FY2015
ANNUAL REPORT

BUILDING BETTER SYSTEMS
FOR BETTER CUSTOMER SERVICE

MASSACHUSETTS DEPARTMENT OF REVENUE

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 (DOR) fiscal 2015 Annual Report. FY15 revenues totaled $24.7 billion, 5.8 percent more than the previous fiscal year, largely due to greater than expected income tax payments.

Planning and implementing upgrades of outdated systems for both tax and child support services were among the major initiatives for FY15. The benchmarks for the significant modernization include noticeably simpler, quicker and more efficient transactions and unlimited access to account information for the Department's consumers.

System Upgrades

The process of building a state-of-the-art replacement for a 35-year old tax system is well underway. Our new system, MassTaxConnect, was introduced in November of 2014 when approximately 5,000 manually-filing taxpayers were given electronic access to register, file returns, make payments or simply review their account information. The successful launch provided the necessary foundation for the next major rollout to businesses scheduled for November of 2015.

In addition to the new tax system, there is a second major system currently under development to replace DOR's legacy child support case management system. The new system will expand data warehouse functionality and improve efficiency and performance by automating workflows, resulting in improvements to customer service and case management. It is expected that this system will be fully operational by early to mid-2017.

Fraud Prevention

During this past filing season, in concert with the IRS and other states, DOR took proactive and precautionary steps in response to reports of increased filing fraud through a third-party software vendor. Although the Department's system was not breached, the agency, in a move to enhance security by adding another layer of fraud protection, asked some taxpayers to confirm the veracity of their refund returns by completing a simple online verification.

For the more than 2.3 million refunds issued during the filing season, fewer than seven percent of the taxpayers were asked to verify information.

Tax Amnesties

DOR administered two tax amnesty programs during the fiscal year to encourage the payment of delinquent taxes by individuals and businesses. The first tax amnesty program ran from September 1 through October 31 of 2014 and resulted in revenues exceeding $69 million. In 2015, a second tax amnesty was conducted from March 16 through May 15 and more than $18 million in revenues were collected. Under each of these tax amnesty programs, the Department waived all assessed, unpaid penalties for taxpayers who made a full payment by the deadline.

DOR's Child Support Enforcement Division collected $659.7 million dollars, up 0.4 percent from the previous fiscal year. For every dollar spent on the collection program, $5.40 was taken in for child support. In the latest federal Office of Child Support Enforcement report, Massachusetts ranked 8th nationally in the percentage of current child support being collected on cases under management.

In FY2015, the Division of Local Services certified free cash for 347 communities for a total of $1,337,322,465; certified new tax levy growth totaling $256,404,448; distributed $5.3 billion in net local aid to cities, towns, and regional and charter schools; and conducted 10 Community Compact Cabinet Reviews and nine financial management reviews for local governments.

The Department's long-term goal of continuously improving revenue collection and customer service will be significantly bolstered by the launch of these modernized systems for tax and child support.

Preventing tax refund fraud remains a top priority for the Department as well. Accordingly, the agency will continue to institute safeguards to protect taxpayers and the Commonwealth from security breaches and identity theft.

Sincerely,

Michael J. Heffernan,
Commissioner

Sales and Use Tax

The 2014 Massachusetts Sales Tax Holiday Weekend

On August 13, 2014, 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. St. 2014, c. 287, § 109. The Act provided that the sales tax holiday would occur on August 16 and 17, 2014 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 14-7.

Personal Income Tax

Expansion of EDIP Provisions to Include Certified Job Creation Project

"An Act Promoting Economic Growth Across the Commonwealth" (the "Economic Growth Act") was approved by the Governor on August 13, 2014, whereby St. 2014, c. 287, §§ 41 and 55 expanded the EDIP credit provisions in G.L. c. 62, § 6(g) and G.L. c. 63, § 38N to include "certified job creation projects" as defined in §§ 3A and 3F of chapter 23A. The amount of the credit awarded may be up to $1,000 per job created (up to $5,000 in a Gateway Community as defined in § 3A of chapter 23A or within a city or town whose average seasonally adjusted unemployment rate, as reported by the executive office of labor and workforce development, is higher than the average seasonally adjusted unemployment rate of the Commonwealth). The total award per project may not exceed $1,000,000. The credit for a certified job creation project is allowed only for the year subsequent to that in which the jobs are created. This amendment was effective upon enactment and applies to tax years beginning on or after January 1, 2015. *See* TIR 14-13.

New Farming and Fisheries Personal Income Tax Credit

In the Economic Growth Act, § 50 created a small farms and fisheries personal income tax credit, G.L. c. 62, § 6(s), similar to the investment credit available to manufacturing corporations, R&D corporations and corporations primarily engaged in agriculture or commercial fishing. The new credit applies to personal income taxpayers who are primarily engaged in agriculture, farming or commercial fishing. The amount of the credit is 3 percent of the cost or other basis for federal income tax purposes of qualifying property acquired, constructed or erected during the tax year. Qualifying property is defined as tangible personal property and other tangible property including buildings and structural components thereof which are located in Massachusetts, used solely in farming, agriculture or fishing, and are depreciable with a useful life of at least four years.

The Economic Growth Act allows the same credit to lessees calculated as follows: 3 percent of a lessor's adjusted basis in qualifying property for federal income tax purposes at the beginning of the lease term, multiplied by a fraction, the numerator of which is the number of days of the tax year during which the lessee leases the qualifying property and the denominator of which is the number of days in the useful life of the property. Where the lessee is eligible for the credit, the lessor is generally not eligible, with the exception of "equine-based businesses where care and boarding of horses is a function of the agricultural activity." This credit is effective for tax years beginning on or after January 1, 2015. *See* TIR 14-13.

Change in Transferability of Historic Credit for Certain Personal Income Tax Taxpayers

In the Economic Growth Act, § 53 amends G.L. c. 62, § 6J(b)(1)(i), and provides that a taxpayer who acquires a qualified historic structure is allowed to receive any tax credits for qualified rehabilitation expenditures previously awarded to the transferor of the qualified historic structure if: (A) the rehabilitation was not placed in service by the transferor; (B) no credit has been claimed by anyone other than the acquiring taxpayer as verified by the Department of Revenue to the Historical Commission;

(C) the taxpayer completes the rehabilitation and obtains certification from the Historical Commission; and, (D) the taxpayer complies with all other requirements under the Historic Rehabilitation Tax Credit statute and related regulations and rules. In the case of a multi-phase project, tax credits may be transferred for any phase that meets the criteria in subsections (A) through (D). This change is effective August 13, 2014. *See* TIR 14-13.

In addition, the Economic Growth Act amended G.L. c. 62, § 6J to authorize the Massachusetts Historic Commission (MHC) to transfer historic rehabilitation tax credit (HRTC) awards to taxpayers who are taxable under chapter 62 that acquire a qualified historic structure, subject to certain criteria. St. 2014, c. 287, §53. The Economic Growth Act further provided that in the case of a multi-phased project, the MHC is allowed to transfer HRTC awards for any phase that meets the specified criteria. Note that the Economic Growth Act did not amend the corporate excise HRTC statute found at G.L. c. 63, § 38R. *See* TIR 15-6.

Personal Income Tax and Corporate Excise

Extension of the Massachusetts Historic Rehabilitation Tax Credit

The Massachusetts Historical Commission administers, allocates and determines eligibility for the Massachusetts Historic Rehabilitation Tax Credit through an application process and criteria set forth in the Massachusetts Historical Commission Tax Credit regulation, 830 CMR 63.38R.1. Before the extension provided by the Fiscal Year 2015 Budget, St. 2014, c. 165, § 95 ("the 2015 Budget"), approved by the Governor on July 11, 2014, under the personal income tax and corporate excise, the Massachusetts Historical Commission was authorized annually, for a 12-year period beginning January 1, 2006 until December 31, 2017, to certify an amount not exceeding $50 million per year for purposes of the Massachusetts Historic Rehabilitation Tax Credit. For personal income tax and corporate excise purposes, the 2015 Budget extends the Massachusetts Historic Rehabilitation Tax Credit, including the $50 million annual limit, for an additional five years to December 31, 2022. *See* TIR 14-11.

Changes to the Certified Housing Development Tax Credit Cap

A key component of the Certified Housing Development Program, G.L. c. 62, § 6(q); G.L. c. 63, § 38BB, established by St. 2010, c. 240, is the tax credit for certain qualified rehabilitation expenditures with respect to certified housing development projects. In the Economic Growth Act, §§ 45, 46, 47, 48, 60, 61, 62, 122 and 125 made several changes to the credit, including temporarily increasing the annual cap on the amount of credit that may be awarded from $5 million to $10 million. This annual cap is part of an over-all cap imposed on the Economic Development Incentive Program Credit authorized pursuant to G.L. c. 62, § 6(g); G.L. c. 63, § 38N. The increase in the annual cap took effect on 1/1/2015. The annual cap will revert back to $5 million, effective 1/1/2019. *See* TIR 14-13.

Corporate Excise Tax

FAS 109 Deduction

The Fiscal Year 2015 Budget (the "2015 Budget"), St. 2014, c. 165, § 189 (approved by the Governor on July 11, 2014) delayed once again the implementation of the so-called "FAS 109 deduction." On July 11, 2011, the Governor signed into law the Fiscal Year 2012 Budget ("the 2012 Budget"). St. 2011, c. 68. That statute authorized a "FAS 109" deduction 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 Budget, if applicable, the FAS 109 deduction was to be prorated over the seven-year period beginning with the combined group's taxable year that began in 2012. The Fiscal Year 2013 Budget (the "2013 Budget"), St. 2012, c. 139, delayed the implementation of the FAS 109 deduction by one year, providing that the first year of the seven-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. The 2015 Budget deferred the first year of the FAS 109 deduction to the combined group's taxable year that begins in 2016. *See* TIR 14-11.

Taxable Net Worth of an Intangible Property Corporation and Business Corporations (including qualified REITs and entities other than qualified REITs) that are Intangible Property Corporations

Previously, c. 63 §§ 30(8) and 30(9) provided that an intangible property corporation (including an intangible property corporation that is a REIT) could reduce its net worth by the book value of an investment in a subsidiary that represented 80 percent or more of the subsidiary's voting stock, for purposes of calculating the non-income measure of the corporate excise. The 2015 Budget §§ 105, 106, 110 amended c. 63, §§ 30(8) and 30(9) such that an intangible property corporation can now also exclude from net worth the book value of an investment representing an 80 percent or greater ownership interest. The amendment permits the exclusion of interests in entities with no voting stock, such as partnerships. *See* TIR 14-11.

Massachusetts Basis Adjustments

The rules set forth in G.L. c. 63, § 31N require certain adjustments to the Massachusetts basis of a corporation's property, including stock owned by the corporation, for purposes of determining gross income, deductions and other tax items of an entity taxable under chapter 63. Previously, the Department issued a regulation, 830 CMR 63.31N.1, Massachusetts Property Basis Adjustments, to implement the rules of § 31N providing for differences between the Massachusetts and federal basis of property. The 2015 Budget made a technical correction to G.L. c. 63, § 31N, at St. 2014, c. 165, § 110, to reflect the principle set forth in the regulation that adjustments to Massachusetts basis may be required in the case of items taken into account in determining gross income or net income. *See* TIR 14-11.

Changes to the Research and Development Credit

The Economic Development Act, St. 2014, c. 287, §§ 54 and 123, approved by the Governor on August 13, 2014, amended G.L. c. 63, § 38M, effective for tax years beginning on or after January 1, 2015 so that a business corporation may elect to calculate its research credit using one of two methods. The first method revises the existing research credit by changing two definitions that affect the calculation of the credit, i.e., the definitions of "base amount" and "fixed base rate." The amount of the credit is equal to the sum of 10 percent of the excess, if any, of the qualified research expenses for the taxable year over the base amount plus 15 percent of the basic research expenses determined under Internal Revenue Code § 41(e)(1)(A). The second method that a taxpayer may elect to use provides for an alternative simplified research credit, which generally conforms to the methodology of the federal alternative simplified credit provided by I.R.C. § 41(c)(5), as amended and in effect for January 1, 2014. The Massachusetts alternative simplified credit, the second method, will be phased in over a seven-year period. *See* TIR 14-13.

In addition, a supplemental provision called An Act Making Appropriations for Fiscal Year 2014, St. 2014, c. 359, approved by the Governor on October 31, 2014, contained technical corrections to the research credit at G.L. c. 63, § 38M with respect to the alternative simplified credit and the phase in rules that were addressed in St. 2014, c. 287, §§ 54 and 123. *See* TIR 14-16. Further guidance regarding the changes to the research credit will be provided in an amendment to 830 CMR 63.38M.1. *See* TIR 14-16.

Sales/Use Tax Exemption for Qualifying Limited Partnerships Engaged in Research Activities

In the Economic Growth Act, § 66 added subsection (d) to G.L. c. 63, § 42B. Solely for the purpose of claiming the sales tax exemption available to research and development corporations under chapters 64H and 64I, §§ 6(r) and 6(s), this change allows a limited partnership that is not a business corporation, but that would otherwise qualify as a research and development corporation under § 42B, to be considered a research and development corporation when all partners are corporations. This exemption only applies to purchases by such limited partnerships, and does not apply to purchases by LLCs or entities in other forms of organization where the entity is not a business corporation. Thus, for example, the exemption does not apply to a general partnership or to LLCs that elect to be treated as a partnership. This provision became effective upon approval by the Governor therefore it applies to exempt sales/uses occurring on or after August 13, 2014. *See* TIR 14-13.

Changes to the Economic Development Incentive Program (EDIP) Annual Cap

In the Economic Growth Act, §§ 56, 56A and 125 made the following change to G.L. c. 63, § 38N: The $25 million annual cap on the amount of credit that may be awarded was temporarily increased to $30 million. The increase took effect upon approval of the Act by the Governor on August 13, 2014. The $30 million annual cap on the amount of credit that may be awarded is scheduled to revert back to $25 million effective 1/1/2019. *See* TIR 14-13.

Administrative

Technical and Conforming Changes to G.L. c. 62C, Tax Administration, Applicable to Corporations Subject to Combined Reporting

For taxable years beginning on or after January 1, 2009, pursuant to G.L. c. 63, § 32B, Massachusetts law requires certain corporations to file corporate excise returns as members of a combined group. A corporation is generally subject to this combined reporting requirement when it is subject to tax and engaged in a unitary business with one or more other corporations under common control that are subject to tax, or would be subject to tax if doing business in the Commonwealth, under G.L. c. 63, §§ 2, 2B, 32D, 39 or 52A. When combined reporting was enacted in 2008, there were no conforming changes made to the tax administration statute, G.L. c. 62C. Rather, procedural aspects of combined reporting have been addressed by regulation or other administrative action.

The 2015 Budget, §§ 96-104 made several technical and conforming changes to G.L. c. 62C, to codify certain procedural aspects of combined reporting. For example, the amendments make clear that the Department may treat the principal reporting corporation as the agent of the members of a combined group for purposes of both the income measure and the non-income measure of the corporate excise, as well as the minimum excise. *See* TIR 14-11. Several sections of chapter 62C were amended to further clarify the procedural aspects of combined reporting, including the following sections:

A. Principal Reporting Corporation; c. 62C, §§ 1 and 11A

B. Business Corporation Return Filing Requirement; G.L. c. 62C, § 11

C. Financial Institution Return Filing Requirement; G.L. c. 62C, § 12(a)

D. Assessment of Tax; G.L. c. 62C, § 26(b)

E. Extension of Time for Assessment; G.L. c. 62C, § 27

F. Federal Income Tax Changes; G.L. c. 62C, § 30

G. Notice of Assessment; G.L. c. 62C, § 31

H. Application for Abatement; G.L. c. 62C, § 37

In addition, An Act Making Appropriations for the Fiscal Year 2014, St. 2014, c. 359, approved by the Governor on October 31, 2014, added language to G.L. c. 62C, § 71, regarding notices to taxpayers, which permits the Commissioner to give electronic notices rather than mailing paper notices to those taxpayers who consent to electronic notification. *See* TIR 14-16.

Appellate Tax Board Small Claims Procedure: G.L. c. 58A, § 7B(e)

The 2015 Budget, §§ 85, 86, 89 simplified the Appellate Tax Board (ATB) small claims procedure, G.L. c. 58A, § 7B, including outlining when the small claims process governs a case, requirements for filing an appeal under the small claims procedure, and instances in which a matter may be removed from the small claims procedure.

Under the 2015 Budget, the $5,000 threshold under which tax appeal cases are heard through the small claims procedure at the ATB was increased to $25,000. In addition, unless the appellant affirmatively requests that the case be heard under the Board's formal procedure, any case where the amount of tax placed in dispute by the petition does not exceed $25,000 will automatically be governed by the small claims procedure. The Commissioner may request removal from the small claims procedure if there is a recurring issue of law and the impact of the issue on similarly situated taxpayers carries an aggregate value of over $250,000 (increased from the prior amount of $200,000) or the Board may determine that the issue to be addressed is not suitable for small claims resolution. Changes to G.L. c. 58A, § 7B are detailed in § 1.06 of the Rules of Practice and Procedure of the Appellate Tax Board. *See also,* TIR 14-11.

Miscellaneous

Tax Amnesty Programs

An Act addressing the Fiscal Year 2014 Budget shortfall, St. 2014, c. 165, § 264, approved by the Governor on July 11, 2014, provided that the Commissioner of Revenue establish a two-month amnesty program during the fiscal year ending June 30, 2015 (the "Amnesty Program"). The Commissioner established the amnesty period commencing on September 1, 2014 and ending on October 31, 2014. The purpose of the Amnesty Program was to encourage the payment of delinquent tax obligations to the Commonwealth. The Amnesty Program applied to tax years or periods that were stated on a Notice of Assessment issued by the Commissioner on or before July 1, 2014 and was limited to 1) individuals with existing personal income tax liabilities, existing personal use tax liabilities, existing personal boat/recreational vehicles sales tax liabilities, and existing cigarette excise liabilities (pertaining to purchases for individual consumption); and 2) taxpayers with certain existing business tax liabilities as described in TIR 14-8. Under the Amnesty Program, if a taxpayer was notified by the Commissioner that they were eligible for the program and the taxpayer paid the full amount of tax and interest due for any period as shown on the "Tax Amnesty Notice," the Commissioner was authorized to waive all unpaid penalties for such period. *See* TIR 14-8.

An Act Addressing the Fiscal Year 2015 Budget Shortfall, St. 2015, c. 2, § 12, approved by the Governor on February 13, 2015, established an additional Tax Amnesty Program, notwithstanding the Amnesty Program described above. Pursuant to the authority granted to the Commissioner in this Amnesty Program, the Commissioner established a 60-day amnesty period commencing on March 16 and ending on May 15, 2015, to encourage the payment of delinquent tax obligations to the Commonwealth. The Amnesty Program applied to tax years or periods with respect to which a Notice of Assessment was issued by the Commissioner on or before January 1, 2015 and was limited to eligible taxpayers with tax liabilities for tax types that were not included among the tax types covered by the limited amnesty established under the previous Amnesty Program established by the 2014 Budget. These eligible tax types include all corporate excise taxes imposed under G.L. c. 63 (corporate excise, financial institutions, insurance, public utilities, and banks), estate taxes imposed under G.L. c. 65C, fiduciary income taxes imposed under G.L. c. 62, and individual use tax on motor vehicles imposed under G.L. c. 64I. Only taxpayers that received a "Tax Amnesty Notice" from the Commissioner were eligible to participate in the Amnesty Program. If a taxpayer was notified by the Commissioner that they were eligible and the taxpayer paid the full amount of tax and interest due for any period shown on the Tax Amnesty Notice, the Commissioner was authorized to waive all unpaid penalties for such period. *See* TIR 15-2.

Motor Vehicle Excise Tax Exemption for Certain Disabled Veterans and Military Members

The 2015 Budget, § 91, amends G.L. c. 60A, and exempts from the motor vehicle excise tax vehicles leased by certain disabled veterans or residents who are in active and full-time military service as a member of the Armed Forces of the United States or the National Guard, army or air, of any state, and have been deployed or stationed outside the territorial boundaries of the continental United States for a period of at least 45 days in the calendar year for which the exemption is claimed. Previously the exemption applied only to vehicles owned by such individuals. *See* TIR 14-11.

Taxation of Direct Shipments of Wine

Tax changes in the 2015 Budget, §§ 160-166, effective January 1, 2015, made changes to G.L. c. 138, §§ 1, 19F, and 22, which revised the requirements for qualifying as a "direct wine shipper." The distinction between large wineries with a total annual production of 30,000 gallons or more and small wineries with an annual production below that threshold has been removed from chapter 138, as well as the prior limitation that a large winery could not qualify as a "direct wine shipper" if the winery had contracted with or been represented by a wholesaler for the preceding six months.

The Alcoholic Beverages Control Commission (ABCC) is responsible for issuing direct wine shipper licenses in accordance with rules and regulations promulgated by ABCC and may impose fines on wineries shipping wine in violation of c. 138, as amended. A direct wine shipper licensee may ship up to 12 cases of wine, containing not more than 9 liters of wine per case, per year, to a resident of the Commonwealth. Direct wine shippers must report their sales to Massachusetts residents on Form AB-DS and pay the applicable excise. *See* TIR 14-11.

The Taxes FY 2015

TYPE OF TAX	MEASURE	RATE[1]	RETURN DUE
Personal income and fiduciary income	Net capital gains[2] Dividends, interest, wages, other income	5.2–12% 5.2%	On or before April 15 for calendar year filings. The 15th day of the 4th month for fiscal year filings.
Nonresident	Massachusetts source income	5.2%	
Estimated tax	Liability in excess of $400		Due quarterly on or before the 15th day of April; June, September and January.
Withholding	Wages	5.2%	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	$3.51	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)	210%	same as cigarettes
	Cigars and smoking tobacco (percentage of price paid by licensee)	40%	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)	$ .24 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.	6.25%	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, 2014.

[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	0.33%	
	Minimum	$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.

[6]S 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.
[7]30%, 25%, 25% and 20% for corporations with fewer than 10 employees in their first full tax year.
[8]S 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 2015

In thousands	FY11	FY12	FY13	FY14	FY15	% change FY14–15
STATE TAXES COLLECTED BY DOR						
Tax on personal income						
TOTAL	**$11,597,151**	**$11,933,452**	**$12,853,989**	**$13,225,020**	**$14,468,332**	**9.4**
Taxes on business						
Corporations	$ 1,951,444	$ 1,771,113	$ 1,821,950	$ 2,049,051	$ 2,172,076	6.0
Insurance companies	296,022	318,061	373,141	315,776	333,168	5.5
Public utilities	(8,834)	(35,945)	(11,508)	9,795	3,409	(65.2)
Financial institutions	(11,039)	266,612	78,007	135,773	51,896	(61.8)
TOTAL	**$ 2,227,593**	**$ 2,319,841**	**$ 2,261,590**	**$ 2,510,395**	**$ 2,560,549**	**2.0**
Taxes on commodities sold						
Motor fuels	$ 660,830	$ 661,975	$ 651,631	$ 732,473	$ 756,194	3.2
Cigarettes	577,359	573,759	558,297	660,029	647,101	(2.0)
Alcoholic beverages	72,733	76,059	76,313	77,735	79,862	2.7
Sales and use[2]	4,094,067	4,193,873	4,265,852	4,550,882	4,781,299	5.1
Sales on meals	826,797	885,644	918,874	968,219	1,023,390	5.7
TOTAL	**$ 6,231,786**	**$ 6,391,310**	**$ 6,470,967**	**$ 6,989,338**	**$ 7,287,846**	**4.3**
Other taxes						
Estate & inheritance	$ 309,638	$ 293,269	$ 313,394	$ 401,512	$ 340,903	(15.1)
Room occupancy excise	167,304	183,707	194,577	209,749	230,198	9.7
Deeds excise[3]	98,881	109,883	131,882	154,595	164,356	6.3
Club alcoholic beverage excise	928	901	1,044	1,082	953	(11.9)
Motor vehicle excise	61	67	73	65	80	23.1
Controlled substances	0	0	1	0	0	—
Satellite	13,283	12,504	11,392	12,166	11,252	(7.5)
Convention Center surcharge	13,338	13,642	14,020	14,852	15,657	5.4
Community preservation trust	26,638	27,363	30,598	23,770	23,608	(0.7)
TOTAL	**$ 630,071**	**$ 641,336**	**$ 696,981**	**$ 817,791**	**$ 787,007**	**(3.8)**
Total state taxes collected by DOR	**$20,686,601**	**$21,285,939**	**$22,283,527**	**$23,542,544**	**$25,103,734**	**6.6**

[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	FY11	FY12	FY13	FY14	FY15	% change FY14–15
LOCAL TAXES COLLECTED BY DOR ON BEHALF OF COMMUNITIES						
Urban redevelopment	$ 45,453	$ 48,291	$ 44,900	$ 40,820	$ 37,295	(8.6)
Local option airplane jet fuel	26,753	36,213	39,212	39,459	37,471	(5.0)
Local option room occupancy	131,282	146,111	155,717	169,032	185,283	9.6
Local option meals	67,325	83,353	89,963	98,803	109,259	10.6
Local rental vehicle (Convention Center 10%)	1,172	1,275	1,303	1,395	1,460	4.7
Vehicle rental surcharge	706	699	790	410	132	(67.8)
Embarkation fees	1,214	1,244	1,299	1,253	1,284	2.5
Total local taxes collected by DOR on behalf of communities	**$ 273,905**	**$ 317,186**	**$ 333,184**	**$ 351,172**	**$ 372,184**	**6.0**
OTHER REVENUE						
Utility and insurance assessments	$ 0	$ 0	$ 0	$ 0	$ 0	—
Department fees, licenses, etc.	11,768	12,180	12,054	11,703	10,095	(13.7)
County Correction Fund — deeds	0	0	0	0	0	0.0
County recording fees	29,492	30,518	34,151	25,467	25,930	1.8
Abandoned deposits — bottle	35,109	35,371	34,475	37,360	39,911	6.8
UST delivery fees	—	—	—	—	73,644	100.0
Total other revenue	**$ 76,369**	**$ 78,069**	**$ 80,680**	**$ 74,530**	**$ 149,580**	**100.7**
STATE TAXES COLLECTED BY OTHER AGENCIES						
Horse and dog racing	$ 1,457	$ 1,635	$ 1,830	$ 1,308	$ 1,203	(8.0)
Beano, boxing, Boxer's Fund and State Athletic Commission	1,509	1,200	1,075	1,144	1,048	(8.4)
Raffles/bazaars	1,077	1,131	918	1,030	915	(11.2)
Special insurance brokers	23,822	24,140	30,646	31,052	34,664	11.6
UI surcharge	20,448	21,339	22,202	21,233	23,568	11.0
Deeds, Secretary of State	41,321	48,956	56,985	68,485	73,934	8.0
Total state taxes collected by other agencies	**$ 89,634**	**$ 98,401**	**$ 113,656**	**$ 124,252**	**$ 135,332**	**8.9**
TAXES ON PROPERTY COLLECTED BY LOCAL GOVERNMENT						
Real estate	$11,907,140	$12,358,206	$12,792,183	$13,297,316	$13,859,970	4.2
Personal property	577,759	618,025	651,569	677,654	693,654	2.4
Motor vehicles	637,123	644,541	676,973	755,700	784,007	3.7
Total taxes on property collected by local government	**$13,122,022**	**$13,620,772**	**$14,120,725**	**$14,730,670**	**$15,337,631**	**4.1**
TOTAL ALL TAXES	**$34,248,531**	**$35,400,367**	**$36,931,772**	**$38,823,168**	**$41,098,461**	**5.9**

Because of rounding, detail may not add to Totals.

Offers in Final Settlement FY 2015

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 2015, 19 settlements were made. All 19 were reviewed by the Attorney General.

The cases approved were as follows:

NAME	TOTAL TAX, INTEREST & PENALTIES	AMOUNT PAID IN SETTLEMENT	AMOUNT ABATED
Alfred L. Rash, Responsible Person for Phatt Ventures, Inc.	$ 44,142.84	$ 28,800.00	$ 15,342.84
Dennis R. & Patricia M. Harrison	55,769.97	20,400.00	35,369.97
Facilities Data, Inc. & Michael A. Benn, Responsible Person	69,859.19	15,000.00	54,859.19
Francis J. & Frances A. Downing	7,415.82	3,000.24	4,415.58
Graham Enterprises, Inc. & John M. Graham, Responsible Person & Individually for Income Taxes	40,264.28	28,800.00	11,464.28
John F. Ferreer	25,994.97	18,000.00	7,994.97
John F. Sweezey	30,788.78	4,800.00	25,988.78
Joseph M. Alvaro d/b/a Advanced Business Systems	39,576.38	8,440.49	31,135.89
Judith A. Kaplan d/b/a Boston Blinds	42,716.16	5,500.00	34,332.30
INNOVCP, Inc. & The Learning Community Group, Inc. & Craig M. Davis, Responsible Person and Individually for Income Taxes	33,801.27	15,500.00	18,301.27
Leonard S. Burrows	17,475.79	7,248.00	8,999.61
McMahon-Wells Associates, Inc. & Thomas B. McMahon, Responsible Person & Thomas B. and Mardi C. McMahon Individually for Income Taxes	98,948.78	18,000.00	78,189.30
New England Drilling Supply Co., Inc. & Rodney P. Majowicz, Responsible Person	135,150.02	20,000.00	109,602.26
Peter Brasin d/b/a Unique Cut & Individually for Income Taxes	29,299.04	5,000.00	25,991.22
Ralph P. Turcotte	24,984.72	5,800.00	18,655.91
Roadside Video, Inc. & John K. Miller, Responsible Person & Canoe Tree Corp. & John K. & Janet N. Miller, Responsible Persons & Individually for Income Taxes	513,547.74	100,000.00	413,547.74
Thomas A. Brown, Responsible Person for R & B Holdings, LLC & for R & B Management, Inc.	349,225.77	150,000.00	199,225.77
Tracy L. Johnson	36,569.54	18,000.00	18,569.54
William D. Schmidt	63,479.94	5,000.00	58,479.94
TOTAL	**$1,659,011.00**	**$477,288.73**	**$1,170,466.36**

Because of rounding, detail may not add to Totals.

Collection Agencies FY 2015

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	$ 6,389,451	$ 682,821	$ 5,706,631
EOS-CCA	6,965,749	879,971	6,085,779
TOTAL	**$13,355,200**	**$1,562,791**	**$11,792,409**

Because of rounding, detail may not add to Totals.