



# FY 2016

## ANNUAL REPORT



# 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 2016 Annual Report. FY16 revenues totaled \$25.269<sup>1</sup> billion, 2.2 percent more than the previous fiscal year, largely due to greater than expected corporate and business, and "other" tax collections.

Work continued this year on the development of major system upgrades across DOR for tax, child support and local services. Implementation of the new systems continued with successful major launches for both the tax and local services systems.

## **New System Releases**

MassTaxConnect opened up to business taxpayers with the system's second launch, the largest to date, on November 30, 2015. More than 250,000 business taxpayers were given access to MassTaxConnect to file and pay taxes. MassTaxConnect replaces WebFile for Business as the new web portal for businesses. Business taxpayers continue to have access to features they liked most about WebFile for Business, in addition to enhancements like electronic delegation for third party access and secure e-messaging.

Additionally, DOR's Division of Local Services continued the modernization initiative of the Gateway system, which offers local officials a way to directly enter data and immediately verify submission status across all regulatory review programs. Release 3, the largest launch to date for the Gateway system, provided upgrades to many of the important modules, like Tax Rate, Certification, District Tax Rate, and Property Tax Exemptions.

## **Tax Amnesty**

DOR administered a two-month tax amnesty from April 1 to May 31, 2016. The program was designed to reach taxpayers who could not participate in other recent amnesties, specifically non-registrants, non-filers, and under-reporters. With an initial collection target of \$100 million, the program raised \$136.8 million from 9,550 taxpayers. A total of \$14 million of penalties was waived for participants.

DOR's Child Support Enforcement Division collected \$667.8 million dollars, up 1.2 percent from the previous fiscal year. DOR collects \$6.03 for every dollar spent on the child support program. In the latest federal Office of Child Support Enforcement report, Massachusetts ranked ninth nationally in the percentage of current child support collected on cases for which DOR is providing services.

In FY2016, the Division of Local Services certified free cash for 345 communities for a total of \$1,404,974,937; certified new tax levy growth totaling \$279,703,665; distributed \$5.377 billion in net local aid to cities, towns, and regional and charter schools; and conducted 29 Community Compact Cabinet reviews.

State-of-the-art systems will continue to be implemented across the agency to improve customer service and revenue collections, as DOR continues to focus on its task of serving taxpayers, families, and cities and towns.

Sincerely,

A handwritten signature in black ink, appearing to read 'Ch Harding', with a stylized flourish at the end.

Christopher C. Harding,  
Commissioner

1. Excluding tax-related settlement and judgment payments jointly certified by DOR and the Office of the Attorney General.

# LEGISLATIVE REVIEW FY2016

## Sales and Use Tax

### 2015 Massachusetts Sales Tax Holiday Weekend

On August 6, 2015, 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. 2015, c. 65, § 1. The Act provided that the sales tax holiday would occur on August 15 and 16, 2015 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 15-7.

## Personal Income Tax

### Increase of the Massachusetts Earned Income Tax Credit

An Act Relative to the Earned Income Tax Credit, St. 2015, c. 52, § 1 amended G.L. c. 62, § 6(h). The refundable earned income credit is available to certain low-income individuals who have earned income and meet certain federal requirements for the federal earned income credit. Taxpayers must qualify for and claim the federal earned income credit allowed under I.R.C. § 32 as amended and in effect for the taxable year. Taxpayers may claim the credit even if they do not have a filing requirement. To receive the credit, taxpayers must file tax returns and claim the credit. Under the Act, the Massachusetts refundable credit was increased from 15% of the computed federal credit to 23% effective for tax years beginning on or after January 1, 2016." See TIR 15-12.

### New Angel Investor Credit

In an Act Relative to Job Creation and Workforce Development, enacted on August 10, 2016, G.L. c. 62, § 6 was amended by adding new subsection (t), which provides a credit against personal income tax equal to 20% of the amount of qualifying investments made by a taxpayer investor in a qualifying business generally, and 30% of the amount of qualifying investments made by a taxpayer investor in a qualifying business located in a "Gateway municipality," as defined in G.L. c. 23A, § 3A. St. 2016, § 72; TIR 16-15.

The Act defines "taxpayer investor" as an accredited investor (as defined by the United States Securities and Exchange Commission under 15 U.S.C. § 77(b)(15)(ii)) who is not the principal owner of the qualifying business and who is involved in the qualifying business as a full-time professional activity.

For purposes of the credit, a taxpayer investor may invest up to \$125,000 per qualifying business (as defined by statute and explained in TIR 16-15) per year up to a maximum of \$250,000. A taxpayer investor's total credits may not exceed \$50,000 in a single calendar year. The credit may be taken in either the tax year of the initial investment or it can be carried forward to any of the three subsequent taxable years, as long as the qualifying business maintains its principal place of business in Massachusetts. If the qualifying business does not maintain its principal place of business in Massachusetts for this three year period, the taxpayer investor must repay the total amount of credits claimed.

The Act delegated administration of the credit to the Massachusetts Life Sciences Center, in consultation with the Executive Office of Housing and Economic Development and DOR. Angel investor credits awarded by the Life Sciences Center are included in the annual cap of \$25,000,000 applicable to other life sciences credits. The credit may be allowed for tax years beginning on or after January 1, 2017. No credit may be claimed prior to an award by the Life Sciences Center.

### New Prepaid Tuition or College Savings Program Deduction

In an Act Relative to Job Creation and Workforce Development, enacted on August 10, 2016, G.L. c. 62, § 3.B(a) was amended by inserting new paragraph (19), which provides a new deduction against Part B income in an amount equal to 1) purchases of or 2) contributions made in a taxable year to an

account in a pre-paid tuition program or a college savings program established by the Commonwealth or an instrumentality or authority of the Commonwealth. St. 2016, § 66. The deduction is capped at \$1,000 for a single person or head of household and \$2,000 for a married couple filing a joint return. The deduction is subject to recapture in the taxable year or years in which distributions or refunds are made from the tuition or college savings account for any reason other than (i) to pay qualified higher education expenses, as defined by Internal Revenue Code (IRC) § 529(e)(3); or (ii) the beneficiary's death, disability or receipt of a scholarship.

For purposes of this deduction, a purchaser or contributor is the person shown as such on the records of the tuition or college savings program as of December 31 of the taxable year. If ownership of the tuition or college savings plan is transferred, any carryover or recapture limitations apply to the transferee. The deduction applies to tax years beginning on or after January 1, 2017 through the tax year beginning on January 1, 2021. See TIR 16-15.

### **Changes to the Tuition Payment Deduction**

In an Act Relative to Job Creation and Workforce Development, enacted on August 10, 2016, the deduction allowed under G.L. c. 62, § 3.B(a)(11) for tuition payments made by a taxpayer to a two or four-year college in which the taxpayer or the taxpayer's dependent is enrolled, subject to the limitations as defined in that section, was amended. The Act provided that non-residents and part year residents are ineligible for the deduction, effective for tax years beginning on or after January 1, 2017. See TIR 16-15.

## **Personal Income Tax and Corporate Excise**

### **Changes to the Community Investment Tax Credit**

In an Act Relative to Job Creation and Workforce Development, enacted on August 10, 2016, changes were made to the Community Investment Tax Credit under G.L. c. 62, § 6M and G.L. c. 63, § 38EE. A community investment tax credit is allowed to a taxpayer subject to the personal income tax under G.L. c. 62 or the corporation excise under G.L. c. 63 that makes qualified investments (certain cash contributions) on or after January 1, 2014 to a "community partner" (i.e., a community development

corporation or a community support organization) to support the implementation of its community investment plan, or to a community partnership fund.

The Act changed the definition of an "economic target area" as that phrase is referenced in G.L. c. 62, § 6M(b) and G.L. c. 63, § 38EE(b) for purposes of determining what constitutes a "low and moderate income community." Effective for tax years beginning January 1, 2017, an "economic target area," formerly defined by reference to G.L. c. 23A, § 3A, is now defined by reference to G.L. c. 23A, § 3G as amended and in effect for tax years beginning on or after January 1, 2017. See TIR 16-15.

The Act also changed the standard for determining whether a recipient of a prior credit allocation is eligible for a subsequent community investment tax credit allocation under G.L. c. 62, § 6M(c)(4) and G.L. c. 63, § 38EE(c)(4). Effective August 10, 2016, a community partner is eligible to receive a subsequent community investment tax credit allocation if the Department of Housing and Community Development determines that the community partner has made satisfactory progress towards utilizing any prior allocation it has received. Prior to this change, a community partner was required to have utilized at least 95% of its prior allocation to be eligible for a subsequent allocation.

### **Changes to the Low-Income Housing Credit**

Under G.L. c. 62, § 6I and G.L. c. 63, § 31H, a low-income housing tax credit authorized by the Department of Housing and Community Development ("DHCD") is available to an eligible taxpayer, subject to the personal income tax under G.L. c. 62 or the corporation excise under G.L. c. 63, that invests in affordable rental housing developments ("Qualified Massachusetts Project"). See TIR 10-15. The credit may be claimed in the year that the Qualified Massachusetts Project is placed in service and for each of the four subsequent taxable years.

In an Act Relative to Job Creation and Workforce Development, enacted on August 10, 2016, changes were made to the Low-Income Housing Credit. Pursuant to the Act, individuals and corporations may also be eligible for a low-income housing tax credit if they donate real or personal property to certain non-profit entities for use in purchasing, constructing or rehabilitating a Qualified Massachusetts Project (a "Qualified Donation"). St. 2016, c. 219, §§ 73-77; 80-84; 88-91.



In the case of a Qualified Donation, the credit is generally limited to 50% of the amount of the donation, but it may be increased to 65% by DHCD if DHCD deems the increase to be necessary to the project's viability, and determines that there is sufficient state low-income housing tax credits available to permit such an increase. The credit for a Qualified Donation must be claimed in the year that the Qualifying Donation is made, and is not refundable. Any credit amounts attributable to a Qualified Massachusetts Project or a Qualified Donation that exceed the tax due may be carried forward for five years. Low-income housing tax credits authorized by DHCD are subject to an annual cap of \$20,000,000 until January 1, 2020, and \$10,000,000 thereafter. Only one-fifth of any low-income housing tax credits awarded for Qualified Donations will count towards DHCD's annual cap on low-income housing tax credits. The credit for Qualified Donations is allowed for taxable years beginning on or after January 1, 2017. See TIR 16-15.

### **Changes to the Historic Rehabilitation Credit**

In an Act Relative to Job Creation and Workforce Development, enacted on August 10, 2016, changes were made to G.L. c. 62, § 6J and G.L. c. 63, § 38R, making the Historic Rehabilitation Tax Credit ("HRTC") available to taxpayers subject to the personal income tax under G.L. c. 62 or the corporation excise under G.L. c. 63 if they incur qualified rehabilitation expenditures in connection with the certified rehabilitation of a qualified historic structure. St. 2016, c. 219, § 87. See TIR 16-15.

Effective on August 10, 2016, the Act also amended G.L. c. 63, § 38R to allow the Massachusetts Historical Commission ("MHC"), subject to certain criteria, to transfer HRTC awards to taxpayers subject to the corporation excise imposed by G.L. c. 63 if they acquire a qualified historic structure. Additionally, in the case of a multi-phased project, the Act provided that the MHC may transfer HRTC awards for any phase that meets the criteria.

These amendments to the corporate HRTC statute are identical to amendments made to the personal income HRTC provisions, G.L. c. 62, § 6J, pursuant to St. 2014, c. 287; See *also* TIR 10-14.

### **Changes to the Certified Housing Development Credit**

Under G.L. c. 62, § 6(q) and G.L. c. 63, § 38BB, a tax credit is available to an eligible taxpayer subject to the personal income tax under G.L. c. 62 or the cor-

poration excise under G.L. c. 63 for certain qualified housing development project expenditures with respect to a certified housing development. In an Act Relative to Job Creation and Workforce Development, enacted on August 10, 2016, changes were made to both the potential amount of the credit and the types of costs eligible for the credit. Pursuant to the Act, the credit is available for 25% of "qualified project expenditures." St. 2016, c. 219, §§ 68-70; 88-90. Formerly, the credit was available for 10% of "qualified substantial rehabilitation expenditures." Additionally, the Act changed the carry forward period for which the credit can be used from 5 to 10 years. These changes to the credit are effective for tax years beginning on or after January 1, 2017. See TIR 16-15.

## **Corporate Excise Tax**

### **FAS 109 Deduction**

The Fiscal Year 2016 Budget (the "2016 Budget"), St. 2015, c. 46 (signed by the Governor on July 17, 2015) delayed once again the implementation of the so-called "FAS 109 deduction." The original statute, which was signed into law under the Fiscal Year 2012 Budget, St. 2011, c. 68, 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. Each year since its enactment, the Fiscal Year Budget has delayed implementation of the deduction. See *also* TIRs 11-6; 12-10; 14-11. The 2016 Budget delayed implementation of the FAS 109 deduction for an additional five years (from 2016 to 2021), and the time over which a company can claim its overall deduction was increased from seven to thirty years. See TIR 15-12.

### **Changes to the Economic Development Incentive Program Provisions**

General Laws chapter 62, section 6(g) and chapter 63, section 38N authorize a credit against the tax imposed by those chapters to taxpayers that participate in a certified project as defined in G.L. c. 23A, §§ 3A and 3F. The credit, referred to as the economic development incentive program credit ("EDIPC"), is a key component of the Economic

Development Incentive Program (“EDIP”) under G.L. c. 23A and is available to a taxpayer only to the extent awarded by the Economic Assistance Coordinating Council (“EACC”) as defined in G.L. c. 23A. EDIP credits authorized by the EACC are subject to an annual cap of \$30,000,000.

An Act Relative to Job Creation and Workforce Development, enacted on August 10, 2016, made significant changes to the EDIPC provisions in G.L. c. 62, § 6(g) and G.L. c. 63, § 38N. The changes are effective for projects certified in tax years beginning on or after January 1, 2017.

Under the previous version of the EDIPC, the credit awarded was based on a percentage of the cost of any property that qualified for the credit allowed by G.L. c. 63, § 31A. Pursuant to the Act, the credit is no longer tied to the cost of property that would qualify for the investment tax credit allowed under G.L. c. 63, § 31A. Instead, the amount of credit allowed in each case is determined by the EACC based on numerous factors set forth in G.L. c. 23A § 3D. The previous version of the EDIPC imposed limitations on the maximum amount of credit that the EACC could award to particular types of certified projects, e.g., a certified manufacturing retention project could have received a credit up to 40% of the cost of property that qualified for the ITC. The Act eliminates those limitations from the EDIPC.

Under the Act, the EACC may designate the EDIPC as refundable for any certified project, subject to a limitation that the EACC may not award more than \$5 million in refundable credits per year. In addition, the EACC is now authorized to specify the timing of the refund. Under the previous EDIPC, the EACC could award a refundable credit only to a manufacturing retention project or a certified job creation project.

The Act also amends the rules with respect to recapture of the credit. Under the Act, recapture is required only if the EACC revokes the certification of a project. The amount of credit subject to recapture will be proportionate to the corporation’s compliance with the job creation requirements applicable to a certified project. The corporation’s proportion of compliance will be determined by the EACC as part of the revocation process and must be reported to the corporation and the Department of Revenue (“DOR”) at the time of revocation. The credit is no longer subject to the recapture provision of G.L. c. 63, § 31A(e) which, under the previous version of the EDIPC, would be triggered if property that qualified for the credit was disposed of or ceased

to be in qualified use within the meaning of G.L. c. 63, § 31A, or if such property ceased to be used exclusively in a certified project before the end of its useful life.

Under the Act, if a certified project is sold or otherwise disposed of, the EDIPC allowed may be transferred to the purchaser of the certified project, provided that the EDIP contract is assigned to and assumed by the purchaser and approved by the EACC. Under the previous version of the EDIPC, the sale or other disposition of a certified project may have triggered the recapture provisions of G.L. c. 63, § 31A(e).

Section 128 of the Act provides that any taxpayer participating in a certified project that intends to claim the Economic Opportunity Area Credit or EDIPC on returns for tax years beginning on or after January 1, 2016 must enter into an EDIP contract with the EACC. There was no such requirement under the previous version of the EDIPC. Any taxpayer participating in a certified project that fails to enter into an EDIP contract in form and substance acceptable to the Massachusetts Office of Business Development on or before December 31, 2016 shall forfeit such credits. See TIR 16-15.

## Administrative

### Creation of a Multi-Agency Illegal Tobacco Task Force

The Fiscal Year 2016 Budget, St. 2015, c. 46, § 68, was approved by the Governor on July 17, 2015 and established a multi-agency illegal tobacco task force which is tasked with coordinating efforts to combat contraband tobacco distribution, including efforts to foster compliance with the law and conduct targeted investigations and enforcement actions against violators. The task force is co-chaired by the Colonel of State Police and the Commissioner of Revenue or their designees and shall consist of: the Secretary of Public Safety and Security, the State Treasurer, the Attorney General, and the Commissioner of Public Health or their respective designees.

The task force identifies where illegal tobacco distribution is most prevalent and targets its members’ investigative and enforcement resources against those in violation of the provisions of chapter 64C. The goal is to be accomplished through the formation of joint investigative and enforcement teams and assessing existing investigative and enforcement methods in the Commonwealth and in other

jurisdictions and developing and recommending strategies to improve those methods.

Confidentiality rules relating to tax information have been amended so that the disclosure to the task force of information contained in a return or document filed with the Commissioner of Revenue “for the purpose of investigating or prosecuting criminal offenses relative to contraband tobacco distribution or conducting other enforcement actions relative to contraband tobacco distribution” is not precluded by the provisions of G.L. c. 62C, § 21. See TIR 15-12.

## Miscellaneous

### **Cigarette Excise: Suspension of Lottery Licenses tied to Revocation of Cigar and Tobacco Licenses**

The Fiscal Year 2016 Budget, St. 2015, c. 46, § 69, requires the Commissioner to notify the Director of the State Lottery Commission upon the suspension or revocation of a cigar or tobacco license for a knowing violation of the provisions pertaining to collection and payment of the cigarette excise. The Director of the State Lottery shall then suspend any license to sell lottery tickets or shares issued to that retailer or cigar retailer for up to 60 days. See TIR 15-12.

### **Non-Filer Tax Amnesty Program**

The Fiscal Year 2016 Budget, St. 2015, c. 46, § 151, allows the Commissioner to establish a two month tax amnesty program within fiscal year 2016 for the failure to file or timely file a return, or timely pay a tax liability. The Department anticipates that the amnesty program will focus primarily on taxpayers who have failed to file returns. The Department will provide guidance on the amnesty program in a subsequent public written statement. See TIR 15-12.



# The Taxes FY 2016

TYPE OF TAX	MEASURE	RATE <sup>1</sup>	RETURN DUE
<b>Personal income and fiduciary income</b>	Net capital gains <sup>2</sup>	5.15–12%	On or before April 15 for calendar year filings.
	Dividends, interest, wages, other income	5.15%	The 15th day of the 4th month for fiscal year filings.
<b>Nonresident</b>	Massachusetts source income	5.15%	
<b>Estimated tax</b>	Liability in excess of \$400		Due quarterly on or before the 15th day of April; June, September and January.
<b>Withholding</b>	Wages	5.15%	Varies depending on amount of tax withheld in calendar year. If annual withholding: up to \$100 — annual filing; \$101–1,200 — quarterly filings; \$1,201–25,000 — monthly filings; over \$25,000 — quarterly filings, weekly payments.
<b>Estate</b>	Federal taxable estate	0.8%–16% <sup>3</sup>	Within 9 months after date of decedent's death.
<b>Nonresident</b>	Massachusetts real and tangible property <sup>3</sup>		Within 9 months after date of decedent's death.
<b>Alcoholic beverages</b>	Malt (31-gal. bbl.)	\$3.30	Monthly, on or before the 20th day of the month.
	Cider 3%–6% (wine gal.)	\$ .03	
	Still wine 3%–6% (wine gal.)	\$ .55	
	Sparkling wine (wine gal.)	\$ .70	
	Alcoholic beverages 15% or less (wine gal.)	\$1.10	
	Alcoholic beverages more than 15%–50% (wine gal.)	\$4.05	
<b>Cigarettes</b>	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%	
<b>Deeds</b>	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.
<b>Deeds</b>	Sales price (less mortgage assumed) of real estate	\$2.28 <sup>4</sup> per \$500	Monthly, on or before the 10th day of the month (filed by Registers of Deeds).
<b>Motor fuels</b>	Gasoline and diesel fuel per gallon	\$ .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%	
<b>Room occupancy</b>	Transient room occupancy	5.7%	Monthly, on or before the 20th day following the close of the tax period.
	At local option, up to	6.0% <sup>5</sup>	
	Convention Center Financing Fee	2.75%	
	(Boston, Cambridge, Springfield, Worcester, Chicopee and West Springfield)		
<b>Club alcoholic beverages</b>	Gross receipts	0.57%	On or before April 15.
<b>Sales and use tax</b>	Sale, rental or use of tangible personal property, including cigarettes, telecommunication services and certain fuel.	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

<sup>1</sup> Tax rates as of August 1, 2015.

<sup>2</sup> 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%.

<sup>3</sup> Resident rate is equal to federal credit for state death taxes based on December 31, 2000 IRC. Nonresident rate is equal to Massachusetts proportionate share of federal credit for state death taxes.

<sup>4</sup> In Barnstable County, the rate is \$6.12 (combined state and county deeds excise) per \$1,000.

<sup>5</sup> Boston is authorized to charge up to 6.5%

TYPE OF TAX	MEASURE	RATE	RETURN DUE
<b>Sales tax on meals, prepared food and all beverages</b>	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.
<b>Direct broadcast satellite service</b>	Gross revenues	5%	Monthly, on or before the 20th day of each calendar month.
<b>Business and manufacturing corporations</b>	Net income Tangible property or net worth Minimum	8.0% <sup>6</sup> \$2.60 per \$1,000 \$456	On or before the 15th day of third month after close of taxable year.
<b>Estimated tax</b>	Liability in excess of \$1,000		Due quarterly as follows: 15th day of 3rd (40%), 6th (25%), 9th (25%) and 12th (10%) months of taxable year. <sup>7</sup>
<b>Security corporation</b>			
Non-bank holding co.	Gross income	1.32%	Same as business corporations.
Bank holding company	Gross income	0.33%	
	Minimum	\$456	
<b>Financial institutions</b>	Net income Minimum	9.0% <sup>8</sup> \$456	Same as business corporations.
<b>Ship excise tax</b>	Value (equity interest) of the corporation’s interest in a ship or vessel engaged in interstate or foreign trade.	0.33%	Same as business corporations.
<b>Insurance company</b>			
Domestic life	Premiums	2.0%	On or before March 15.
Foreign life	Premiums	2.0%	
Domestic casualty	Premiums	2.28%	
	Gross investment income	0.2%–1.0%	On or before May 15.
Foreign casualty	Premiums	2.28%	
Ocean marine	Underwriting profit	5.7%	
Preferred provider arrangements	Premiums	2.28%	On or before March 15.
<b>Motor vehicle</b> 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.
<b>Boston sightseeing tour</b>	Ticket purchase price of any water- or land-based sightseeing tourist venue or entertainment cruise or trolley tour originating or located in Massachusetts and conducted partly or entirely in Boston.	5%	Quarterly, on or before the 20th day following the close of the tax period.
<b>Boston vehicular rental transaction surcharge</b>	Each vehicular rental transaction contract executed in Boston.	\$10	Quarterly, on or before the 20th day following the close of the tax period.
<b>Parking facilities surcharge in Boston, Springfield and/or Worcester</b>	Parking facilities built in conjunction with or as part of a project authorized by the Convention Center Financing Act in Boston, Springfield or Worcester.	\$2 per vehicle per day	Quarterly, on or before the 20th day following the close of the tax period.

<sup>6</sup>S corporations: 2.85% if total receipts are \$9 million or more; 1.90% if total receipts are \$6 million or more but less than \$9 million.

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

<sup>8</sup>S corporations: 3.85% if total receipts are \$9 million or more; 2.57% if total receipts are \$6 million or more but less than \$9 million.

# Revenue Collections FY 2016

In thousands	FY12	FY13	FY14	FY15	FY16	% change FY15–16
<b>STATE TAXES COLLECTED BY DOR</b>						
<b>Tax on personal income</b>						
<b>TOTAL</b>	<b>\$11,933,452</b>	<b>\$12,853,989</b>	<b>\$13,225,020</b>	<b>\$14,468,332</b>	<b>\$14,407,518</b>	<b>(0.4)</b>
<b>Taxes on business</b>						
Corporations	\$ 1,771,113	\$ 1,821,950	\$ 2,049,051	\$ 2,172,076	\$ 2,312,031	6.4
Insurance companies	318,061	373,141	315,776	333,168	369,391	10.9
Public utilities	(35,945)	(11,508)	9,795	3,409	(1,604)	(147.1)
Financial institutions	266,612	78,007	135,773	51,896	23,465	(54.8)
<b>TOTAL</b>	<b>\$ 2,319,841</b>	<b>\$ 2,261,590</b>	<b>\$ 2,510,395</b>	<b>\$ 2,560,549</b>	<b>\$ 2,703,283</b>	<b>5.6</b>
<b>Taxes on commodities sold</b>						
Motor fuels	\$ 661,975	\$ 651,631	\$ 732,473	\$ 756,194	\$ 766,553	1.4
Cigarettes	573,759	558,297	660,029	647,101	640,839	(1.0)
Alcoholic beverages	76,059	76,313	77,735	79,862	82,611	3.4
Sales and use <sup>2</sup>	4,193,873	4,265,852	4,550,882	4,781,299	4,997,565	4.5
Sales on meals	885,644	918,874	968,219	1,023,390	1,093,041	6.8
<b>TOTAL</b>	<b>\$ 6,391,310</b>	<b>\$ 6,470,967</b>	<b>\$ 6,989,338</b>	<b>\$ 7,287,846</b>	<b>\$ 7,580,609</b>	<b>4.0</b>
<b>Other taxes</b>						
Estate & inheritance	\$ 293,269	\$ 313,394	\$ 401,512	\$ 340,903	\$ 399,429	17.2
Room occupancy excise	183,707	194,577	209,749	230,198	246,524	7.1
Deeds excise <sup>3</sup>	109,883	131,882	154,595	164,356	191,516	16.5
Club alcoholic beverage excise	901	1,044	1,082	953	784	(17.7)
Motor vehicle excise	67	73	65	80	100	25.0
Controlled substances	0	1	0	0	0	—
Satellite	12,504	11,392	12,166	11,252	11,773	4.6
Convention Center surcharge	13,642	14,020	14,852	15,657	16,493	5.3
Community preservation trust	27,363	30,598	23,770	23,608	25,509	8.1
<b>TOTAL</b>	<b>\$ 641,336</b>	<b>\$ 696,981</b>	<b>\$ 817,791</b>	<b>\$ 787,007</b>	<b>\$ 892,128</b>	<b>13.4</b>
<b>Total state taxes collected by DOR</b>	<b>\$21,285,939</b>	<b>\$22,283,527</b>	<b>\$23,542,544</b>	<b>\$25,103,734</b>	<b>\$25,583,538</b>	<b>1.9</b>

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

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

<sup>3</sup>Due to different accounting methods, amounts reported for the deeds excise differ from those amounts reported by the comptroller.

Because of rounding, detail may not add to Totals.

In thousands	FY12	FY13	FY14	FY15	FY16	% change FY15–16
<b>LOCAL TAXES COLLECTED BY DOR ON BEHALF OF COMMUNITIES</b>						
Urban redevelopment	\$ 48,291	\$ 44,900	\$ 40,820	\$ 37,295	\$ 36,568	(1.9)
Local option airplane jet fuel	36,213	39,212	39,459	37,471	23,373	(37.6)
Local option room occupancy	146,111	155,717	169,032	185,283	199,080	7.4
Local option meals	83,353	89,963	98,803	109,259	119,730	9.6
Local rental vehicle (Convention Center 10%)	1,275	1,303	1,395	1,460	1,534	5.1
Vehicle rental surcharge	699	790	410	132	176	33.3
Embarkation fees	1,244	1,299	1,253	1,284	1,413	10.0
<b>Total local taxes collected by DOR on behalf of communities</b>	<b>\$ 317,186</b>	<b>\$ 333,184</b>	<b>\$ 351,172</b>	<b>\$ 372,184</b>	<b>\$ 381,874</b>	<b>2.6</b>
<b>OTHER REVENUE</b>						
Utility and insurance assessments	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	—
Department fees, licenses, etc.	12,180	12,054	11,703	10,095	10,449	3.5
County Correction Fund — deeds	0	0	0	0	0	—
County recording fees	30,518	34,151	25,467	25,930	27,860	7.4
Abandoned deposits — bottle	35,371	34,475	37,360	39,911	44,333	11.1
UST delivery fees	—	—	—	73,644	75,169	2.1
<b>Total other revenue</b>	<b>\$ 78,069</b>	<b>\$ 80,680</b>	<b>\$ 74,530</b>	<b>\$ 149,580</b>	<b>\$ 157,811</b>	<b>5.5</b>
<b>STATE TAXES COLLECTED BY OTHER AGENCIES</b>						
Horse and dog racing	\$ 1,635	\$ 1,830	\$ 1,308	\$ 1,203	\$ 1,326	10.2
Beano, boxing, Boxer's Fund and State Athletic Commission	1,200	1,075	1,144	1,048	1,046	(0.2)
Raffles/bazaars	1,131	918	1,030	915	897	(2.0)
Special insurance brokers	24,140	30,646	31,052	34,664	37,405	7.9
UI surcharge	21,339	22,202	21,233	23,568	22,814	(3.2)
Deeds, Secretary of State	48,956	56,985	68,485	73,934	90,426	22.3
<b>Total state taxes collected by other agencies</b>	<b>\$ 98,401</b>	<b>\$ 113,656</b>	<b>\$ 124,252</b>	<b>\$ 135,332</b>	<b>\$ 153,914</b>	<b>13.7</b>
<b>TAXES ON PROPERTY COLLECTED BY LOCAL GOVERNMENT</b>						
Real estate	\$12,358,206	\$12,792,183	\$13,297,316	\$13,860,548	\$14,469,307	4.4
Personal property	618,025	651,569	677,654	693,529	709,929	2.4
Motor vehicles	644,541	676,973	755,700	784,007	850,225	8.4
<b>Total taxes on property collected by local government</b>	<b>\$13,620,772</b>	<b>\$14,120,725</b>	<b>\$14,730,670</b>	<b>\$15,338,084</b>	<b>\$16,029,461</b>	<b>4.5</b>
<b>TOTAL ALL TAXES</b>	<b>\$35,400,367</b>	<b>\$36,931,772</b>	<b>\$38,823,168</b>	<b>\$41,098,914</b>	<b>\$42,306,598</b>	<b>2.9</b>

Because of rounding, detail may not add to Totals.

# Offers in Final Settlement FY 2016

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 2016, 56 settlements were made. All 56 were reviewed by the Attorney General.

The cases approved were as follows:

NAME	TOTAL TAX, INTEREST & PENALTIES	AMOUNT PAID IN SETTLEMENT	AMOUNT ABATED
A. Spadafora Iron Works, Inc., Red Oak Winery, LLC & Frank Spadafora, Responsible Person for A. Spadafora Iron Works, Inc. & Red Oak Winery, LLC	\$ 118,304.51	\$ 22,000.00	\$ 96,304.51
Edward P. Emco & Amalia Emco	36,358.31	17,280.00	19,078.31
Arthur A. Giannetti, III	9,677.14	1,000.00	8,677.14
Ashley Paige, Incorporated & Brenda S. Sue, Responsible Person for Ashley Paige, Incorporated & Individually for Income Taxes	16,257.17	1,000.00	15,257.17
Brian F. O'Boyle	38,862.94	7,200.00	31,662.94
Brian J. Robbins	11,108.46	4,800.00	6,308.46
Bruce E. Cadorette & Theresa A. Cadorette	56,402.96	7,500.00	48,902.96
Charis Air Corporation & Robert M. Frye, Responsible Person for Charis Air Corporation	271,136.02	24,000.00	247,136.02
Christopher Maggion d/b/a Sarrin Music Studio & Individually for Income Taxes	17,774.83	10,000.00	7,774.83
Donald A. Lagasse, Responsible Person for Grampa's Bargain Outlet, Inc.	28,573.20	5,000.00	23,573.20
Enrico J. Scimemi, Jr. d/b/a Medford Place for Toys	16,870.89	6,400.00	10,470.89
Nina Avedon & The Estate of Paul Kunin	39,853.50	25,000.00	14,853.50
Gilly's Pub, Inc. & Steven M. Gomes & Candice L. Gomes, Responsible Persons for Gilly's Pub, Inc.	55,013.46	6,793.12	48,220.34
Gilmar DaSilva d/b/a Premier Printing & Individually for Income Taxes	90,836.49	17,760.00	73,076.49
Image International, Inc. & Tehseen Begum & Abdul Hafeez, Responsible Persons for Image International, Inc.	159,982.85	31,000.00	128,982.85
Iron Works Grille & Tavern, Inc. & Paul J. Maganzini, Responsible Person for Iron Works Grille & Tavern, Inc.	59,811.86	34,320.00	25,491.86
Jacqueline Scarpelos d/b/a Essex Deli & Grill	37,577.77	9,600.00	27,977.77
Jeff Cantwell	55,380.77	6,000.00	49,380.77
Jeffrey A. MacDonald	17,900.69	3,800.00	14,100.69
Jeffrey C. Daignault, Responsible Person for the Partnership Bottoms Up Bar & Grill & Individually for Income Taxes	57,060.47	13,500.00	43,560.47
Jimmy L. Roper & Maureen Roper	19,928.18	5,000.00	14,928.18
John B. Mitchell, DC Sole Proprietor & John B. Mitchell & Karen J. Mitchell Individually for Income Taxes	27,273.25	11,000.00	16,273.25
John Joseph Colombo	19,310.04	7,200.00	12,110.04
John J. Costantino	31,820.49	2,600.00	29,220.49
John T. Fahey & Charlene A. Fahey	38,688.21	15,600.00	23,088.21
John P. Robbins	65,770.67	5,000.00	60,770.67
Jonathan R. Harris	26,086.54	5,000.00	21,086.54
Joseph E. Richards	7,403.04	1,000.00	6,403.04
Jucelia Oliveira	17,738.23	3,500.00	14,238.23
Katherine A. Phillipo d/b/a Home Cooking	112,763.93	35,000.00	77,763.93
Kathryn A. Cook	9,845.56	1,650.00	8,195.56
Leo P. Carey d/b/a Mutual Snack Shop & Individually for Income Taxes	85,565.10	7,400.00	78,165.10
Leonard A. Glionna & Jeanne M. Glionna	72,783.39	14,500.00	58,283.39



NAME	TOTAL TAX, INTEREST & PENALTIES	AMOUNT PAID IN SETTLEMENT	AMOUNT ABATED
Cotton Brazil Corporation, L&C Associates Group, Inc. & Leonardo P. Dornelas, Responsible Person for Cotton Brazil Corporation & L&C Associates Group, Inc. & Leonard P. Dornelas & Fabiola M. Dornelas Individually for Income Taxes	20,158.87	4,600.00	15,558.87
Neil A. Lindenmayer, Responsible Person for Lindell Ventures, Inc.	61,416.19	28,000.00	33,416.19
Mac Press Group, Inc. & Kieren F. McManus, Jr. & Esther G. McManus, Responsible Persons for Mac Press Group	231,623.82	41,200.00	190,423.82
Abagayle's Gifts, Inc. & Margaret F. Bateman, Responsible Person for Abagayle's Gifts, Inc. & Brikamac Place, Inc.	83,652.94	2,000.00	81,652.94
Mark Eisner	50,935.71	39,000.00	11,935.71
Mary Walsh Martel d/b/a Magical Child	60,498.73	40,000.00	20,498.73
Melanie J. Finn	18,756.72	3,600.00	15,156.72
Melissa B. Nestor	15,821.04	5,000.00	10,821.04
Michael A. Gonsalves	87,825.62	48,000.00	39,825.62
Michael F. Foley	22,637.91	19,200.00	3,437.91
Nancy G. May	10,991.57	1,000.00	9,991.57
Patricia D. Sherman	24,356.58	6,500.00	17,856.58
Patricia McPartland d/b/a The Antique Vase	69,822.81	35,000.00	34,822.81
Paul R. Zacchini	13,824.54	12,000.00	1,824.54
Peter A. Alberts	6,927.73	1,000.00	5,927.73
Pizzapalooza, LLC & Pizzapalooza Brookline, LLC & Stephen D. Yanoff, Responsible Person for Pizapalooza, LLC & Pizzapalooza Brookline, LLC	105,507.37	5,000.00	100,507.37
Reids's Ultimate Steakhouse, Inc. & Harry S. Reid, Responsible Person for Reid's Ultimate Steakhouse, Inc.	17,132.66	3,800.00	13,332.66
Richard V. Hurd	21,350.05	5,300.00	16,050.05
Sebastiao B. Cota	11,814.24	4,200.00	7,614.24
Stephen Q. Le	18,153.47	5,000.00	13,153.47
Uxbridge Inn, Inc. & Walter P. Pasiczniak, Responsible Person for Uxbridge Inn, Inc.	175,595.28	12,516.00	163,079.28
William D. Furey	10,730.21	6,000.00	4,730.21
Woburn City Athletic Club, Inc.	130,685.95	10,000.00	120,685.95
<b>TOTAL</b>	<b>\$2,999,940.93</b>	<b>\$706,319.12</b>	<b>\$2,293,621.81</b>

Because of rounding, detail may not add to totals.

## Collection Agencies FY 2016

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	\$ 6,601,162	\$ 692,316	\$ 5,908,846
EOS-CCA	7,207,270	835,896	6,371,374
<b>TOTAL</b>	<b>\$13,808,432</b>	<b>\$1,528,212</b>	<b>\$12,280,221</b>

Because of rounding, detail may not add to Totals.