Commonwealth of Massachusetts Department of Revenue

Annual Report

Fiscal Year 2011

To the Honorable Deval L. 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 Year 2011 Annual Report. FY2011 was an exciting and innovative year on all fronts — tax administration, child support enforcement and local services.

DOR continued to enhance its operations in all divisions while providing direct and courteous customer service to over a million taxpayers.

There were a number of significant processing accomplishments in FY 2011. DOR collected over $20.6 billion in state taxes, 10.6% more than the previous fiscal year. The Taxpayer Services Division streamlined our free online filing process, "WebFile for Income" making navigation easier for taxpayers which resulted in a 7% increase in use. DOR electronically processed more than 94% of the 3.4 million income tax returns it received.

Our Audit Department implemented new front end fraud filters that prevented more than $14 million in fraudulent refunds from being issued while efforts to combat aggressive tax planning schemes resulted in the division assessing more than $1.1billion in FY2011.

It was also a record year for DOR's Child Support Enforcement Division as it collected more than $619.6 million in the federal fiscal year and increased the number of paying cases over the previous year to 83,680 cases. CSE also maintained a 96% participation level in delivering child support payments via electronic means.

In FY2011, the Division of Local Services certified free cash for 350 communities in the amount of $761.1 million; certified new tax levy growth of $186.2 million; distributed $4.42 billion in net local aid to 351 cities and towns; certified $22 billion in state and local revenues for the Commonwealth's 351 cities and towns; and conducted 17 management reviews for local governments. DLS hosted and led the third annual Regionalization Conference at the College of the Holy Cross in Worcester where Lieutenant Governor Murray discussed efforts to incentivize and support innovative regionalization and other cost savings initiatives that will change the way local governments do business to maintain service delivery. I hope that you find this report informative. I look forward to working with you and the Commonwealth's taxpayers — and I thank my predecessor, Navjeet Bal for the fine work she directed in fiscal 2011.

Sincerely,

Amy A. Pitter
Commissioner of Revenue

Sales/Use Tax

The 2010 Massachusetts Sales Tax Holiday Weekend

On August 5, 2010, the Governor signed into law the Massachusetts "sales tax holiday weekend," *i.e.*, two consecutive days during which most purchases made by individuals for personal use were not subject to Massachusetts sales or use taxes. St. 2010, c. 240 ("the Act"). The Act provided that the sales tax holiday would occur on August 14 and 15, 2010 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 exceeded $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.

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 were 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. Alcoholic beverages sold for off-premises consumption by liquor or package stores qualified for the 2010 sales tax holiday. *See* TIR 10-10.

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. 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.

The state and local (as applicable) sales tax on meals, including alcoholic beverages sold for on-premises consumption, as described in G.L. c. 64H, § 6(h) is unchanged by this repeal. Bars, restaurants and caterers must continue to collect and remit sales tax on meals including any charges for alcoholic beverages. Liquor stores acting as caterers as described in Letter Ruling 09-8 also must continue to collect and remit state and local (as applicable) tax on alcoholic beverages sold under catering agreements, including bartending and set-up fees, whether or not separately stated.

Personal Income Tax and Corporate Excise

Extension of Brownfields Credit

On August 5, 2010, the Legislature enacted "An Act Relative to Economic Development Reorganization" ("The Act"). The Act extends the Brownfields tax credit, previously scheduled to expire on August 5, 2011, for two additional years. In general, certain taxpayers and nonprofit organizations subject to tax under General Laws chapters 62 and 63 are allowed a Brownfields credit for incurring eligible costs to remediate a hazardous waste site on property used for business purposes and located within an economically distressed area. The tax credit is up to 50% of the "net response and removal costs" as that term is defined in G.L. c. 21E.

Under prior law, to qualify for a Brownfields credit, the work must have been started on or before August 5, 2011 and the net response and removal costs incurred between August 1, 1998 and January 1, 2012. Under the Act, the taxpayer must "commence and diligently pursue" the relevant environmental response action(s) on or before August 5, 2013. Also, under the Act, the net response and removal costs must be incurred between August 1, 1998 and January 1, 2014. *See* TIR 10-15.

Low-Income Housing Credit Expansion

On August 5, 2010, the Legislature enacted "An Act Relative to Economic Development Reorganization" ("The Act"). A low-income housing tax credit is available to eligible corporations, individuals and partnerships. The Department of Housing and Community Development allocates the low-income housing credit from a pool of available credits granted under section 42 of the Internal Revenue Code among qualified low-income housing projects. Under prior law, the Massachusetts low-income housing tax credits were available only to taxpayers who had been allocated federal low-income housing tax credits. Effective August 1, 2010, the Act allows the Department of Housing and Community Development to grant state low-income housing credits (within the existing $10 million annual cap) to otherwise eligible projects that do not receive a federal low-income housing credit. *See* TIR 10-15.

Revision of Economic Development Incentive Program Provisions

On August 5, 2010, the Legislature enacted "An Act Relative to Economic Development Reorganization" ("The Act"). Certain taxpayers subject to tax under General Laws chapters 62 and 63 that participate in a certified project are allowed an economic development incentive program credit ("EDIPC"). The credit is part of the Economic Development Incentive Program designed to foster job creation and stimulate business growth throughout the Commonwealth. The total amount of credit that may be authorized by the Economic Assistance Coordinating Council ("EACC") in a calendar year is capped at $25 million. *See* TIR 10-1.

Pursuant to the Act, effective January 1, 2011, the credit provisions are amended as follows: (1) the $25 million annual cap on the credit is reduced by both credits granted and credits carried forward pursuant to the newly established certified housing development tax credits authorized by G.L. c. 62, § 6(q) and c. 63, § 38BB; (2) the total amount that the EACC may award to manufacturing retention projects was increased from $5 million to $10 million; and (3) recapture rules are clarified so that the regularly scheduled expiration of a project certification period does not by itself trigger recapture. With regard to the amended recapture provision, to the extent that DOR Directive 09-4 is inconsistent with the amended statute, the statute supersedes the provisions in the directive. *See* TIR 10-15.

Certified Housing Development Credits

On August 5, 2010, the Legislature enacted "An Act Relative to Economic Development Reorganization" ("The Act"). The Act creates a new Housing Development Incentive Program, G.L. c. 40V, that provides a tax credit component. Effective January 1, 2011, the Act amends G.L. c. 62 § 6 by adding new subsection (q) and G.L. c. 63 by adding new section 38BB to authorize certified housing development tax credits. To the extent awarded by the Department of Housing and Community Development, established pursuant to G.L. c. 23B, a credit is allowed against the tax liability for a "certified housing development project" as defined in G.L. c. 40V. The credit may be up to ten percent of the cost of qualified substantial rehabilitation expenditures of the market rate units within the projects as defined in G.L. c. 40V, § 1. The program has an annual cap of $5 million on the amount of credit that may be awarded and that cap counts toward the $25 million annual cap for the economic development incentive program credits (EDIPs) (discussed above). *See* TIR 10-15.

Life Sciences Tax Incentive Program

On July 11, 2011, the Governor signed into law the Fiscal Year 2012 Budget ("the Act"). The existing Life Sciences Tax Incentive Program in G.L. c. 23I, § 5 consists of several tax benefits that are explained in TIR 08-23, *Life Sciences Tax Incentive Program under St. 2008, c. 130*.

Effective for tax years beginning on or after January 1, 2011, the Act adds another tax incentive to the Life Sciences Tax Incentive Program in the form of a refundable jobs credit. A taxpayer, to the extent authorized by the Life Sciences Tax Incentive Program, may be allowed a refundable jobs credit against the tax liability imposed under G.L. c. 62, the personal income tax, or G.L. c. 63, the corporate excise. A taxpayer claiming a life sciences refundable jobs credit must commit to the creation of a minimum of 50 net new permanent full-time positions in Massachusetts.

The amount of life sciences jobs credit allowed to a taxpayer will be determined by the Massachusetts Life Sciences Center in consultation with the Department of Revenue. If a life sciences jobs credit claimed by a taxpayer exceeds the tax otherwise due under the personal income tax or the corporate excise, as applicable, 90 percent of the balance of such credit may, to the extent authorized by the life sciences tax incentive program, be refundable to the taxpayer. Excess credit amounts may not be carried forward to subsequent taxable years.

The total dollar amount of the various life sciences tax incentives, including the refundable jobs credit, for qualifying life sciences companies is subject to an annual cap of $25 million. *See* TIR 11-6.

Personal Income Tax

Qualified Small Business Stock

Under current law, the Massachusetts personal income tax rate is 5.3% on all Part B income, including wage and salary income in calendar 2011. The tax rates on interest and dividend income, as well as the rate on long-term capital gains, are linked to the Part B rate, and so are also 5.3%. The tax rate on short-term gains and gains from the sale of collectibles is 12.0%; however, where a collectible is held longer than 1 year, there is a deduction of 50% of the gain (see G.L. c. 62, sec. 2(c)(3)).

Due to recent Legislation, signed by the Governor on August 5, 2010, "An Act Relative to Economic Development Reorganization" ("The Act"), Massachusetts now has lower capital gains tax rates for gains from the sale of stock in certain Massachusetts-based start-up corporations. Effective for tax years beginning on or after January 1, 2011, Section 111 of the Act provides that gains derived from the sale of investments which meet certain requirements are taxed at a rate of 3% instead of 5.3%. In order to qualify for the 3% rate, investments must have been made within five years of the corporation's date of incorporation and must be in stock that generally satisfies the definition of "qualified small business stock" under IRC § 1202(c), other than the requirement that the stock be stock of a C corporation. In addition, the stock must be held for three years or more and the investments must be in a corporation which (a) is domiciled in Massachusetts, (b) is incorporated on or after January 1, 2011, (c) has less than $50 million in assets at the time of investment, and (d) complies with certain of the "active business" requirements of § 1202 of the Internal Revenue Code, i.e., § 1202 (e)(1), (e)(2), (e)(5), and (e)(6). *See* TIR 10-15.

Corporate Income Tax

Non-U.S. Corporation with U.S. Income Exempt from U.S. Tax Pursuant to a Bilateral U.S. Income Tax Treaty

On August 11, 2010, the Governor signed into law section 125 of chapter 240 of the Acts of 2010 ("the Act") containing amendments to the Massachusetts combined reporting statute, G.L. c. 63, § 32B. The statutory change applies in the instance where a "water's edge" combined group includes a non-U.S. corporation that has one or more items of income that are exempt from federal income tax pursuant to the provisions of a bilateral U.S. income tax treaty. The statutory change, like the combined reporting statute itself, is effective for taxable years beginning on or after January 1, 2009. St. 2010, c. 240, § 204.

Section 125 of the Act applies to a non-U.S. corporation that is a member of a combined group, irrespective as to whether such member is individually subject to tax in Massachusetts or not (i.e., whether the corporation is a "taxable" or "non-taxable" member of the combined group). Section 125 of the Act specifically applies only to non-U.S. corporations that are included in a "water's edge" combined group. *See* TIR 10-16.

Net Operating Losses of an Eligible Business Corporation

On August 5, 2010, the Legislature enacted "An Act Relative to Economic Development Reorganization" ("The Act"). A business corporation subject to the corporate excise under G.L. c. 63, § 39, an "eligible business corporation," may claim one of two types of "carry forward" deductions for net operating losses ("NOLs") incurred in previous taxable years: (1) a start-up corporation NOL carry forward deduction during the first five taxable years of a corporation's existence pursuant to G.L. c. 63, § 30(5)(c), or (2) a general NOL carry forward deduction, as provided in G.L. c. 63, § 30(5)(b). A corporation that is subject to Massachusetts tax but that is not an eligible business corporation, such as a financial institution taxable under G.L. c. 63, § 2, or a utility taxable under G.L. c. 63, § 52A, is not eligible to claim a deduction for an NOL carry forward (or, in the instance where such ineligible corporation is subject to combined reporting, to share an NOL carry forward of another taxable group member). Massachusetts law does not permit any NOLs to be carried back to tax years prior to the tax year in which the NOL was incurred. *See* TIR 10-15.

Expansion of General NOL Carry Forward Period from 5 to 20 Years.

On August 5, 2010, the Legislature enacted "An Act Relative to Economic Development Reorganization" ("The Act"). Prior to the Act, pursuant to the general NOL carry forward deduction at § 30(5)(b), an NOL sustained in a taxable year by an eligible business corporation could be carried forward for not more than the five succeeding taxable years after the taxable year in which the loss was incurred and could not be carried back. This rule setting forth a five-year NOL carry forward period for eligible business corporations will continue to apply under the Act for losses sustained in taxable years beginning prior to January 1, 2010.

For newly-sustained losses, the Act broadens the potential use of an NOL carry forward by an eligible business corporation. Effective for a loss sustained in any taxable year beginning on or after January 1, 2010, any resulting NOL carry forward may be carried forward by an eligible business corporation for not more than 20 taxable years. As under prior law, it remains the case under the Act that an NOL may not be carried back to tax years prior to the tax year in which the loss was sustained. Further, as under prior law, it remains the case that a financial institution taxable under G.L. c. 63, § 2, or a utility taxable under G.L. c. 63, § 52A, is not eligible to claim a deduction for an NOL carry forward (or, in the instance where the financial institution or utility is subject to combined reporting, to share an NOL carry forward of another taxable group member). *See* TIR 10-15.

Technical Changes to NOL Carry Forward Rules

On August 5, 2010, the Legislature enacted "An Act Relative to Economic Development Reorganization" ("The Act"). The Act makes two technical changes to the NOL carry forward rules. First, the Act amends G.L. c. 63, § 30(5) to make it clear that whether an NOL carry forward deduction is claimed under the start-up corporation rules or the general NOL deduction rules, a business corporation that incurs a loss prior to becoming subject to tax liability in Massachusetts is not allowed to carry forward such loss.

Second, the Act changes the methodology for the calculation of an NOL carry forward from a pre-apportionment to a post-apportionment methodology. In particular, for tax years beginning prior to January 1, 2010, Massachusetts NOLs generally were to be carried forward by an eligible business corporation on a pre-apportionment basis. However, under the Act, this general rule has changed for tax years beginning on or after January 1, 2010. For tax years beginning on or after January 1, 2010, all carry forward losses of an eligible business corporation are to be carried forward on a post-apportioned basis. *See* TIR 10-15.

Combined Reporting; Water's Edge Income Inclusion/Exclusion Rules

On August 5, 2010, the Legislature enacted "An Act Relative to Economic Development Reorganization" ("The Act"). Effective for tax years beginning on or after January 1, 2009, the Act amends the combined reporting statute to clarify that where a combined group determines its taxable income or loss on a water's edge basis, an item of income of a corporation organized outside of the United States is not included in the combined group's taxable income to the extent that the item is exempt from federal income tax due to a federal income tax treaty. Any items of expense and apportionment factors related to such item of exempt income will be excluded in the determination of taxable net income or loss. *See* TIR 10-15.

Administrative

Tax Credit Transparency

On August 5, 2010, the Legislature enacted "An Act Relative to Economic Development Reorganization" ("The Act"). Under the Act, chapter 62C of the General Laws was amended to include a provision that requires 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.

Effective for credits awarded or claimed on or after January 1, 2011, the tax credit transparency 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, 10) economic development incentive program. In addition, under the Act, G.L. c. 62C, § 89 was amended to include any transferable or refundable credits under chapters 62 and 63 established after July 1, 2010. As a result, the credit transparency provisions will also apply to the certified housing development credit contained within the Act. *See* TIR 10-15.

Disclosure of Tax Information to Underground Economy Task Force

On August 5, 2010, the Legislature enacted "An Act Relative to Economic Development Reorganization" ("The Act"). In general, G.L. c. 62C, § 21(a) prohibits Department employees or contractors from disclosing return information (as defined in 830 CMR 62C.21.1) to anyone but the taxpayer or his or her authorized representative. The principal exceptions to this provision are listed in G.L. c. 62C, § 21(b) and 830 CMR 62C.21.1. The Act amends G.L. c. 62C, § 21(b) to permit the disclosure of certain information to members of the Joint Enforcement Task Force on the Underground Economy and Employee Misclassification, established by Executive Order 499. Specifically, the Act permits the disclosure of information relating to the classification by a business entity of individuals providing services to such business entity as employees or independent contractors, including but not limited to information relating to the business entity's withholding or failure to withhold personal income tax pursuant to chapter 62B with respect to payments to particular individuals and the amount of any such payments or withholding. *See* TIR 10-15.

Trade Show and Flea Market Promoters

Legislation, enacted on August 11, 2010 under chapter 308 of the Acts of 2010 ("the Act") amended the definition of "promoter" contained in the tax administration provisions, G.L. c. 62C, § 1. The definition previously contained an exclusion for a person that operates less than three shows per year and defined a single show as an event that takes place on one day alone or on a series of up to seven consecutive days. These exclusions have been deleted from the definition of "promoter" by the Act. The amended definition of "promoter" for purposes of the chapter 62C notice and registration requirements applies to "[a] person who, either directly or indirectly, rents, leases or grants a license to use space [at a show] to a person for the display for sale or for the sale of tangible personal property subject to tax under chapter 64H."

Promoters are also required to be licensed by the Division of Standards. Fees for such licenses are based on the number of shows held per year. However, the term "promoter" for purposes of the G.L. c. 101 licensing requirements and fees is defined to include only those who are in business as promoters and who operate for such purpose. A state or county fair as defined in section 1 of chapter 128A is excluded from the statutory licensing requirements. The Act does not contain an emergency preamble and thus takes effect on November 9, 2010, ninety days from its enactment. Note also that the Act does not alter any vendor's obligation to register as such through Webfile for Business at www.mass.gov/dor and to collect and remit all applicable sales tax. *See* TIR 10-21.

Miscellaneous

Local Property Tax; Disregarded LLCs and Manufacturing/R&D Property Tax Exemptions

On August 5, 2010, the Legislature enacted "An Act Relative to Economic Development Reorganization" ("The Act"). Generally, under the local property tax, all property (other than real estate, poles and underground conduits, wires and pipes) owned by a manufacturing corporation or, by local option, a research and development corporation, is exempt from taxation. For this purpose, the definitions of "manufacturing corporation" and "research and development corporation" are found in G.L. c. 63, § 42B.

Effective for tax years beginning on or after January 1, 2011, the Act extends this exemption by local option to a limited liability company ("LLC") that (1) has its usual place of business in Massachusetts, (2)(a) is engaged in manufacturing in Massachusetts and whose sole member is a manufacturing corporation, or (b) is engaged in research and development in Massachusetts and whose sole member is an R&D corporation, and (3) is a disregarded entity. A "disregarded entity" is defined in G.L. c. 63, § 30(2). The new law makes clear that in determining whether the sole member of the disregarded LLC is either a manufacturing corporation or an R&D corporation, the attributes and activities of the LLC are taken into account by the member along with the member's other attributes and activities.

For purposes of an R&D corporation, or an LLC that is a disregarded entity whose sole member is either a manufacturing corporation or an R&D corporation, each provision takes effect only upon its acceptance by "the city or town in which the real estate, poles and underground conduits, wires and pipes are located." *See* TIR 10-15.

The Taxes FY 2011

TYPE OF TAX	MEASURE	RATE[1]	RETURN DUE
Personal income and fiduciary income	Net capital gains[2] Dividends, interest, wages, other income	5.3–12% 5.3%	On or before April 15 for calendar year filings. 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.) Cider 3%–6% (wine gal.) Still wine 3%–6% (wine gal.) Sparkling wine (wine gal.) Alcoholic beverages 15% or less (wine gal.) Alcoholic beverages more than 15%–50% (wine gal.) Alcoholic beverages more than 50% or alcohol (proof gal.)	$3.30 $ .03 $ .55 $ .70 $1.10 $4.05 $4.05	Monthly, on or before the 20th day of the month.
Cigarettes	20-count package	$2.51	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.
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 Propane, liquified gas, etc. (no minimum) Aviation (10¢ minimum) Jet fuel at local option (5¢ minimum)	$ .21 19.1% 7.5% 5%	Monthly, on or before the 20th day of the month.
Room occupancy	Transient room occupancy At local option, up to Convention Center Financing Fee (Boston, Cambridge, Springfield, Worcester, Chicopee and West Springfield)	5.7% 6.0%[5] 2.75%	Monthly, on or before the 20th day following the close of the tax period.
Club alcoholic beverages	Gross receipts	0.57%	On or before April 15.
Sales and use tax	Sale, rental or use of tangible personal property, including cigarettes, telecommunication services and certain fuel.[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, 2010.
[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 $6.12 (combined state and county deeds excise) per $1,000.
[5] Boston is authorized to charge up to 6.5%
[6] Sales of alcoholic beverages at package/liquor stores and the like sold at retail are subject to sales tax during the period from August 1, 2009 until December 31, 2010.

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.	6.25%	Monthly, on or before the 20th day following the close of the tax period.
	At local option, up to	.75%	
Direct broadcast satellite service	Gross revenues	5%	Monthly, on or before the 20th day of each calendar month.
Business and manufacturing corporations	Net income	8.75%[7]	On or before the 15th day of third month after close of taxable year.
	Tangible property or net worth	$2.60 per $1,000	
	Minimum	$456	
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.[8]
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	10%[9]	Same as business corporations.
	Minimum	$456	
Public utilities	Net income	6.5%	Same as business corporations.
Ship excise tax	Value (equity interest) of the corporation's interest in a ship or vessel engaged in interstate or foreign trade.	0.379%	Same as business corporations.
Insurance company			
Domestic life	Premiums	2.0%	On or before March 15.
	Massachusetts net investment income	4.8%–14.0%	
Foreign life	Premiums	2.0%	
Domestic casualty	Premiums	2.28%	
	Gross investment income	0.2%–1.0%	
Foreign casualty	Premiums	2.28%	
Ocean marine	Underwriting profit	5.7%	On or before May 15.
Preferred provider arrangements	Premiums	2.28%	On or before March 15.
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.

[7]For tax years beginning on or after January 1, 2011 but before January 1, 2012, the rate is 8.25%. S corporations: for tax years beginning on or after January 1, 2010 but before January 1, 2011, 3.45% if total receipts are $9 million or more; 2.3% if total receipts are $6 million or more but less than $9 million; for tax years beginning on or after January 1, 2011 but before January 1, 2012, 2.95% if total receipts are $9 million or more; 1.97% if total receipts are $6 million or more but less than $9 million.

[8]30%, 25%, 25% and 20% for corporations with fewer than 10 employees in their first full tax year.

[9]For tax years beginning on or after January 1, 2011 but before January 1, 2012, the rate is 9.5%. S corporations: for tax years beginning on or after January 1, 2010 but before January 1, 2011, 4.7% if total receipts are $9 million or more; 3.13% if total receipts are $6 million or more but less than $9 million; for tax years beginning on or after January 1, 2011 but before January 1, 2012, 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.

Revenue Collections FY 2011

In thousands	FY07	FY08	FY09	FY10	FY11	% change FY10–11
STATE TAXES COLLECTED BY DOR						
Tax on personal income						
TOTAL	**$11,399,649**	**$12,496,141[1]**	**$10,599,086[1]**	**$10,128,035[1]**	**$11,597,151**	**14.5**
Taxes on business						
Corporations	$ 1,587,636	$ 1,511,973	$ 1,548,619	$ 1,600,305	$ 1,951,444	21.9
Insurance companies	369,030	368,605	309,448	285,175	296,022	3.8
Public utilities	178,325	120,173	(1,685)	(316)	(8,834)	2695.6
Financial institutions	340,937	547,809	242,619	234,870	(11,039)	(104.7)
TOTAL	**$ 2,475,928**	**$ 2,548,560**	**$ 2,099,001**	**$ 2,120,034**	**$ 2,227,593**	**5.1**
Taxes on commodities sold						
Motor fuels	$ 676,119	$ 672,654	$ 654,022	$ 654,649	$ 660,830	0.9
Cigarettes	438,074	436,942	587,331	579,854	577,359	(0.4)
Alcoholic beverages	70,958	71,169	71,850	70,981	72,733	2.5
Sales and use[2]	3,460,549	3,456,662	3,241,720	3,854,920	4,094,067	6.2
Sales on meals	615,000	641,699	638,696	771,103	826,797	14.5
TOTAL	**$ 5,260,700**	**$ 5,279,126**	**$ 5,193,619**	**$ 5,931,507**	**$ 6,231,786**	**5.1**
Other taxes						
Estate & inheritance	$ 249,597	$ 253,966	$ 259,734	$ 221,379	$ 309,638	39.9
Room occupancy excise	157,515	174,157	160,933	152,233	167,304	9.9
Deeds excise[3]	140,825	110,444	75,260	97,633	98,881	1.3
Club alcoholic beverage excise	770	766	748	905	928	2.5
Motor vehicle excise	74	96	75	74	61	(17.6)
Controlled substances	0	0	0	0	0	—
Satellite	NA	NA	NA	10,914	13,283	21.7
Convention Center surcharge	11,911	13,018	11,795	11,561	13,338	15.4
Community preservation trust	31,914	27,031	25,241	26,289	26,638	1.3
TOTAL	**$ 592,606**	**$ 579,478**	**$ 533,786**	**$ 520,988**	**$ 630,071**	**20.9**
Total state taxes collected by DOR	**$19,728,883**	**$20,903,305**	**$18,425,492**	**$18,700,564**	**$20,686,601**	**10.6**

[1]Personal Income includes penalties assessed under Section 2 of Chapter 111M of the General Laws and Deposited into the Commonwealth Care Trust Fund.
[2]Include sales and use tax on motor vehicles.
[3]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.

In thousands	FY07	FY08	FY09	FY10	FY11	FY10–11 % change
LOCAL TAXES COLLECTED BY DOR ON BEHALF OF COMMUNITIES						
Urban redevelopment	$ 53,600	$ 54,965	$ 55,060	$ 53,664	$ 45,453	(15.3)
Local option airplane jet fuel	26,395	27,978	36,504	20,288	26,753	148.0
Local option room occupancy	88,345	96,854	89,815	102,406	131,282	28.2
Local option meals	NA	NA	NA	27,152	67,325	148.0
Local rental vehicle (Convention Center 10%)	1,152	1,207	1,107	1,066	1,172	9.9
Vehicle rental surcharge	646	642	701	612	706	15.4
Embarkation fees	1,321	1,284	1,233	1,190	1,214	2.0
Total local taxes collected by DOR on behalf of communities	**$ 171,459**	**$ 182,930**	**$ 184,420**	**$ 206,378**	**$ 273,905**	**32.7**
OTHER REVENUE						
Utility and insurance assessments	$ 0	$ 0	$ 0	$ 0	$ 0	—
Department fees, licenses, etc.	19,142	23,183	17,945	20,209	11,768	(41.8)
County Correction Fund — deeds	9,689	7,226	4,807	2,727	0	(100.0)
County recording fees	37,109	30,079	28,063	28,030	29,492	5.2
Abandoned deposits — bottle	39,211	38,774	32,026	35,274	35,109	(0.5)
Total other revenue	**$ 105,151**	**$ 99,262**	**$ 82,841**	**$ 86,240**	**$ 76,369**	**(11.4)**
STATE TAXES COLLECTED BY OTHER AGENCIES						
Horse and dog racing	$ 3,859	$ 3,496	$ 2,773	$ 2,098	$ 1,457	(30.6)
Beano, boxing, Boxer's Fund and State Athletic Commission	1,714	1,559	1,397	1,356	1,509	11.3
Raffles/bazaars	967	930	1,052	960	1,077	12.2
Special insurance brokers	28,250	27,591	26,198	25,414	23,822	(6.3)
UI surcharge	21,449	21,509	21,032	19,377	20,448	5.5
Deeds, Secretary of State	53,253	43,470	30,286	40,280	41,321	2.6
Total state taxes collected by other agencies	**$ 109,492**	**$ 98,555**	**$ 82,738**	**$ 89,485**	**$ 89,634**	**0.2**
TAXES ON PROPERTY COLLECTED BY LOCAL GOVERNMENT						
Real estate	$10,113,661	$10,600,077	$11,097,468	$11,505,889	$11,907,140	3.5
Personal property	375,125	392,041	455,326	518,588	577,759	11.4
Motor vehicles	636,886	686,792	640,487	605,179	637,123	5.3
Total taxes on property collected by local government	**$11,125,672**	**$11,678,910**	**$12,193,281**	**$12,629,656**	**$13,122,022**	**3.9**
TOTAL ALL TAXES	**$31,240,657**	**$32,962,962**	**$30,968,772**	**$31,712,323**	**$34,248,531**	**8.0**

Because of rounding, detail may not add to Totals.

Offers in Final Settlement FY 2011

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 2011, 39 settlements were made. All 39 were reviewed by the Attorney General.

The cases approved were as follows:

NAME	TOTAL TAX, INTEREST & PENALTIES	AMOUNT PAID IN SETTLEMENT	AMOUNT ABATED
Able Glass Company of Revere, Inc. and Lynne B. Bonney, Responsible Person	$29,948.83	$5,303.00	$24,645.83
Accent Press, Inc. and James R. Friend, Sr., Responsible Person	21,831.81	4,000.00	17,831.81
Beverly R. Hubler	53,124.27	11,000.00	42,124.27
Christopher L. Allen	33,034.86	5,000.00	28,034.86
Connie's, Inc. and John and Connie Sergio, Responsible Persons and Skip Sergio's, Inc. and John Sergio, Responsible Person	113,681.64	22,000.00	91,681.64
Daniel J. Shubert	17,498.80	4,251.00	13,247.80
Daniel P. DeRose, Jr.	56,732.07	5,000.00	51,732.07
David C. Eastman d/b/a Straightline Deleading and David C. Eastman, Individually	23,300.43	2,000.00	21,300.43
David W. Perry	7,047.24	3,000.00	4,047.24
DJI Enterprises, LLC d/b/a The Crows Nest and David J. Iandoli, Responsible Person	134,542.06	24,000.00	110,542.06
E & J Rims & Tires, Partnership and Huntley H. Henry, Responsible Person	71,745.29	10,000.00	61,745.29
Giovanni John Graziano	41,167.81	20,000.00	21,167.81
Gorilla Graphics, Inc. and Craig W. Murphy, Responsible Person and Reproplus, Inc.	226,952.24	60,000.00	166,952.24
Jagher Cleansers, Inc. and Jack S. Jagher and William M. Jagher, Responsible Persons	48,057.86	32,400.00	15,657.86
James T. Marconi d/b/a Sentry Fence and Iron Company and James T. Marconi, Individually	30,919.28	20,150.00	10,769.28
Joanne A. Huber d/b/a Family Flowers	20,382.83	10,800.00	9,582.83
John M. Braithwaite	76,733.05	21,100.00	55,633.05
Kathi A. Hill	8,091.54	1,600.00	6,491.54
Laymon Food Enterprises, Inc. and Heather R. Laymon and John W. Laymon, Responsible Persons and Heather R. Laymon and John W. Laymon, Individually	337,046.00	90,000.00	247,046.00
Linda Charlene Burge	14,905.58	2,788.00	12,117.58
Lonnie R. Farmer	27,107.61	6,000.00	21,107.61
Lorraine A. Smith	9,775.00	1,000.00	8,775.00
LouAnn S. Geer	13,502.04	1,000.00	12,502.04
Makarios Corp. and Miguel A. Sanchez, Responsible Person	20,254.37	3,650.00	16,604.37
Manuel A. DaCunha	14,251.67	3,300.00	10,951.67
Mark W. Wagner d/b/a New England Welding and Rigging and Mark W. Wagner, Individually	9,708.40	5,000.00	4,708.40
Mildred's, Inc. and Elliot M. Bobola, Responsible Person	206,625.59	5,000.00	201,625.59
Peter J. Carmejoole	41,240.29	30,000.00	11,240.29
Ronald J. Lawrenson	31,636.15	4,600.00	27,036.15
Sandra L. Crowley	7,231.37	2,000.00	5,231.37
Stanley R. Mackerwicz, Responsible Person for Stan's Building Supply, Inc.	226,371.36	36,000.00	190,371.36
Terra Nova Marble & Granite, Inc. and Wayne E. Marshall, Responsible Person and Wayne E. Marshall, Individually	224,199.30	30,000.00	194,199.30
Thomas A. Pitera	8,457.20	4,032.00	4,425.20

Offers in Final Settlement continued

NAME	TOTAL TAX, INTEREST & PENALTIES	AMOUNT PAID IN SETTLEMENT	AMOUNT ABATED
Thomas J. Walsh	27,527.89	10,000.00	17,527.89
United Technical Coating, Inc. and Kenneth W. Adamowski and Patricia A. Adamowski, Responsible Persons and Kenneth W. Adamowski and Patricia A. Adamowski, Individually	10,347.69	1,700.00	8,647.69
Wayne C. Beane	223,736.92	9,000.00	214,736.92
Wesley S. Shoreys d/b/a Apple Pie & Spice	19,530.22	10,000.00	9,530.22
William F. Rayne	169,573.28	5,000.00	164,573.28
William J. McClintock and Diane M. McClintock	3,865.62	1,000.00	2,865.62
TOTAL	**$ 2,661,685.46**	**$ 522,674.00**	**$ 2,139,011.46**

Because of rounding, detail may not add to Totals.

Collection Agencies FY 2011

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	$ 11,487,314	$ 1,473,895	$ 10,013,419
TOTAL	**$11,487,314**	**$1,473,895**	**$10,013,419**

Because of rounding, detail may not add to Totals.

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