

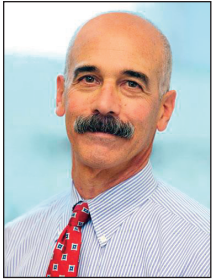
# FY2020 ANNUAL REPORT

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 2020 Annual Report. FY2020 revenues totaled \$29.609 billion, 0.3% less than the previous fiscal year and 2.2% below benchmark reflecting weak performance in all major tax categories largely due to several COVID-19 pandemic related factors, including pandemic-induced recession, federal monetary and fiscal policies in response to the recession, and the extension of various tax return and payment deadlines.

**New requirements were applied to out-of-state sellers and marketplace facilitators** in October 2019 to collect sales and use taxes on sales of product or services that exceed \$100,000 in a calendar year. Massachusetts collected tens of millions of dollars in taxes from third parties for the fiscal year.

**Sales of flavored tobacco and vaping products were prohibited**, while a new 75% excise tax on the wholesale price of all electronic nicotine delivery systems was implemented.

**Paid Family and Medical Leave** contributions from employers and other businesses, on behalf of employees and other workers, began to be collected and remitted to DOR.

**The second half of the fiscal year was dominated by DOR's response to the coronavirus pandemic**, which included providing various types of taxpayer relief. Individual taxpayers were given more time to file tax returns and make payments. Small business taxpayers were given more time to file sales and use, meals and room occupancy returns and make payments. Other business taxpayers were given penalty relief for late filings and payments and collection actions were significantly curtailed. In addition, DOR established and frequently updated a dedicated COVID-19 information page on its website. The page shared timely information on the Commonwealth's response to the pandemic, as well as news and updates pertaining to tax relief, changes for municipalities, and updates on child support procedures for the Commonwealth's families.

**The Division of Local Services developed a new online Training and Resource Center** during this fiscal year that was made available to all end-users, with a focus on making critical information available to new municipal finance officials. This is an important initiative to help train those who have come, and will continue to come, to the field as part of the generational shift in the workforce. Additionally, Local Services provided on-the-ground support and policy guidance to the cities and towns facing fiscal and operational challenges across the Commonwealth while continuing formal municipal oversight and advisory roles in Lynn and Methuen.

In FY2020, Local Services certified free cash for 350 communities for a total of \$1,915,169,481; certified tax levies totaling \$18,918,444,134; distributed \$6.123 billion in net local aid to cities, towns, and regional and charter schools; and conducted 10 Community Compact Cabinet reviews.

DOR's Child Support Enforcement Division collected \$672 million in FY2020. DOR collects \$6.01 for every dollar spent on the child support program. Additionally, 96% of all child support collected was distributed to the families for which DOR is providing services.

The Department of Revenue continues to leverage technology and innovation as we navigate changes to our work environment and a recovering economy impacted by the coronavirus pandemic. With the help of valued partners throughout state government, we have invested necessary energy and capital in ensuring that we effectively, efficiently, and safely collect revenues, promote the fiscal health of our cities and towns, and serve the best interests of Commonwealth families.

Sincerely,

A handwritten signature in black ink, appearing to read 'G. Snyder', with a long horizontal flourish extending to the right.

Geoffrey E. Snyder,  
Commissioner

# LEGISLATIVE REVIEW FY2020

## Sales and Use Tax

### **Sales and Use Tax Collection Requirements That Apply to Out-of-State “Remote” Sellers and Marketplace Facilitators**

Fiscal Year 2020 Budget (“FY2020 Budget”), St. 2019, c. 41 added new Massachusetts sales and use tax collection requirements that apply to out-of-state “remote” sellers and marketplace facilitators (“marketplaces”) as of October 1, 2019. Remote sellers must collect tax on sales of tangible personal property or services into Massachusetts when they have Massachusetts sales that exceed \$100,000 in a calendar year. Marketplaces must collect tax on behalf of third parties (“marketplace sellers”) selling through the marketplace when the marketplace’s total Massachusetts sales (including those facilitated on behalf of marketplace sellers and those made directly by the marketplace on its own behalf) exceed \$100,000 in a calendar year. See St. 2019, c. 41, §§ 31-35; G.L. chs. 64H-64I; 830 CMR 4H.1.9.

## Administrative

### **Extension of the April 15, 2020 the Filing and Payment Due Date until July 15, 2020**

Pursuant to “An Act to Address Challenges Faced by Municipalities and State Authorities Resulting from COVID-19,” H.4598, enacted April 3, 2020, the due date for personal income tax return filings and payments originally due April 15, 2020 was changed to July 15, 2020. The July 15, 2020 due date applied to personal income tax, trust income tax, and income tax due with a partnership composite return with an April 15, 2020 due date. H.4598, §11. See TIR 20-4.

## Miscellaneous Excises

### **Increased Surcharges on Certain Documents Recorded at the Registers of Deeds on or after December 31, 2019**

The FY2020 Budget increased surcharges imposed under the Community Preservation Act, G.L. c. 44B, on certain documents recorded at Registers of Deeds on or after December 31, 2019. Documents or instruments that previously were subject to a surcharge of \$20.00 are subject to a surcharge of \$50.00, effective for documents and instruments

postmarked on or after December 31, 2019. Documents or instruments that were subject to a surcharge of \$10.00 are subject to a surcharge of \$25.00, effective for documents and instruments postmarked on or after December 31, 2019. See St. 2019, c. 41, §§ 29-30; G.L. c. 44B, § 8; TIR 19-14.

### **Restrictions, Tax and Licensing Provisions pertaining to Certain Tobacco Products**

St. 2019, c. 133, “An Act Modernizing Tobacco Control,” restricted the sale of certain tobacco products and imposed a new excise on vaping products, referred to as “electronic nicotine delivery systems,” or “ENDS”. It also extended the application of the existing tax rules with respect to tobacco products to ENDS by including ENDS in the definition of “tobacco products” in G.L. c. 64C. Other provisions of this legislation included: new restrictions on sales of flavored and unflavored tobacco products; an expansion of the definition of “tobacco product” in G.L. c. 64C to include ENDS; a new excise on ENDS; ENDS dealer licensing and return filing requirements; collection and pre-payment of sales tax on all ENDS products; potential consumer liability; and penalties potentially under both G.L. c. 62C and G.L. c. 64C. See St. 2019, c. 133, § 16-17; G.L. c. 64C; TIR 20-6.

# The Taxes FY 2020

TYPE OF TAX	MEASURE	RATE <sup>1</sup>	RETURN DUE
<b>Personal income and fiduciary income</b>	Net capital gains <sup>2</sup>	5.05–12%	On or before April 15 for calendar year filings. The 15th day of the 4th month for fiscal year filings. <sup>3</sup>
	Dividends, interest, wages, other income	5.05%	
<b>Nonresident</b>	Massachusetts source income	5.05%	
<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	5.05%	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>4</sup>	Within nine months after date of decedent's death.
<b>Nonresident</b>	Massachusetts real and tangible property <sup>4</sup>		Within nine 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	
	Alcoholic beverages more than 50% or alcohol (proof gal.)	\$4.05	
<b>Cigarettes</b>	20-count package	\$3.51	Monthly, on or before the 20th day of the month. Unclassified acquirers must file upon importation or acquisition. same as cigarettes Quarterly, on or before the 20th day following the close of the tax period.
	Smokeless tobacco (percentage of price paid by licensee)	210%	
	Cigars and smoking tobacco (percentage of price paid by licensee)	40%	
<b>Deeds</b>	Sales price (less mortgage assumed) of real estate	\$2.28 <sup>5</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>6</sup>	
	Convention Center Financing Fee (Boston, Cambridge, Springfield, Worcester, Chicopee and West Springfield)	2.75%	
	Cape Cod and Islands Water Protection Fund Fee (Barnstable, Nantucket and Dukes Counties)	2.75%	
	Community Impact Fee, At local option on certain short-term rentals	up to 3%	
<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 filing

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>Marijuana retail taxes</b>	Sales of marijuana or marijuana products State excise tax Local option for cities and towns	6.25% 10.75% up to 3%	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>7</sup> \$2.60 per \$1,000 \$456	On or before the 15th day of fourth month after close of taxable year. <sup>8</sup>
<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>9</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>10</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 April 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>1</sup>Tax rates as of August 1, 2020.

<sup>2</sup>Gains from the sale or exchange of capital assets (except collectibles) held for more than one year are taxed at 5.05%. 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>Personal income tax returns and payments for tax year 2019, otherwise due April 15, 2020, were due July 15, 2020, pursuant to "An Act to Address Challenges Faced by Municipalities and State Authorities Resulting from COVID-19" (the "Act"), H.4598, enacted April 3, 2020.

<sup>4</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>5</sup>In Barnstable County, the rate is \$6.48 (combined state and county deeds excise) per \$1,000.

<sup>6</sup>Boston is authorized to charge up to 6.5%

<sup>7</sup>S corporations: 2.95% if total receipts are \$9 million or more; 1.97% if total receipts are \$6 million or more but less than \$9 million.

<sup>8</sup>In general, all S corporation returns are due on the 15th day of the third month. However, an S corporation filing as a taxable member of a combined group may file its corporate excise return on or before the 15th day of the fourth month following the close of the combined group's taxable year.

<sup>9</sup>30%, 25%, 25% and 20% for corporations with fewer than 10 employees in their first full tax year.

<sup>10</sup>S corporations: 3.95% if total receipts are \$9 million or more; 2.63% if total receipts are \$6 million or more but less than \$9 million.

# Revenue Collections FY 2020

In thousands	FY16	FY17	FY18	FY19	FY20	% change FY19–20
<b>STATE TAXES COLLECTED BY DOR</b>						
Alcoholic beverages	\$ 82,611	\$ 84,468	\$ 84,978	\$ 86,195	\$ 87,621	1.7
Financial institutions	23,465	(130)	17,443	19,467	9,311	(52.2)
Cigarettes <sup>1</sup>	640,839	619,437	594,173	553,261	523,963	(5.3)
Corporations	2,312,031	2,196,705	2,392,154	2,927,160	2,523,446	(13.8)
Deeds <sup>2</sup>	191,516	205,758	193,541	218,532	215,812	(1.2)
Estate and inheritance	399,429	336,633	472,956	601,306	699,555	16.3
Income <sup>1</sup>	14,407,518	14,699,874	16,255,655	17,125,833	17,388,969	1.5
Insurance	369,391	358,170	363,569	400,597	415,459	3.7
Motor Fuels and IFTA <sup>3</sup>	766,553	769,442	769,144	775,463	707,877	(8.7)
Public Utilities	(1,604)	(101)	(650)	40	(346)	(964.4)
Room Occupancy <sup>4</sup>	246,524	255,458	263,449	283,708	252,268	(11.1)
Sales and Use <sup>4</sup>	6,090,605	6,241,666	6,491,262	6,842,956	6,846,338	0.0
Club Alcoholic Beverages	784	929	865	926	750	19.1
Motor Vehicle Excise	100	97	116	77	195	152.0
Convention Center Surcharges	16,496	16,868	17,178	17,001	16,682	(1.9)
Community Preservation Trust	25,506	26,676	23,794	23,174	42,134	81.8
Controlled Substances	—	—	—	13,949	51,685	270.5
Satellite	11,773	10,942	9,721	8,605	7,634	(11.3)
Statewide Car Rental	—	—	—	1,096	6,174	(463.3)
<b>Total state taxes collected by DOR</b>	<b>\$25,583,537</b>	<b>\$25,822,892</b>	<b>\$27,949,346</b>	<b>\$29,899,345</b>	<b>\$29,795,526</b>	<b>(0.3)</b>
<b>STATE TAXES COLLECTED BY OTHER AGENCIES</b>						
<b>Massachusetts Gaming Commission</b>						
Pari-mutuel taxes	\$ 1,326	\$ 902	\$ 887	\$ 788	\$ 741	(6.0)
Gaming revenue taxes	64,356	63,432	68,010	130,702	187,870	43.7
<b>Lottery Commission</b>						
Beano	845	787	731	697	481	(31.1)
Raffles and bazaars	897	955	1,031	1,123	857	(23.7)
<b>State Athletic Commission</b>						
Boxing contests	182	45	208	126	150	19.0
Boxer's fund	19	9	33	13	23	78.5
<b>Division of Insurance</b>						
Excess and surplus lines insurance	37,405	39,349	42,682	44,848	54,660	21.9
<b>Secretary of State</b>						
Deeds excise stamp tax fees	90,426	91,435	90,956	99,815	98,338	(1.5)
<b>Division of Unemployment Assistance</b>						
Workforce training contribution	22,814	24,400	24,676	25,131	25,743	2.4
<b>Total state taxes collected by other agencies</b>	<b>\$ 218,270</b>	<b>\$ 221,314</b>	<b>\$ 229,214</b>	<b>\$ 303,244</b>	<b>\$ 368,863</b>	<b>21.6</b>
<b>TOTAL STATE TAXES</b>	<b>\$25,801,807</b>	<b>\$26,044,206</b>	<b>\$28,178,561</b>	<b>\$30,202,589</b>	<b>\$30,164,389</b>	<b>(0.1)</b>



In thousands	FY16	FY17	FY18	FY19	FY20	% change FY19–20
<b>OTHER REVENUE</b>						
Local option airplane jet fuel	\$ 23,373	\$ 19,010	\$ 25,700	\$ 36,197	\$ 31,217	(13.8)
Local option rooms	199,080	206,129	212,447	228,914	209,229	(8.6)
Local option meals	119,730	125,999	133,791	142,217	125,822	(11.5)
Local option marijuana	—	—	—	3,893	14,386	269.6
Local option vehicle rental surcharge	—	—	—	1,768	1,770	0.2
Local option community impact fee	—	—	—	—	630	—
Urban redevelopment	36,568	26,394	28,862	30,385	29,696	(2.3)
Department non-tax revenue	10,449	8,733	8,828	13,373	9,109	(31.9)
Paid family and medical leave fund	—	—	—	—	608,707	—
County recording fees	27,860	29,293	24,317	25,698	30,082	17.1
Abandoned deposits — bottle	44,333	45,428	44,758	53,333	60,358	13.2
Local rental vehicle (Convention Center 10%)	1,534	1,578	1,542	—	—	—
Vehicle rental surcharge	176	171	149	—	—	—
Embarkation fees	1,413	1,420	1,421	1,509	1,518	0.6
ENDS civil penalties	—	—	—	—	—	—
UST delivery fees	75,169	76,085	79,951	78,869	74,869	(5.1)
Cape Cod & Islands water protection fund	—	—	—	—	9,359	—
<b>Total other revenue</b>	<b>\$ 539,685</b>	<b>\$ 540,240</b>	<b>\$ 561,765</b>	<b>\$ 616,156</b>	<b>\$ 1,206,753</b>	<b>96.0</b>
<b>TAXES ON PROPERTY COLLECTED BY LOCAL GOVERNMENT</b>						
Real estate	\$ 14,469,307	\$ 15,089,741	\$ 15,765,843	\$ 16,519,215	\$ 17,287,537	4.7
Personal property	709,928	741,663	774,618	803,182	844,697	5.2
Motor vehicles	850,225	867,553	916,471	927,082	894,810	(3.5)
<b>Total taxes on property collected by local government</b>	<b>\$16,029,461</b>	<b>\$16,698,957</b>	<b>\$17,456,931</b>	<b>\$18,249,479</b>	<b>\$19,027,044</b>	<b>4.3</b>
<b>TOTAL ALL TAXES</b>	<b>\$42,370,953</b>	<b>\$43,283,403</b>	<b>\$46,197,257</b>	<b>\$49,068,224</b>	<b>\$50,398,186</b>	<b>2.7</b>

<sup>1</sup>Includes income tax penalties assessed under Section 2 of Chapter 111M of the General Laws and cigarette excise revenues credited to the Commonwealth Care Trust Fund in accordance with Chapter 302, Sections 12 and 70 of the Acts of 2008.

<sup>2</sup>Due to different accounting methods, amounts reported for the deeds excise differ from those reported by the comptroller.

<sup>3</sup>International Fuel Tax Agreement.

<sup>4</sup>Includes sales, meals, room occupancy excise taxes and service fees for the City of Worcester DCU Capital Improvement Fund, as well as sales tax revenue collected from the sale of alcoholic beverages under Chapter 64H of the General Laws and credited to the Substance Abuse Prevention and Treatment Fund.

Because of rounding, detail may not add to totals.

## Offers in Final Settlement FY 2020

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 2020, five settlements were made. All five were reviewed by the Attorney General.

The cases approved were as follows:

NAME	TOTAL TAX, INTEREST & PENALTIES	AMOUNT PAID IN SETTLEMENT	AMOUNT ABATED
Forever Xia, Inc. and Ai Ming Pan, Responsible Person	\$209,419.11	\$ 90,000.00	\$119,419.11
Amlor, Inc. and David E. Lynch, Responsible Person	174,801.65	18,000.00	156,801.65
Mark P. Bombelli	23,776.11	1,000.00	22,776.11
Glenn E. Gunnison	5,802.33	1,000.00	4,802.33
Tomi L. Ljunberg-Curry	25,132.99	10,599.00	14,533.99
<b>TOTAL</b>	<b>\$438,932.19</b>	<b>\$120,599.00</b>	<b>\$318,333.19</b>

*Because of rounding, detail may not add to totals.*

## Collection Agencies FY 2020

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	\$ 5,079,072	\$ 490,605	\$ 4,588,467
EOS-CCA	5,479,865	634,963	4,844,902
<b>TOTAL</b>	<b>\$10,558,937</b>	<b>\$1,125,569</b>	<b>\$9,433,368</b>

*Because of rounding, detail may not add to totals.*