator Award for its web video production outlining the work of the Commonwealth Corps.

Taken in total, it is clear that DOR kept focused on its mission of serving taxpayers, families, and cities and towns in FY10.



Navjeet K. Bal
Commissioner of Revenue



Sales/Use Tax

Repeal of Sales Tax on Alcoholic Beverages

As the result of a referendum question on the November 2, 2010 ballot, the law extending the Massachusetts sales and use tax to alcoholic beverages sold at package stores and liquor stores for off-premises consumption, which was enacted on August 1, 2009, has been repealed, effective for sales on or after January 1, 2011. TIR 09-11 is superseded to the extent it is inconsistent with TIR 10-24, which is effective January 1, 2011. The ballot provision approved by Massachusetts voters reinstates the sales tax exemption in G.L. c. 64H, § 6(g) for alcoholic beverages subject to the excise under chapter 138.

Vendor Advertising

Section 50 of the chapter 131, St. 2010, enacted on June 30, 2010, repeals the provision in chapter 64H that prevented retailers from advertising that they will assume or absorb the sales tax. Chapter 64H, § 23 stated, in part, that it was unlawful for any vendor to advertise or hold out or state to the public or any consumer, directly or indirectly, that the tax would be assumed or absorbed by the vendor or that it would not be added to the selling price of the property or services sold. The taxability of any item of tangible personal property or telecommunications service is unchanged by the repeal of G.L. c. 64H, § 23. The requirement for all Massachusetts vendors to separately state and collect the tax from the retail customer is also unchanged. See G.L. c. 64H, §§ 3, 5. However, a vendor may offer a discount equal to the amount of applicable tax, and may now advertise such a discount as a "store sponsored sales tax holiday," or use similar language. See TIR 10-11.

Personal Income Tax

Servicemembers Civil Relief Act

The Military Spouses Residency Relief Act (P.L. 111-97 or "MSRRA") was enacted on November 11, 2009. Effective for taxable years that begin on or after January 1, 2009, the MSRRA amends the Servicemembers Civil Relief Act to provide rules for the determination of the residence or domicile for state tax purposes of a spouse of a servicemember who resides with the servicemember while on active duty. TIR 09-23 explains the effect of the MSRRA on the Massachusetts personal income tax for certain military spouses. The Servicemembers Civil Relief Act ("SCRA") governs the determination of a servicemember's residence or domicile for state tax purposes.

Personal Income Tax/Corporate Excise

Economic Development Incentive Program Credit

Sections 21 to 24 and 47 of chapter 166 of the Acts of 2009, approved by the Governor on November 24, 2009, made significant changes to the Economic Development Incentive Program (EDIP) established pursuant to G.L. c. 23A, including the tax credit provided in G.L. c. 62, § 6(g) and G.L. c. 63, § 38N which is a key component of the EDIP. The changes became effective for tax years beginning on or after January 1, 2010. See TIR 10-1.

Taxation of Unincorporated Homeowners Associations

Homeowners associations have historically filed returns in Massachusetts under the corporate excise provisions at G.L. c. 63 if the associations were incorporated (DD 86-6), and under the personal income tax provisions at G.L. c. 62 if the associations were unincorporated (DD 86-7). The 2008 legislation that brought Massachusetts into conformity with federal entity classification rules had the effect of requiring all entities that file federally as corporations to file in Massachusetts as corporations, unless a statutory exemption applies. See *generally* St. 2008, c. 173. For federal tax purposes, homeowners associations, whether incorporated or unincorporated, file a federal corporate return. The effect of Massachusetts' conformity with federal entity classification was to require all homeowners associations, whether incorporated or unincorporated, to file a return under chapter 63.

In order to restore the filing requirements of homeowners associations to historical practice, recent legislation has amended the corporate excise statute to modify the treatment of unincorporated homeowners associations in certain circumstances. See St. 2009, c. 166, §§ 20, 25, 46. By this legislation, "an unincorporated entity within the definition of, and electing to be treated as, a homeowners association under section 528(c) of the Code and subject to tax for the taxable year as provided in section 5C of chapter 62" is not subject to the corporate excise at G.L. c. 63, § 39. See G.L. c. 63, § 68C(9). Instead of filing a corporate excise return, a qualifying homeowners association will continue to file its return under the personal income tax provisions of chapter 62 of the General Laws. See TIR 10-3.

Certified Housing Development Tax Credit

A new tax credit for housing development was enacted in chapter 240 of the Acts of 2010, An Act Relative to Economic Development Reorganization (the Act). The Act established the Certified Housing Development Program by adding G.L. c. 40V. A key component of the housing program is a tax credit for certain qualified rehabilitation expenditures with respect to a certified housing development project created by adding subsection (q) to G.L. c. 62, § 6 and § 38BB to G.L. c. 63. The effective date of the credit provisions was January 1, 2011.

There is a \$5 million cap on the amount of credit that may be awarded under the program in a calendar year. The \$5 million cap is part of an over-all \$25 million cap imposed on the Economic Development Incentive Program (EDIP) credit

authorized pursuant to G.L. c. 62 § 6(g) and c. 63, § 38N. The \$25 million cap is reduced by only the amount of the housing development credits that are used by taxpayers to reduce their tax liability for the year. Individuals or entities subject to tax pursuant to G.L. c. 62 or G.L. c. 63 are eligible to receive credit awards. See TIR 10-14.

Administrative Provisions

Limited Amnesty Program for Taxpayers with Existing Business Tax Liabilities

Section 43 of chapter 166 of the Acts of 2009 provided that the Commissioner of Revenue establish a two-month amnesty program during the fiscal year ending June 30, 2010 (the "Amnesty Program"). The two-month amnesty period began on April 1, 2010 and ended on June 1, 2010 (the "Amnesty Period"), to encourage the payment of delinquent tax obligations to the Commonwealth. The Amnesty Program applied to tax years or periods ending on or before December 31, 2009 and was limited to taxpayers with the following existing business tax liabilities: sales/use tax, sales tax on telecommunications services, meals tax, meals tax local option, materialman sales tax, withholding income, performer withholding, pass-through entity withholding, lottery annuity withholding, room occupancy excise, room occupancy excise local option, convention center financing fees on room occupancy in Boston, Cambridge, Chicopee, Springfield, West Springfield, and Worcester, convention center financing surcharge for sightseeing tours, convention center financing surcharge on vehicle rentals in Boston, convention center financing surcharge on parking in Boston, Springfield, and Worcester, deeds excise, cigarette excise, cigars and smoking tobacco excise, club alcohol beverage excise, gasoline excise, special fuels excise, special fuels excise local option, and boat/recreational vehicles sales tax (collectively, the "Eligible Tax Types"). The Commissioner determined taxpayers' eligibility to participate in the Amnesty Program. Only taxpayers that received a "Tax Amnesty Notice" were eligible. See TIR 10-5.

Partnerships and Other Pass-through Entities and Members

On June 30, 2010, chapter 131 of the Acts of 2010 ("the Act") was enacted. Section 40 of the Act gives the Department of Revenue the authority to audit pass-through entity return items at the level of the partnership, S corporation, or other pass-through entity, rather than at the level of the partner or member. The legislation sets forth the rights of individual partners or members in a unified pass-through entity audit and allows a partner or member to opt out of the unified audit process. In addition, section 36 of the Act clarifies how a partner's distributive share of income and other tax items are determined if the partnership agreement does not have substantial economic effect or does not provide for the determination of distributive share.

The pass-through entity audit provisions are contained in new section 24A of chapter 62C. Members or indirect owners of a pass-through entity shall report items of income, expense or credit derived from the pass-through entity in a manner consistent with the reporting of the pass-through entity, except to the extent

that a taxpayer member or indirect owner makes a declaration of inconsistency with the member or owner's original return. See TIR 10-11. While these provisions are generally effective July 1, 2010, unified audits of pass-through entities will not be conducted under the authority provided in G.L. c. 62C, § 24A until regulations have been issued.

Penalty for Failure to Report a Federal or State Change

On June 30, 2010, chapter 131 of the Acts of 2010 ("the Act") was enacted. Sections 41 and 42 of the Act amended c. 62C, § 30 by changing the penalty for failure to report a federal change or other state change from the lesser of \$100 or 10% of the tax due to 10% of the tax due. In cases where the tax due is greater than \$1,000, this change will increase the amount of the applicable penalty. The new penalty calculation will be applied to penalty assessments from the Department of Revenue dated on or after July 1, 2010. See TIR 10-11.

Application of Responsible Persons Provisions to Tobacco Tax

On June 30, 2010, chapter 131 of the Acts of 2010 ("the Act") was enacted. Sections 43 and 49 of the Act amended c. 62C, § 31A and c. 64C § 7D by extending the application of the responsible person provisions to the cigarette excise in chapter 64C. As a result, an officer or employee of a corporation or a member or employee of a partnership or limited liability company who is under a duty to pay over taxes imposed by chapter 64C may be personally liable for those taxes. This change will be applied to responsible person determinations on or after July 1, 2010 relating to chapter 64C assessments, and only for underlying liabilities for such tax incurred on or after that date. See *generally*, 830 CMR 62C.31A.1(3). See TIR 10-11.

Collection following Appellate Tax Board Decisions

On June 30, 2010, chapter 131 of the Acts of 2010 ("the Act") was enacted. Section 45 of the Act amended c. 62C, 32(e)(3) by accelerating the due date for payments from taxpayers in cases where DOR assessments are sustained at the Appellate Tax Board, moving the required payment date such that it is the 30th day following the date when the ATB issues its *initial* decision (without deferring to such later time as the ATB may issue written findings and a report with respect to its decision). This change will be applied to collection of taxes due as the result of Appellate Tax Board decisions issued on or after July 1, 2010. See TIR 10-11.

Modification of G.L. c. 62C, § 32 to Permit Collection Action 60 Days after Assessment

On June 30, 2010, chapter 131 of the Acts of 2010 ("the Act") was enacted. Section 44 of the Act allows the Department to begin collection action within 60 days after an assessment unless the taxpayer has filed for an abatement. The time period was previously 90 days. The penalty provided by G.L. c. 62C, § 33(c) will be assessed commencing on the 60th day following the assessment. This change

amends G.L. c. 62C, § 32(e)(3), which describes various circumstances in which no tax shall be required to be paid or involuntarily collected. This change will be applied to assessments dated on or after July 1, 2010. See TIR 10-11.

Large Installment Sales

On June 30, 2010, chapter 131 of the Acts of 2010 ("the Act") was enacted. Section 46 of the Act provides for an increase in tax, consistent with federal law, on certain taxpayers who defer payment of income tax or corporate excise through use of the installment sale method. Chapter 62C has been amended by inserting section 32A which states that if an obligation from an installment transaction to which subsections (a) to (c) of section 453A of the Code applies is outstanding as of the close of a taxable year, the tax imposed by chapter 62 or 63 for that taxable year is increased by the amount of interest equal to the product of the applicable percentage of the deferred tax liability determined under section 453A(c) of the Code, adjusted to reflect differences in, or otherwise to take into account, the tax laws of the Commonwealth, including use of the applicable tax rate under said chapter 62 or 63, multiplied by the underpayment rate in effect under subsection (a) of section 32 of chapter 62C. See TIR 10-11. This change is effective for tax years beginning on or after January 1, 2010, with respect to installment obligations as of the close of the tax year.

Tax Credit Transparency

On June 30, 2010, chapter 131 of the Acts of 2010 ("the Act") was enacted. Sections 37, 38, 39, and 47 of the Act require administering agency heads of refundable and transferable tax credit programs to submit an annual report, by May 15 of each year, to DOR for credits awarded or claimed for the previous calendar year. This report, which will be available to the public, shall contain 1) the identity of the awarded taxpayer and the credit program from which the award was made, 2) the amount of the credit(s) by taxpayer and project, and 3) the date of the award by taxpayer and project. The new provisions treat DOR as the administering agency for purposes of the film tax credit, the medical device credit and the brownfields credit. Under the Act, these provisions apply to ten refundable or transferable tax credits: 1) brownfields tax credit, 2) dairy farmer tax credit 3) U.S.F.D.A. user fees credit, 4) film tax credit, 5) historic rehabilitation tax credit, 6) life sciences investment tax credit, 7) low-income housing tax credit, 8) medical device tax credit, 9) refundable research credit, and 10) economic development incentive program credit.

In addition, under section 118 of chapter 240 of the Acts of 2010, the Act above was amended to include any transferable or refundable credits under chapter 62 and 63 established after July 1, 2010. As a result, the credit transparency provisions also apply to the certified housing development credit contained within this subsequent legislation. This change applies to credits awarded or claimed on or after January 1, 2011. See TIR 10-11.

Extension of the Massachusetts Historic Rehabilitation Tax Credit

On June 30, 2010, chapter 131 of the Acts of 2010 ("the Act") was enacted. Section 35 of the Act extends the Massachusetts Historic Rehabilitation Tax Credit for an additional six years to December 31, 2017. The credit was previously due to expire after December 31, 2011. Section 6J of chapter 62 and section 38R of chapter 63 of the General Laws have been amended by striking out the words "6 year period beginning January 1, 2006, and ending December 31, 2011" and inserting in place thereof the following words "12-year period beginning January 1, 2006, and ending December 31, 2017."

Miscellaneous

Uniform Oil Spill Response and Prevention Fee Increase

Chapter 268 of the Acts of 2008 (approved by the Governor on August 6, 2008), An Act Further Protecting Buzzards Bay, and chapter 101 of the Acts of 2009, An Act Preventing Oil Spills in Buzzards Bay (approved on September 24, 2009), amended G.L. chapter 21M. In particular, section 7 of chapter 268 of the Acts of 2008 amended G.L. chapter 21M, section 8(c)(1) to allow the Commissioner of the Department of Environmental Protection (DEP) to establish the uniform oil spill response and prevention fee in an amount not exceeding \$0.05 for each barrel of petroleum product.

On February 23, 2010, the Commissioner of DEP notified the Commissioner of DOR that DEP had determined that an increased fee per barrel is necessary to implement the expanded requirements of G.L. chapter 21M, as amended. The Commissioner of DEP set the fee at \$0.05 per barrel of petroleum product received at a marine terminal within the Commonwealth, effective April 1, 2010 (the fee was previously established at \$0.02 per barrel effective September 1, 2004). See TIR 10-6.

taxes

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%	The 15th day of the 4th month for fiscal year filings.
Nonresident	Massachusetts source income	5.3%	
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 ³		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% of alcohol (proof gal.)	\$4.05	
Cigarettes	20-count package	\$2.51	Monthly, on or before the 20th day of the month. Unclassified acquirers must file upon importation or acquisition. same as 20-count package
	Smokeless tobacco (percentage of price paid by licensee)	90%	
	Cigars and smoking tobacco (percentage of price paid by licensee)	30%	
Deeds	Sales price (less mortgage assumed) of real estate	\$2.28 ⁴ 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	6.0% ⁵	
	Convention Center Financing Fee	2.75%	
	(Boston, Cambridge, Springfield, Worcester, Chicopee and West Springfield)		
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, certain fuel and alcoholic beverages ⁶	6.25%	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

¹ Tax rates as of August 1, 2009.

² 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%.

³ 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.

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

⁵ Boston is authorized to charge up to 6.5%

⁶ As of August 1, 2009, sales of alcoholic beverages at package/liquor stores and the like sold at retail are subject to sales tax.

taxes

TYPE OF TAX	MEASURE	RATE	RETURN DUE
Sales tax on meals, prepared food and all beverages	All "restaurant" food and on-premises consumption of any beverages in any amount. At local option, up to	6.25% .75% ⁷	Monthly, on or before the 20th day following the close of the tax period.
Direct broadcast satellite service	Gross revenues	5%	Monthly, on or before the 20th day of each calendar month.
Business and manufacturing corporations	Net income Tangible property or net worth Minimum	9.5% ⁸ \$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. ⁹
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% ¹⁰ \$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 Massachusetts net investment income	2.0% 4.8%–14.0%	On or before March 15.
Foreign life	Premiums	2.0%	
Domestic casualty	Premiums Gross investment income	2.28% 0.2%–1.0%	On or before May 15.
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.

⁷Starting October 1, 2009, after acceptance by a city or town.

⁸For tax years beginning on or after January 1, 2010 but before January 1, 2011, the rate is 8.75%. S corporations: for tax years beginning on or after January 1, 2009 but before January 1, 2010, 4.2% if total receipts are \$9 million or more, 2.8% if total receipts are \$6 million or more but less than \$9 million; for tax years beginning on or after January 1, 2010 but before January 1, 2011, the rates are 3.45% and 2.3%, respectively.

⁹30%, 25%, 25% and 20% for corporations with fewer than 10 employees in their first full tax year.

¹⁰For tax years beginning on or after January 1, 2010 but before January 1, 2011, the rate is 10.0%. S corporations: for tax years beginning on or after January 1, 2009 but before January 1, 2010, 10.50% on income taxed at the entity level federally, 5.2% on income if total receipts are \$9 million or more, and 3.4667% on income if total receipts are \$6 million or more but less than \$9 million; for tax years beginning on or after January 1, 2010 but before January 1, 2011, the rates are 10%, 4.7% and 3.13%, respectively.

REVENUE COLLECTION FY 2010

revenue

In thousands	FY06	FY07	FY08	FY09	FY10	% change FY09–10
STATE TAXES COLLECTED BY DOR						
Tax on personal income						
TOTAL	\$10,483,437	\$11,399,649	\$12,496,141¹	\$10,599,086¹	\$10,128,035¹	(4.4)
Taxes on business						
Corporations	\$ 1,390,684	\$ 1,587,636	\$ 1,511,973	\$ 1,548,619	\$ 1,600,305	3.3
Insurance companies	396,683	369,030	368,605	309,448	285,175	(7.8)
Public utilities	118,492	178,325	120,173	(1,685)	(316)	(81.2)
Financial institutions	349,932	340,937	547,809	242,619	234,870	(3.2)
TOTAL	\$ 2,255,791	\$ 2,475,928	\$ 2,548,560	\$ 2,099,001	\$ 2,120,034	1.0
Taxes on commodities sold						
Motor fuels	\$ 671,844	\$ 676,119	\$ 672,654	\$ 654,022	\$ 654,649	0.1
Cigarettes	435,336	438,074	436,942	587,331	579,854	(1.3)
Alcoholic beverages	68,854	70,958	71,169	71,850	70,981	(1.2)
Sales and use ²	3,421,166	3,460,549	3,456,662	3,241,720	3,854,920	18.9
Sales on meals	588,205	615,000	641,699	638,696	771,103	20.7
TOTAL	\$ 5,185,405	\$ 5,260,700	\$ 5,279,126	\$ 5,193,619	\$ 5,931,507	14.2
Other taxes						
Estate & inheritance	\$ 196,260	\$ 249,597	\$ 253,966	\$ 259,734	\$ 221,379	(14.8)
Room occupancy excise	144,808	157,515	174,157	160,933	152,233	(5.4)
Deeds excise ³	149,283	140,825	110,444	75,260	97,633	29.7
Club alcoholic beverage excise	672	770	766	748	905	21.0
Motor vehicle excise	76	74	96	75	74	(1.3)
Controlled substances	0	0	0	0	0	—
Satellite	NA	NA	NA	NA	10,914	100.0
Convention Center surcharge	11,039	11,911	13,018	11,795	11,561	(2.0)
Community preservation trust	36,088	31,914	27,031	25,241	26,289	4.2
TOTAL	\$ 538,226	\$ 592,606	\$ 579,478	\$ 533,786	\$ 520,988	(2.4)
Total state taxes collected by DOR	\$18,462,859	\$19,728,883	\$20,903,305	\$18,425,492	\$18,700,564	1.5

¹Personal Income includes penalties assessed under Section 2 of Chapter 111M of the General Laws and Deposited into the Commonwealth Care Trust Fund. In FY10, this amount was \$17,776,130.

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.

REVENUE COLLECTION FY 2010

CONTINUED

In thousands	FY06	FY07	FY08	FY09	FY10	FY09-10 % change
LOCAL TAXES COLLECTED BY DOR ON BEHALF OF COMMUNITIES						
Urban redevelopment	\$ 50,681	\$ 53,600	\$ 54,965	\$ 55,060	\$ 53,664	(2.5)
Local option airplane jet fuel	20,228	26,395	27,978	36,504	20,288	(44.4)
Local option room occupancy	81,590	88,345	96,854	89,815	102,406	14.0
Local option meals	NA	NA	NA	NA	27,152	100.0
Local rental vehicle (Convention Center 10%)	1,086	1,152	1,207	1,107	1,066	(3.7)
Vehicle rental surcharge	267	646	642	701	612	(12.7)
Embarkation fees	1,290	1,321	1,284	1,233	1,190	(3.5)
Total local taxes collected by DOR on behalf of communities	\$ 155,142	\$ 171,459	\$ 182,930	\$ 184,420	\$ 206,378	11.9
OTHER REVENUE						
Utility and insurance assessments	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	—
Department fees, licenses, etc.	20,021	19,142	23,183	17,945	20,209	12.6
County Correction Fund — deeds	9,413	9,689	7,226	4,807	2,727	(43.3)
County recording fees	43,103	37,109	30,079	28,063	28,030	(0.1)
Abandoned deposits — bottle	39,009	39,211	38,774	32,026	35,274	10.1
Total other revenue	\$ 111,546	\$ 105,151	\$ 99,262	\$ 82,841	\$ 86,240	4.1
STATE TAXES COLLECTED BY OTHER AGENCIES						
Horse and dog racing	\$ 4,181	\$ 3,859	\$ 3,496	\$ 2,773	\$ 2,098	(24.3)
Beano, boxing, Boxer's Fund and State Athletic Commission	1,964	1,714	1,559	1,397	1,356	(2.9)
Raffles/bazaars	1,121	967	930	1,052	960	(8.7)
Special insurance brokers	30,377	28,250	27,591	26,198	25,414	(3.0)
UI surcharge	21,400	21,449	21,509	21,032	19,377	(7.9)
Deeds, Secretary of State	60,860	53,253	43,470	30,286	40,280	33.0
Total state taxes collected by other agencies	\$ 119,903	\$ 109,492	\$ 98,555	\$ 82,738	\$ 89,485	8.2
TAXES ON PROPERTY COLLECTED BY LOCAL GOVERNMENT						
Real estate	\$ 9,602,983	\$ 10,113,661	\$ 10,600,077	\$ 11,097,468	\$ 11,505,889	3.7
Personal property	380,155	375,125	392,041	455,326	518,588	13.9
Motor vehicles	694,259	636,886	686,792	640,487	605,179	(5.5)
Total taxes on property collected by local government	\$10,677,397	\$11,125,672	\$11,678,910	\$12,193,281	\$12,629,656	3.6
TOTAL ALL TAXES	\$29,526,847	\$31,240,657	\$32,962,962	\$30,968,772	\$31,712,323	2.4

Because of rounding, detail may not add to Totals.

OFFERS IN SETTLEMENT FY 2010

offers

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 2010, 29 settlements were made. All 29 were reviewed by the Attorney General.

The cases approved were as follows:

NAME	TOTAL TAX, INTEREST & PENALTIES	AMOUNT PAID IN SETTLEMENT	AMOUNT ABATED
Susanne L. Andrey d/b/a Aperture Works and Susanne L. Andrey, Individually	\$183,065.79	\$8,000.00	\$175,065.79
Avanti, Inc. & Sally Valliere Drinkwater as Responsible Person & Sally Valliere Drinkwater, Individually	38,906.81	20,000.00	18,906.81
Baystate Construction Services Corp. & John F. Dion as Responsible Person, Thor Roofing Company, Inc. & John F. Dion as Responsible Person	222,502.65	40,000.00	182,502.65
Francisco A. Castillo	7,633.98	1,500.00	6,133.98
Richard T. Connors	19,590.47	9,600.00	9,990.47
Consolidated Steel Corporation & Joseph B. Laughter as Responsible Person, Converse Steel Fabricators & Erectors, Inc. & Joseph B. Laughter as Responsible Person	132,883.76	48,000.00	84,883.76
Francis A. Cox, Jr.	89,730.47	21,360.00	68,370.47
Déjà Vu Diner, Inc. & Dorothy L. Petrosian as Responsible Person	18,793.96	3,500.00	15,293.96
Geillios Café & Catering Corp. & Michael A. Dalesandro as Responsible Person	23,685.80	4,000.00	19,685.80
George’s Jewelers, Inc.	11,281.72	5,500.00	5,781.72
Rita M. Hubbard	6,587.54	1,000.00	5,587.54
Gordon W. Keegan as Responsible Person for Keegan, Inc.	25,515.85	4,000.00	21,515.85
Ruth S. Latta	34,470.41	5,000.00	29,470.41
William D. Little	159,814.75	70,000.00	89,814.75
Luke Machado	7,880.04	1,000.00	6,880.04
Guillermina J. Maramba	12,327.48	2,300.00	10,027.48
Abdul H. Mian d/b/a Mashpee Country Store and d/b/a Sandwich Mart and Spirits	161,140.23	106,000.00	55,140.23
Michelle R. Moniz	56,960.66	35,000.00	21,960.66
Donna M. Murray	10,058.98	4,800.00	5,258.98
Marybeth Parrott as Responsible Person for Field of Greens, Inc.	161,196.27	5,000.00	156,196.27
Catherine W. Pinkham	5,469.02	2,500.00	2,969.02
Tarra A. Pinkley	21,185.48	10,000.00	11,185.48
Avalla D. Prescott	5,320.63	2,000.00	3,320.63
Kim M. Richards d/b/a Wedding Wishes	35,230.31	10,600.00	24,630.31
James B. Stark d/b/a Stark Automotive Service & Lee Borey Stark d/b/a L&B Enterprises	23,542.01	9,500.00	14,042.01
Earl C. Wagner III d/b/a E. Wagner Trucking	29,121.05	8,794.00	20,327.05
Jeffrey P. Walker	15,203.68	1,000.00	14,203.68
John L. Wegiel & Dana Strader-Wegiel	16,868.24	9,625.00	7,243.24
Michael A. Ziarko d/b/a Mike’s Auto	52,898.92	10,000.00	42,898.92
TOTAL	\$ 1,588,866.96	\$ 459,579.00	\$ 1,129,287.96

Because of rounding, detail may not add to Totals.

COLLECTION AGENCIES FY 2010

agencies

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
CCA	\$ 10,750,487	\$ 1,430,133	\$ 9,320,354
TOTAL	\$10,750,487	\$1,430,133	\$9,320,354

Because of rounding, detail may not add to Totals.