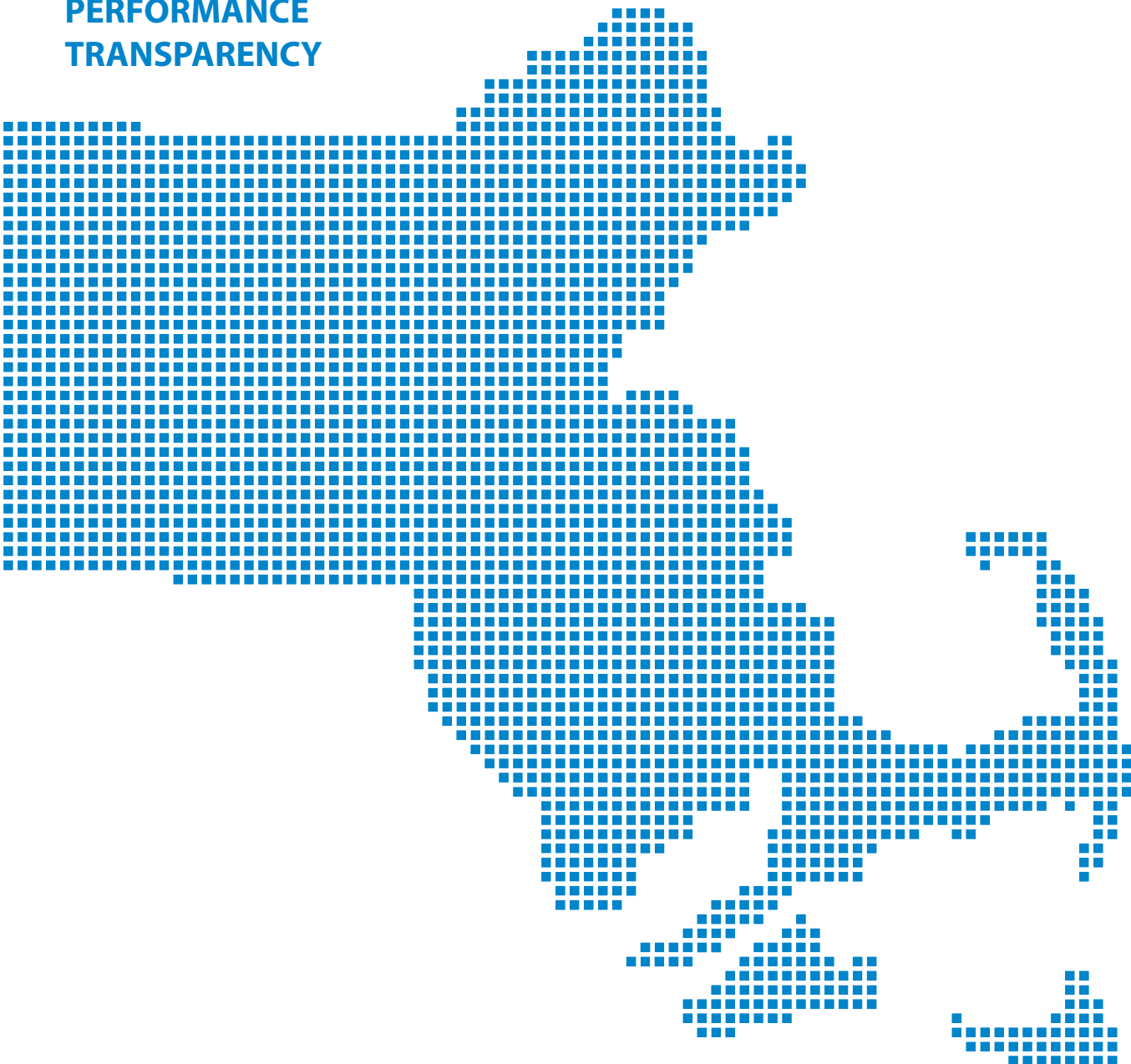




FY2014

ANNUAL REPORT

SERVICE
INNOVATION
PERFORMANCE
TRANSPARENCY



LETTER FROM THE COMMISSIONER



To the Honorable Charlie Baker, 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 2014 Annual Report. FY14 revenues totaled \$23.4 billion, 5.6 percent more than the previous fiscal year. The significant increase in revenues over the previous year is largely attributable to spikes in tax settlements and employee bonus payments.

The Department has undertaken a number of initiatives to enhance customer service, improve efficiencies, advance workforce competencies and offer a seat at the table to more of DOR's stakeholders. We are well on our way to completing many of these goals and objectives.

Let me give you an update on some of the more significant ongoing initiatives.

Fraud Prevention

Stopping fraud is a top priority for the Department of Revenue. The agency established a position at the leading edge of fraud prevention several years ago by introducing fraud filters to the tax return process as needed and employing other fraud prevention measures. The Department stepped up efforts this year to protect taxpayers and help victims of tax fraud by enhancing resources in the area of criminal investigations. DOR hired a new director of the Criminal Investigations Bureau, added investigative staff and updated investigative tools. In addition to tax refund fraud, the Bureau will focus on illegal tobacco crimes, tax preparers who knowingly prepare fraudulent returns and vendors who collect sales or meals tax from consumers and neglect to remit the revenues to the Commonwealth.

Dispute Resolution

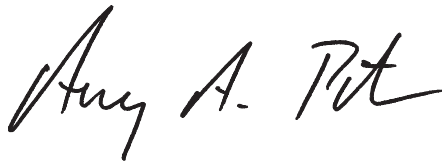
The early mediation pilot program, created to resolve tax disputes quickly and efficiently prior to assessment, became a permanent addition to dispute resolution options this year. By the end of the year, we had completed eight cases. Settlement was reached in six of those cases, resulting in payments of just under \$20 million. On average, the early mediation cases were completed within four months. To expand the available alternatives for reaching agreement, we are developing an option for taxpayers who qualify to request an expedited settlement. This option will allow taxpayers to provide the required information to the Office of Appeals and request an expedited settlement that can be completed in significantly less time than it would take through traditional channels.

DOR's Child Support Enforcement Division collected just over \$657 million, up 2 percent from the previous fiscal year. For every dollar spent on the collection program, CSE took in \$5 in child support.

In FY2014, the Division of Local Services certified free cash for 320 communities for a total of \$1,284,506,640; certified new tax levy growth totaling \$237,487,194; distributed \$5.693 billion in net local aid to cities, towns, and regional and charter schools; and conducted 20 management reviews for local governments.

It's been another great year as the result of an impressive team effort. We are increasing transparency with publications like the Tax Credit Transparency Report, offering more education opportunities to tax practitioners and taxpayers, working closely with parents and guardians to support children financially and offering fiscal management assistance to cities and towns.

Sincerely,

A handwritten signature in black ink that reads "Amy A. Pitter". The signature is fluid and cursive, with the first letters of each name being capitalized and prominent.

Amy A. Pitter,
Commissioner

LEGISLATIVE REVIEW FY2014

Sales and Use Tax

The 2013 Massachusetts Sales Tax Holiday Weekend

On August 2, 2013, the Governor approved the 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 ("the Act"). St. 2013, c. 55. The Act provided that the sales tax holiday would occur on August 10 and 11, 2013 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 exceptions. 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 items with a price in excess of \$2,500. 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. See TIR 13-11.

Sales and Use Tax Relating to Certain Computer and Software Services; Retroactive Repeal

Effective July 31, 2013, the Transportation Finance Act, St. 2013, c. 46, §§ 48, 49 and 89, amended G.L. chapters 64H and 64I with respect to certain computer system design and software modification services. The Act added new definitions to section 1 of chapter 64H of the General Laws for the following: "Computer system design services" and "services" that are taxable under Massachusetts sales and use taxes. Thus, the sales and use tax applied to certain services relating to computer system design and to modification, integration, enhancement, installation, or configuration of standardized or prewritten software or "software modification services." The new provisions generally taxed software services that modify, enable, or adapt prewritten software to meet the business or technical requirements of a particular purchaser and to operate on the purchaser's computer systems, regardless of how those services were described or billed

to the customer. These taxable services were also described as "customization services" with respect to prewritten software.

On September 27, 2013, subsequent legislation was passed that repealed the provisions in the Transportation Finance Act relating to computer and software services, retroactively to July 31, 2013. St. 2013, c. 95; See also TIR 13-17, *Repeal of the Computer and Software Services Tax*, which explained the effect of the retroactive repeal on vendors who collected tax, remitted tax or filed returns prior to repeal of the tax.

Personal Income Tax and Corporate Excise

Extension of Brownfields Credit

The Fiscal Year 2014 Budget (St. 2013, c. 38) extends the Brownfields Credit, previously scheduled to expire on August 5, 2013, for five additional years. Taxpayers subject to the personal income tax or corporate excise under G.L. chapters 62 and 63 and tax-exempt organizations within the meaning of § 501(c) of the Internal Revenue Code are allowed a transferable 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 credit may be either 50% or 25% of the "net response and removal costs" as that term is defined in G.L. c. 21E, § 2, depending upon whether an activity or use limitation has been imposed.

Under prior law, to qualify for a Brownfields Credit, the relevant work must have been started on or before August 5, 2013 and the net response and removal costs must have been incurred prior to January 1, 2014. Under the Fiscal Year 2014 Budget, to qualify for a Brownfields Credit, the taxpayer must "commence and diligently pursue" the relevant environmental response action(s) on or before August 5, 2018. Also, under the Fiscal Year 2014 Budget, the net response and removal costs must be incurred prior to January 1, 2019. See TIR 13-15.

Community Investment Tax Credit

Pursuant to St. 2012, c. 238 (August 7, 2012) and codified at G.L. c. 62, § 6M and G.L. c. 63, § 38EE, a Community Investment Tax Credit is allowed for tax years beginning on or after January 1, 2014 for

qualified investments (certain cash contributions made to a community development corporation, community support organization, or a community partnership fund) made on or after January 1, 2014. The Community Investment Tax Credit is equal to 50% of the total qualified investment made by the taxpayer for the taxable year. The credit may be claimed by individuals or entities subject to taxation under G.L. c.s 62 and 63, *i.e.*, the personal income tax and the corporate excise. The credit is set to expire December 31, 2019. Pursuant to the Supplemental Budget, the Community Investment Tax Credit has been made refundable. Alternatively, the credit may be carried forward 5 years. If a taxpayer elects to carry forward a credit balance, then the option to claim a credit refund does not apply. See TIR 13-15.

Corporate Excise Tax

FAS 109 Deduction

On July 11, 2011, the Governor signed into law the Fiscal Year 2012 Budget ("the Act"). St. 2011, c. 68. At that time, a "FAS 109" deduction was approved for certain publicly held companies as part of a Massachusetts tax law change that lowered the corporate tax rate in stages and adopted combined reporting for tax years beginning on or after January 1, 2009. Essentially, under this law, if the combined reporting requirements for unitary businesses resulted in an increase to a combined group's net deferred tax liability, the combined group was entitled to a FAS 109 deduction. See TIR 09-8. Under the 2012 Budgetary Act, if applicable, the FAS 109 deduction was to be prorated over the 7-year period beginning with the combined group's taxable year that began in 2012. Under the more recent Act in the FY2013 Budget (St. 2012, c. 139) the first year of the 7-year period to claim the FAS 109 deduction is the combined group's taxable year that begins in 2013. See TIRs 11-6 and 12-10. Thus, the Act delayed by another year, the implementation of the FAS 109 deduction. And, yet again the Fiscal Year 2014 Budget delays by an additional year the implementation of the FAS 109 deduction. St. 2013, c. 38, § 142 (amending St. 2008, c. 173, § 95). Therefore, the first year of the 7-year period to claim the FAS 109 deduction is the combined group's taxable year that begins in 2015. See TIR 13-15.

The Sales Factor of the Corporate Excise Apportionment Formulas; Explicit Market-Based Sourcing of Sales other than Sales of Tangible Personal Property

The Transportation Finance Act replaces the existing apportionment method for sourcing sales other than sales of tangible personal property. Under prior law, in effect for taxable years beginning before January 1, 2014, such sales were sourced to Massachusetts if the income-producing activity was performed in Massachusetts. In contrast, if the income-producing activity was performed both within and without Massachusetts, the sale was deemed to be a Massachusetts sale if the greater proportion of the income-producing activity was performed in Massachusetts, based on cost of performance. Further, in the case of licensing of intangible property, the income-producing activity was deemed to be performed in Massachusetts to the extent the intangible property was used in Massachusetts.

Effective for tax years beginning on or after January 1, 2014, the Transportation Finance Act (the "Act"), St. 2013, c. 46, § 37, amends G.L. c. 63, § 38(f) to provide:

Sales, other than sales of tangible personal property, are in the commonwealth if the corporation's market for the sale is in the commonwealth. Elaborating on this explicit market sourcing rule, the Transportation Finance Act provides further that a corporation's market for a sale is in Massachusetts and the sale is thus assigned to Massachusetts in the following circumstances:

1. in the case of the sale, rental, lease or license of real property, if and to the extent the property is located in Massachusetts;
2. in the case of the rental, lease or license of tangible personal property, if and to the extent the property is located in Massachusetts;
3. in the case of the sale of a service, if and to the extent the service is delivered to a location in Massachusetts;
4. in the case of the lease or license of intangible property, including a sale or exchange of such property where the receipts from the sale or exchange derive from payments that are contingent on the productivity, use or disposition of the property, if and to the extent the intangible property is used in Massachusetts; and

5. in the case of the sale of intangible property, other than as provided in clause (4), above, where the property sold is a contract right, government license or similar intangible property that authorizes the holder to conduct a business activity in a specific geographic area, if and to the extent that the intangible property is used in or otherwise associated with Massachusetts; provided, however, that any sale of intangible property, not otherwise described in this clause or clause (4), shall be excluded from the numerator and the denominator of the sales factor.

Pursuant to the Act, the new rules referenced above also apply in the context of financial institutions subject to the excise imposed under G.L. c. 63, § 1 *et seq.* with respect to sales other than sales of tangible personal property where such sales are “not otherwise apportioned” under the chapter 63 financial institution excise provisions. In the context of these residual “not otherwise apportioned” sales, the “throwback” rule applicable to certain sales as set forth in G.L. c. 63 § 2A(d)(xiii) would not apply; instead, the new rules, as referenced above, would source the sales to the market as stated, except in those situations described in the new rules where the sale is to be excluded from both the numerator and denominator of the sales factor. See TIR 13-15.

Repeal of the Separate Corporate Excise Provisions for Utility Corporations

Under Massachusetts law in effect for taxable years beginning before January 1, 2014, G.L. c. 63, § 52A imposed a public utility excise on a “utility corporation” at the rate of 6.5% of its net income, with the income apportioned using an evenly weighted three-factor formula, consisting of property, payroll and sales. As specified in § 52A, a “utility corporation” included certain electric, gas, water, telephone, railroad, or similar businesses.

Effective for tax years beginning on or after January 1, 2014, the Transportation Finance Act (St. 2013, c. 46, §39), approved on July 24, 2013, repealed G.L. c. 63, § 52A, the separate corporate excise provisions for utility corporations. As a result of this repeal, entities that formerly were subject to the excise under G.L. c. 63, § 52A are instead subject to a corporate excise under G.L. c. 63, § 39, the corporate excise imposed on “business corporations.” For years beginning on or after January 1, 2014, a utility corporation taxed as a business corporation will be subject to tax on the sum of two measures:

(a) an income measure equal to 8% of taxable net income, derived using the applicable apportionment factors, plus

(b) a non-income measure equal to \$2.60 per \$1,000 of value of taxable Massachusetts tangible property (if classified as a tangible property corporation) or taxable net worth (if classified as an intangible property corporation). There is a minimum tax of \$456.

Under the Act, a company previously subject to tax under G.L. c. 63, § 52A as a utility corporation for taxable years beginning before January 1, 2014 will not be permitted to carry forward or deduct a net operating loss (“NOL”) generated prior to its taxable year beginning on or after January 1, 2014. However, a former utility corporation that becomes taxable as a business corporation will be allowed to carry forward a post-2013 NOL incurred as a business corporation (*i.e.*, for a taxable year beginning on or after January 1, 2014), subject to applicable limitations on business corporation loss carryovers. Effective for tax years beginning on or after January 1, 2014, chapter 63 has been revised to remove any reference to utility corporations and to § 52A. See TIR 13-15.

Administrative

Information Reporting by Liquor Wholesalers; G.L. c. 62C, § 16(k)

Under former law, G.L. c. 62C, § 16(k) provided that every person subject to taxation under G.L. c. 138, § 21 was required to file a return with the Commissioner for each calendar month covering his sales of all alcoholic beverages or alcohol and all malt beverages imported into the Commonwealth by him. Every return was required to be filed within 20 days after the expiration of such month. The FY 2014 Budget Act, St. 2013, c. 38, § 56, approved on July 12, 2013, amended § 16(k) to require an annual information return by liquor wholesalers reporting their sales of alcohol to restaurants and other retailers. Each such person must annually, on or before March 20, file an information return for the prior calendar year in such form and containing such information as the Commissioner may, by rule or regulation, require including, but not limited to the following: 1) the total monthly sales amount to each person to whom sales have been made, exclusive of deposits required by G.L. c. 94, §§ 321 to 327, inclu-

sive; and 2) identifying information for such purchasers. See TIR 13-15.

Providing Records in Electronic Format; G.L. c. 62C, § 24

The FY 2014 Budget (St. 2013, c. 38, § 56), approved on July 12, 2013, contains a provision that, for the purpose of verifying any return, a taxpayer is required to provide certain records in electronic format to the Department. The taxpayer shall provide to the Commissioner all accounting records and information in a searchable electronic format, as requested by the Commissioner, to the extent that the taxpayer maintains such records in electronic format.

Unified Audit Procedures; G.L. c. 62C, § 24A

General Laws c. 62C, § 24A, originally enacted in 2010, established separate unified audit procedures for pass-through entities. The recently enacted technical amendments to § 24A further streamline audit procedures for pass-through entities, consistent with the legislative goal of the original statute. St. 2013, c. 38, § 57 (approved on July 12, 2013). The technical amendments distinguish the unified audit procedure from the regular audit process, creating a procedure for pass-through entities that is completely separate from regular audit procedures. A unified audit procedure generally supersedes the assessment and abatement process that would otherwise be applicable to members and indirect owners of a pass-through entity. Individual members may, however, elect not to participate in the separate unified audit procedure, as provided in the original statute.

Under unified audit procedures, the pass-through entity may have a conference with the Department prior to the issuance by the Commissioner of a notice of determination of pass-through entity items. The tax matters partner or other members of the entity may petition the Appellate Tax Board for review of the Commissioner's determination of pass-through entity items. After judicial appeals have been exhausted or the right to judicial review has expired, a determination becomes a "final determination" and the Commissioner may assess or abate the entity's members and indirect owners.

Set-Off Debt Collection; Changes to Refund Intercepts

Under G.L. c. 62D, the Department has the authority to offset income tax refunds otherwise payable to

a taxpayer by the amount of any outstanding tax liabilities of the taxpayer. Also, under G.L. c. 62D, the Department has the authority to intercept an income tax refund of an individual who owes a debt to a "claimant agency," as defined in chapter 62D, and apply that amount to the debt. The Department has the authority under federal law to offset federal income tax refunds to pay outstanding state income tax and past-due child support owed by a taxpayer.

In order to improve collection of unpaid state taxes and certain other state and federal debts, the FY 2014 Budget expands the Department's authority under G.L. c. 62D. Effective on July 1, 2013, St. 2013, c. 38, § 62 amended G.L. c. 62D, § 1 by adding the following provisions to increase the Department's ability to intercept refunds for debt collection:

1. The type of tax refunds that can be offset for debt collection includes all tax types, not just income tax. For purposes of c. 62D, the definition of "refund" has the following meaning: "Refund" is an overpayment of a tax, including interest and penalties, that may be returned or credited to the taxpayer pursuant to §§ 30, 31A, 36, 36A, 37 or 39 of c. 62C, § 27 or 27A of c. 65, § 6 of c. 65A or any other general or special law that authorizes such a return or credit;
2. The Commissioner of Revenue is authorized to participate in a Reciprocal Offset Agreement with the U.S. Department of the Treasury that will allow the Commissioner to submit state tax liabilities to be offset against federal payments to vendors and contractors and for federal agencies to submit federal nontax liabilities to be offset against tax refunds due to Commonwealth taxpayers;
3. The Commissioner of Revenue is authorized to participate in Reciprocal Offset Agreements with other states that will allow the Commissioner to submit state tax liabilities to be offset against tax refunds of another State, and for other States to submit their tax liabilities to be offset against tax refunds due to Commonwealth taxpayers;
4. The amendments make technical corrections to c. 62D (e.g., the amendments update the names of agencies and correct the definitions of "debt" and "debtor");
5. The Department of Revenue is authorized to retain certain set-off fees.

Miscellaneous

Motor Fuels Excise

Pursuant to G.L. c. 64A, Massachusetts imposes an excise at the wholesale level on each gallon of gasoline that is used to operate motor vehicles on Massachusetts highways. Under prior law, the gasoline excise was imposed at the rate of 21 cents per gallon of gasoline. Pursuant to G.L. c. 64E, the special fuels excise applies to all sales of fuel used by motor vehicles in operation on Massachusetts highways, with the exception of gasoline. For example, the special fuels excise applies to sales of diesel, ethanol, biodiesel, gasohol, and liquefied gas. Like the gasoline excise, the special fuels excise is imposed at the wholesale level. For liquefied gas (e.g., propane, CNG and LNG) the rate is 19.1% of the average price per gallon (as determined by the Commissioner for each calendar quarter).

Effective July 31, 2013, as a result of the Transportation Finance Act, St. 2013, c. 46, § 43 (approved on July 24, 2013), the excise on gasoline and special fuels such as diesel, ethanol, biodiesel and gasohol, was increased 3 cents per gallon to 24 cents per gallon. The excise on liquefied gas has not been changed. The separate Underground Storage Tank (UST) delivery fee will remain at 2.5 cents per gallon. See TIR 13-15. In addition, on January 1, 2015, the excise on gasoline and special fuels and the UST delivery fee were subject to future rate increases based on increases in the consumer price index.

Tobacco Excise

Pursuant to G.L. c. 64C, Massachusetts imposes an excise at the wholesale level on cigarettes, smokeless tobacco, cigars and smoking tobacco sold in Massachusetts. The Transportation Finance Act, St. 2013, c. 46, §§ 45-47 (approved on July 24, 2013) amended G.L. c. 64C to provide an increase to the excise on cigarettes, smokeless tobacco, cigars and smoking tobacco. The new law was effective July 31, 2013. The excise imposed on cigarettes was increased by 50 mills per cigarette (\$1.00 per pack of 20 cigarettes and \$1.25 per pack of 25 cigarettes). The excise rate has consequently increased from \$2.51 per pack of 20 cigarettes to \$3.51 per pack, and from \$3.1375 per pack of 25 cigarettes to \$4.3875 per pack. The excise on smokeless tobacco was increased from 90% to 210% of the wholesale price. The excise on cigar and smoking tobacco was increased from 30% to 40% of the wholesale price.

The Taxes FY 2014

TYPE OF TAX	MEASURE	RATE ¹	RETURN DUE
Personal income and fiduciary income	Net capital gains ²	5.25–12%	On or before April 15 for calendar year filings.
	Dividends, interest, wages, other income	5.25%	The 15th day of the 4th month for fiscal year filings.
Nonresident	Massachusetts source income	5.25%	
Estimated tax	Liability in excess of \$400		Due quarterly on or before the 15th day of April; June, September and January.
Withholding	Wages	5.25%	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	
Cigarettes	Alcoholic beverages more than 50% or alcohol (proof gal.)	\$4.05	Monthly, on or before the 20th day of the month. Unclassified acquirers must file upon importation or acquisition. same as cigarettes
	20-count package	\$3.51	
	Smokeless tobacco (percentage of price paid by licensee)	210%	
	Cigars and smoking tobacco (percentage of price paid by licensee)	40%	
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	\$.24	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 and certain fuel.	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, 2013.

² Gains from the sale or exchange of capital assets (except collectibles) held for more than one year are taxed at 5.25%. 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%

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	6.25% .75%	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	8.0% ⁶ \$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. ⁷
Security corporation			
Non-bank holding co.	Gross income	1.32%	Same as business corporations.
Bank holding company	Gross income Minimum	0.33% \$456	
Financial institutions	Net income Minimum	9.0% ⁸ \$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.	0.33%	Same as business corporations.
Insurance company			
Domestic life	Premiums	2.0%	On or before March 15.
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.

⁶S corporations: for tax years beginning on or after January 1, 2012, 2.75% if total receipts are \$9 million or more; 1.83% if total receipts are \$6 million or more but less than \$9 million.

⁷30%, 25%, 25% and 20% for corporations with fewer than 10 employees in their first full tax year.

⁸S corporations: for tax years beginning on or after January 1, 2012, 3.75% if total receipts are \$9 million or more; 2.5% if total receipts are \$6 million or more but less than \$9 million.

Revenue Collections FY 2014

In thousands	FY10	FY11	FY12	FY13	FY14	% change FY13–14
STATE TAXES COLLECTED BY DOR						
Tax on personal income						
TOTAL	\$10,128,035¹	\$11,597,151	\$11,933,452	\$12,853,989	\$13,225,020	2.9
Taxes on business						
Corporations	\$ 1,600,305	\$ 1,951,444	\$ 1,771,113	\$ 1,821,950	\$ 2,049,051	12.5
Insurance companies	285,175	296,022	318,061	373,141	315,776	(15.4)
Public utilities	(316)	(8,834)	(35,945)	(11,508)	9,795	(185.1)
Financial institutions	234,870	(11,039)	266,612	78,007	135,773	74.1
TOTAL	\$ 2,120,034	\$ 2,227,593	\$ 2,319,841	\$ 2,261,590	\$ 2,510,395	11.0
Taxes on commodities sold						
Motor fuels	\$ 654,649	\$ 660,830	\$ 661,975	\$ 651,631	\$ 732,473	12.4
Cigarettes	579,854	577,359	573,759	558,297	660,029	18.2
Alcoholic beverages	70,981	72,733	76,059	76,313	77,735	1.9
Sales and use ²	3,854,920	4,094,067	4,193,873	4,265,852	4,550,882	6.7
Sales on meals	771,103	826,797	885,644	918,874	968,219	5.4
TOTAL	\$ 5,931,507	\$ 6,231,786	\$ 6,391,310	\$ 6,470,967	\$ 6,989,338	8.0
Other taxes						
Estate & inheritance	\$ 221,379	\$ 309,638	\$ 293,269	\$ 313,394	\$ 401,512	28.1
Room occupancy excise	152,233	167,304	183,707	194,577	209,749	7.8
Deeds excise ³	97,633	98,881	109,883	131,882	154,595	17.2
Club alcoholic beverage excise	905	928	901	1,044	1,082	3.6
Motor vehicle excise	74	61	67	73	65	(11.0)
Controlled substances	0	0	0	1	0	(100.0)
Satellite	10,914	13,283	12,504	11,392	12,166	6.8
Convention Center surcharge	11,561	13,338	13,642	14,020	14,852	5.9
Community preservation trust	26,289	26,638	27,363	30,598	23,770	(22.3)
TOTAL	\$ 520,988	\$ 630,071	\$ 641,336	\$ 696,981	\$ 817,791	17.3
Total state taxes collected by DOR	\$18,700,564	\$20,686,601	\$21,285,939	\$22,283,527	\$23,542,544	5.6

¹Personal Income includes penalties assessed under Section 2 of Chapter 111M of the General Laws and Deposited into the Commonwealth Care Trust Fund.

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.

In thousands	FY10	FY11	FY12	FY13	FY14	% change FY13–14
LOCAL TAXES COLLECTED BY DOR ON BEHALF OF COMMUNITIES						
Urban redevelopment	\$ 53,664	\$ 45,453	\$ 48,291	\$ 44,900	\$ 40,820	(9.1)
Local option airplane jet fuel	20,288	26,753	36,213	39,212	39,459	0.6
Local option room occupancy	102,406	131,282	146,111	155,717	169,032	8.6
Local option meals	27,152	67,325	83,353	89,963	98,803	9.8
Local rental vehicle (Convention Center 10%)	1,066	1,172	1,275	1,303	1,395	7.1
Vehicle rental surcharge	612	706	699	790	410	(48.1)
Embarkation fees	1,190	1,214	1,244	1,299	1,253	(3.5)
Total local taxes collected by DOR on behalf of communities	\$ 206,378	\$ 273,905	\$ 317,186	\$ 333,184	\$ 351,172	5.4
OTHER REVENUE						
Utility and insurance assessments	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	—
Department fees, licenses, etc.	20,209	11,768	12,180	12,054	11,703	(2.9)
County Correction Fund — deeds	2,727	0	0	0	0	—
County recording fees	28,030	29,492	30,518	34,151	25,467	(25.4)
Abandoned deposits — bottle	35,274	35,109	35,371	34,475	37,360	8.4
Total other revenue	\$ 86,240	\$ 76,369	\$ 78,069	\$ 80,680	\$ 74,530	(7.6)
STATE TAXES COLLECTED BY OTHER AGENCIES						
Horse and dog racing	\$ 2,098	\$ 1,457	\$ 1,635	\$ 1,830	\$ 1,308	(28.5)
Beano, boxing, Boxer's Fund and State Athletic Commission	1,356	1,509	1,200	1,075	1,144	6.4
Raffles/bazaars	960	1,077	1,131	918	1,030	12.2
Special insurance brokers	25,414	23,822	24,140	30,646	31,052	1.3
UI surcharge	19,377	20,448	21,339	22,202	21,233	(4.4)
Deeds, Secretary of State	40,280	41,321	48,956	56,985	68,485	20.2
Total state taxes collected by other agencies	\$ 89,485	\$ 89,634	\$ 98,401	\$ 113,656	\$ 124,252	9.3
TAXES ON PROPERTY COLLECTED BY LOCAL GOVERNMENT						
Real estate	\$11,505,889	\$11,907,140	\$12,358,206	\$12,792,183	\$13,128,222	2.6
Personal property	518,588	577,759	618,025	651,569	666,942	2.4
Motor vehicles	605,179	637,123	644,541	676,973	755,685	11.6
Total taxes on property collected by local government	\$12,629,656	\$13,122,022	\$13,620,772	\$14,120,725	\$14,550,850	3.0
TOTAL ALL TAXES	\$31,712,323	\$34,248,531	\$35,400,367	\$36,931,772	\$38,643,348	4.6

Because of rounding, detail may not add to Totals.

Offers in Final Settlement FY 2014

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 2014, 31 settlements were made. All 31 were reviewed by the Attorney General.

The cases approved were as follows:

NAME	TOTAL TAX, INTEREST & PENALTIES	AMOUNT PAID IN SETTLEMENT	AMOUNT ABATED
Abdul R. Khalid and Saima A. Rauf and Khaltex International Incorporated	\$ 9,923.43	\$ 6,000.00	\$ 3,923.43
Brickz, LLC d/b/a Quiznos Sub and Brian J. Brickley, Responsible Person	67,895.67	30,000.00	37,895.67
Calamari Fisheries, Inc. and Paul R. Freddura and Maria L. Freddura, Responsible Persons	378,113.04	180,000.00	198,113.04
Charles H. Medeiros	14,607.83	12,000.00	2,607.83
Christian E. Jolicoeur d/b/a Icon Computers & Software	98,947.76	20,000.00	78,947.76
Christo's Seven Star Restaurant, Inc. and Charles and Maria Gianasmidis as Responsible Persons and Individually for Income Taxes	30,998.36	12,000.00	18,998.36
Dana A. Bornstein	9,969.87	4,800.00	5,169.87
Daniel Reitano	7,638.77	2,100.00	5,538.77
David A. Hosford, Jr.	11,285.13	4,000.00	7,285.13
Evangelos K. Sokos d/b/a P & A Pizzeria	130,455.21	27,565.00	102,890.21
Felipa Asencio Jacinto	8,179.31	2,000.00	6,179.31
H & H Restaurant, Inc. and Prochamp, Inc. and Louis A. Frate, Responsible Person	238,603.20	30,000.00	208,603.20
Hachem's Store Incorporated and Hazem A. Youssef, Responsible Person	62,052.90	32,000.00	30,052.90
James Cooley	28,714.48	3,000.00	25,714.48
James R. Hindman d/b/a Jim's Canteen as Sole Proprietorships	93,779.47	30,000.00	63,779.47
Jeffrey W. Girard d/b/a Girard's Bistro and Jeffrey W. Girard and Kathleen M. Girard Individually for Income Taxes	64,740.35	30,000.00	34,740.35
Leonor Martinez	4,631.89	1,000.00	3,631.89
Lightspeed Productions, Inc. and Scot M. Broderick, Responsible Person and Scot M. Broderick Individually for Income Taxes	74,947.81	10,080.00	64,867.81
Luisa H. Holden	23,024.92	1,000.00	22,024.92
Mary R. Collins	6,297.18	1,500.00	4,797.18
Morando Towing & Auto Transport, Inc. and Edward P. Morando, Responsible Person	62,272.37	7,385.28	54,887.09
Olivia A. O'Neill	93,906.75	14,960.00	78,946.75
Paul A. Baraby	8,897.81	1,000.00	7,897.81
Paul R. Stewart, Responsible Person for PG Dive, LLC	73,418.10	16,200.00	57,218.10
Philip D. Buscemi	5,654.05	1,375.00	4,279.05
Raymond P. Brzoska, Jr. d/b/a Ray's Family Farm	78,422.74	24,000.00	54,422.74
Steven H. Stanonik	9,099.40	1,800.00	7,299.40
Swan Color Lab, Inc. and William K. Crombie and Susan M. Crombie, Responsible Persons	558,802.11	330,000.00	228,802.11
Tetherwood Enterprises, Inc. and Patrick A. Heck and Kristine E. Heck, Responsible Persons	134,477.22	72,000.00	62,477.22
Vivienne Simon	8,226.60	1,000.00	7,226.60
Wood Perfect, Inc. and Bernard R. Van Dyk, Responsible Person	30,097.26	15,000.00	15,097.26
TOTAL	\$2,428,080.99	\$923,765.28	\$1,504,315.71

Because of rounding, detail may not add to Totals.

Collection Agencies FY 2014

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
Allen Daniel Associates	\$ 5,801,549	\$ 628,653	\$ 5,172,896
EOS-CCA	7,542,508	921,523	6,620,986
TOTAL	\$13,344,057	\$1,550,175	\$11,793,882

Because of rounding, detail may not add to Totals.