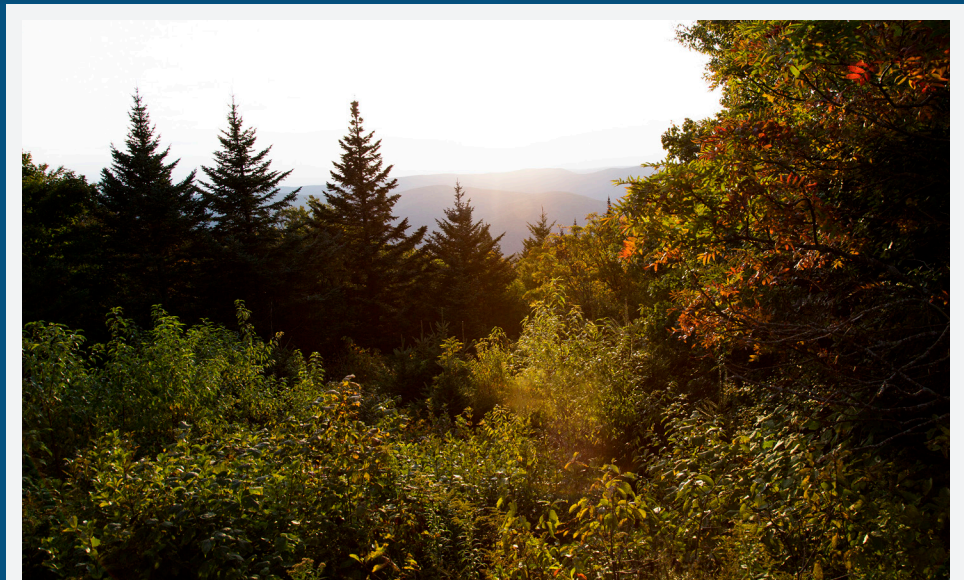


# FY2024 ANNUAL REPORT

MASSACHUSETTS  
DEPARTMENT  
OF REVENUE



# LETTER FROM THE COMMISSIONER

**To the Honorable Maura Healey, 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 Year 2024 (FY24) Annual Report as directed by G.L. c. 14, § 6.

FY24 budgeted revenues totaled \$40.800 billion, \$1.636 billion, or 4.2% more than collections in FY23, and \$967 million, or 2.4% above the FY24 benchmark. This mainly reflects an increase in the additional 4% tax levied pursuant to Article XLIV of the Amendments of the Constitution of the Commonwealth (the surtax).

The increase in the surtax was partially offset by decreases in sales and use tax, corporate and business excise taxes, and "all other" tax, primarily the estate tax.

In October 2023, Massachusetts introduced tax relief legislation that included various tax changes for both personal income and corporate excise taxpayers. These changes include:

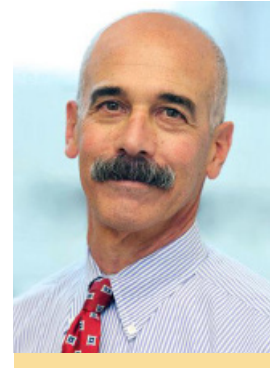
- ▶ The Commonwealth approved a Child and Family Tax Credit, increasing each qualifying individual's credit to \$440. This credit combines and expands two previous refundable tax credits.
- ▶ The Commonwealth increased the Massachusetts Earned Income Tax Credit (EITC) from 30% to 40% of the federal credit, benefiting low-income individuals. Additionally, the maximum Circuit Breaker real estate tax credit for qualified individuals aged 65 and older increased from \$1,200 to \$2,590.
- ▶ In addition, Massachusetts increased the Rental Deduction and Lead Paint Removal Tax Credit, expanded the Commuter Deduction, and reduced the tax rate on short-term capital gains from 12% to 8.5%.
- ▶ Massachusetts extended the deadline for employers to verify the Massachusetts National Guard status for the National Guard Hire Tax Credit, which provides a \$2,000 tax credit to Massachusetts employers who hire members of the Massachusetts National Guard.
- ▶ The Child Support Services Division collected \$591.3 million in support payments during FY24. DOR collects \$4.99 for every dollar spent on the child support program. Additionally, 93% of all child support collected was distributed to the families for whom DOR provides services.
- ▶ In FY24, the Division of Local Services certified free cash for 347 communities for a total of \$2,758,210,481; certified tax levies totaling \$21,753,354,235; and distributed \$7.8 billion in net local aid to cities, towns, and regional and charter schools.

The Department of Revenue is committed to offering information and comprehensive services to the Commonwealth's citizens. We remain dedicated to meeting our mission of fair revenue collection, promoting effective financial management in cities and towns through transparency and oversight, and investing in families across Massachusetts through various child support incentives and financial resources.

Sincerely,



Geoffrey E. Snyder  
Commissioner





# LEGISLATIVE REVIEW FY2024

## Personal Income Tax

### The 4% Surtax

On November 8, 2022, Massachusetts voters approved an amendment to Article XLIV of the Massachusetts Constitution to impose an additional 4% surtax on the portion of a taxpayer's taxable income that exceeds \$1,000,000, adjusted annually for inflation (the "4% Surtax"). The Fiscal Year 2024 Budget (the "FY24 Budget"), St. 2023, c. 28, codified the 4% Surtax and clarified the computation of taxable income subject to the 4% Surtax by adding new paragraph (d) to G.L. 62, § 4. Paragraph (d) provides that where the sum of a taxpayer's taxable income (consisting of Part A, Part B, and Part C taxable income) exceeds \$1,000,000 in a taxable year, adjusted annually for inflation (the "Surtax Threshold"), the portion of such taxable income exceeding the Surtax Threshold is taxed at the rates specified in G.L. c. 62, § 4(a)-(c), plus an additional 4%. The FY24 Budget also amended G.L. c. 62, § 5A(a) as it applies to the 4% Surtax and the Massachusetts source income of nonresidents. Under § 5A(a), nonresidents are subject to tax in Massachusetts only on their Massachusetts source income, thus nonresidents must consider only their Massachusetts source income when determining whether their taxable income exceeds \$1,000,000 for purposes of computing the 4% Surtax. Where the sum of a Massachusetts nonresident's Part A, Part B, and Part C taxable income sourced to Massachusetts exceeds \$1,000,000, that portion that exceeds \$1,000,000 is taxed at the rates specified in G.L. c. 62, § 4(a)-(c), plus an additional 4%. St. 2023, c. 28, §§ 28, 29; TIR 23-12.

### Replacement of the Massachusetts Dependent Care Expense and Household Dependent Tax Credits with the Child and Family Tax Credit

Signed into law October 4, 2023 and effective for taxable years beginning on or after January 1, 2023, An Act to Improve the Commonwealth's Competitiveness, Affordability, and Equity (the "2023 Tax Relief Legislation"), St. 2023, c. 50, repealed G.L. c. 62, §§ 6(x) (allowing for a dependent care expense tax credit) and (y) (allowing for a household dependent tax credit) and replaced them with new § 6(x), which

provides a refundable, non-transferable child and family tax credit for personal income taxpayers who maintain a household that includes certain individuals. The credit is available to taxpayers who maintain a household that includes at least one individual who is (1) under the age of 13 and who qualifies for the federal exemption for dependents provided by Internal Revenue Code ("Code") § 151; (2) a qualifying individual pursuant to Code § 21, which includes a dependent, as defined in Code § 152, or the taxpayer's spouse, where such dependent or spouse is physically or mentally incapable of taking care of himself or herself and principally lives with the taxpayer; or (3) a dependent under Code § 152 who is age 65 or over or disabled. A noncustodial parent may claim the credit with respect to a child dependent who otherwise qualifies for the credit if the child is treated as a qualifying child of the noncustodial parent for the calendar year under Code § 152(e)(1). For the tax year beginning on or after January 1, 2023, the amount of the credit is equal to \$310 for each qualifying individual, with no limit to the number of individuals who may qualify for the credit. Effective for tax years beginning on or after January 1, 2024, the amount of the credit is increased to \$440 for each qualifying individual, with no limit to the number of individuals who may qualify for the credit. The credit cannot be claimed by married taxpayers who file separate Massachusetts personal income tax returns. With respect to a taxpayer who is a nonresident for part of the taxable year, the credit must be multiplied by a fraction, the numerator of which is the number of days in the taxable year the taxpayer resided in the Commonwealth and the denominator of which is the total number of days in the taxable year. A taxpayer who is a nonresident throughout the entire taxable year cannot claim the credit. St. 2023, c. 50, §§ 21, 22, 46; TIR 24-4.

### Increase to the Massachusetts Earned Income Tax Credit

G.L. c. 62, § 6(h) provides a refundable earned income tax credit ("EITC") for certain low-income individuals in Massachusetts who (i) have earned income and (ii) meet the requirements for the federal EITC. In general, individuals must qualify for and claim the federal EITC allowed under Code § 32 to be eligible to claim

the Massachusetts EITC. The amount of the Massachusetts EITC an individual may claim is a statutorily defined percentage of the federal EITC to which the individual is entitled. The 2023 Tax Relief Legislation amended G.L. c. 62, § 6(h) to increase this percentage from 30% of the computed federal credit to 40%, effective for taxable years beginning on or after January 1, 2023. With respect to a person who is a nonresident for part of the taxable year, the EITC is limited to 40% of the federal credit multiplied by a fraction, the numerator of which is the number of days in the taxable year the person resided in the Commonwealth and the denominator of which is the total number of days in the taxable year. A taxpayer who is a nonresident for the entire taxable year cannot claim the EITC for that year. St. 2023, c. 50, § 11; TIR 24-4.

#### **Increase to the Circuit Breaker Credit, the Real Estate Tax Credit for Certain Persons Aged 65 and Older**

G.L. c. 62, § 6(k) provides certain personal income taxpayers who own or rent a principal residence located in Massachusetts and are age 65 or older with a refundable, non-transferrable real estate tax credit. The credit is based upon the actual real estate taxes or rent paid by a taxpayer eligible to claim the credit, provided that the credit does not exceed the statutory maximum for the taxable year. Under G. L. c. 62, § 6(k)(4), the statutory maximum is adjusted annually by multiplying the statutory base amount by the cost-of-living adjustment for the calendar year in which the taxable year begins. The 2023 Tax Relief Legislation amended G. L. c. 62, § 6(k)(4) to increase the statutory base amount from \$750 to \$1,500, effective for taxable years beginning on or after January 1, 2023. The maximum amount of the credit for the 2023 tax year is \$2,590 after taking cumulative cost-of-living adjustments into account. St. 2023, c. 50, § 17; TIR 24-4.

#### **Increases to the Credit for Failed Cesspool or Septic System Title V Expenditures**

The 2023 Tax Relief Legislation amended G. L. c. 62, § 6(i) to increase the amount of the credit ("Title V credit") personal income taxpayers who own and occupy residential property located in Massachusetts as their principal residence can claim in a tax year, from \$1,500 to \$4,000, for certain expenditures associated with the repair or replacement of a failed cesspool or septic

system on such property ("Title V expenditures"). The 2023 Tax Relief Legislation also increased the maximum credit amount allowed from \$6,000 to \$18,000; increased the percentage of the allowable Title V expenditures used to calculate the Title V credit from 40% to 60%; increased the cap for such Title V expenditures from \$15,000 to \$30,000; eliminated the requirement to reduce the amount of the credit by an amount equal to the total interest subsidy or grant received from the Commonwealth or a municipality; and finally, amended G.L. c. 62, § 6(i) to provide that Title V expenditures must be made in accordance with Title V of the State Environmental Code as currently in effect. The amendments to the Title V credit pursuant to the Act were effective for taxable years beginning on or after January 1, 2023. St. 2023, c. 50, §§ 12 through 16; TIR 24-4.

#### **Increase to the Massachusetts Lead Paint Removal Tax Credit**

Prior to the 2023 Tax Relief Legislation, personal income taxpayers who owned a residential premises in Massachusetts constructed prior to 1978 and who incurred expenses for covering or removing lead paint on such premises were allowed to claim a credit equal to the lesser of the cost of the de-leading or \$1,500 per dwelling unit or, where the premises were brought into interim control pending full compliance, were allowed to claim a credit equal to the lesser of one-half of the cost of the de-leading or \$500. The 2023 Tax Relief Legislation doubled these maximum amounts to \$3,000 and \$1,000, respectively, effective for taxable years beginning on or after January 1, 2023. St. 2023, c. 50, § 9; TIR 24-4.

#### **Increase to the Massachusetts Rental Deduction**

The 2023 Tax Relief Legislation amended G.L. 62, § 3(B)(a)(9) to increase the maximum amount that can be deducted as rent paid for a principal place of residence by personal income taxpayers (single persons, taxpayers who qualify as head of household as provided by Code § 2(b), or married couples) from \$3,000 to \$4,000. The increase to the maximum amount of the Massachusetts rental deduction is effective for taxable years beginning on or after January 1, 2023. St. 2023, c. 50, § 4; TIR 24-4.

## **Expansion of the Massachusetts Commuter Deduction**

G.L. c. 62, § 3(B)(a)(15) allows a deduction for personal income taxpayers who incur certain expenses that are not reimbursed by an employer or otherwise. For taxpayers filing as a single person, as a married person filing a separate return, or as head of household, the deduction applies only to the portion of such expenses that exceeds \$150, up to a maximum amount of \$750. For a married couple filing a joint return, the deduction applies only to the portion of such expenses incurred by each spouse that exceeds \$150, and the total amount of the deduction cannot exceed \$750 for each spouse. The 2023 Tax Relief Legislation amended G.L. c. 62, § 3(B)(a)(15) to include as expenses eligible for the Massachusetts commuter deduction: expenses incurred for all Massachusetts Bay Transit Authority fares; Massachusetts regional transit authority fares; bikeshare memberships; bicycles, including electric bicycles and bicycle improvements, repairs, and storage; and for any fare for a commuter boat owned, operated, or contracted by a municipality, public or quasi-public entity, agency, or authority. The expansion of the deduction is effective for taxable years beginning on or after January 1, 2023. St. 2023, c. 50, §§ 5, 6; TIR 24-4.

## **Deduction for Employer Payments of Employee Qualified Education Loans**

The 2023 Tax Relief Legislation added G.L. c. 62, § 3(B)(a)(20), which allows an employee subject to the personal income tax under G.L. c. 62 to deduct payments by their employer of principal or interest with respect to the employee's qualified education loan, as defined by Code § 221, when those payments are not otherwise excluded from gross income under Code § 127. The parameters of the deduction are substantially identical to the federal exclusion from gross income provided by Code § 127(c)(1), which Massachusetts follows as amended on January 1, 2024, and in effect for the taxable year. However, while the deduction in Code § 127(c)(1) is limited to \$5,250 per employee and applies only to employer payments made by January 1, 2026, the new Massachusetts deduction is not subject to a dollar limit and has no sunset date. Therefore, for taxable years beginning on or after January 1, 2023, personal income taxpayers will be able to deduct employer payments of principal or interest for qualified education

loans pursuant to G.L. c. 62, § 3(B)(a)(20) that are not otherwise excluded from gross income under Code § 127, including the amount of such payments that exceeds \$5,250. St. 2023, c. 50, § 7; TIR 24-4.

## **Decrease of the Tax Rate Applicable to Short-Term Capital Gains**

The 2023 Tax Relief Legislation amended G.L. c. 62, § 4(a)(1) to decrease the tax rate applicable to short-term capital gains from 12% to 8.5%, effective for taxable years beginning on or after January 1, 2023. The tax rate applicable to long-term gains from collectibles and pre-1996 gains reported on the installment method remained at 12%. St. 2023, c. 50, § 8; TIR 24-4.

## **Changes to Massachusetts Joint Filing Requirements**

The 2023 Tax Relief Legislation amended G.L. c. 62C, § 6(a) by adding subparagraph (2), which requires that every married couple file a Massachusetts joint return for any tax year for which they file a joint federal income tax return. The 2023 Tax Relief Legislation required that the Department of Revenue provide appropriate adjustments or an exemption from the requirement to file a joint return where one or both spouses are Massachusetts nonresidents and have items of income, exemptions, or deductions unrelated to their Massachusetts income. This change to the Massachusetts joint filing requirements is effective for taxable years beginning on or after January 1, 2024. St. 2023, c. 50, §§ 24, 46; TIR 24-4.

## **Modifications to the Excess Revenue Tax Credit**

G.L. c. 62F, § 6 provides that if the State Auditor for the Commonwealth determines that net state tax revenues for a fiscal year exceed allowable state tax revenues, as those terms are defined in G.L. c. 62F, § 2, for that fiscal year, such excess state revenues shall be credited to G.L. c. 62 taxpayers with a tax liability who filed an income tax return in both the current and previous taxable year by way of an excess revenue credit. Prior to the 2023 Tax Relief Legislation, the excess revenue credit was applied to the current G.L. c. 62 tax liability of each personal income taxpayer on a proportional basis, based on the G.L. c. 62 tax liability incurred by all G.L. c. 62 taxpayers in the immediately preceding taxable year. Under the 2023 Tax Relief

Legislation effective for taxable years beginning on or after January 1, 2023, the amount of any excess revenue credit will be determined by dividing the total amount of excess state revenue by the total number of taxpayers filing an income tax return in the previous taxable year, thereby providing each G.L. c. 62 taxpayer with an equal credit amount. A married couple filing a joint personal income tax return will be treated as two separate taxpayers, with each eligible to receive the credit. Where the credit exceeds a taxpayer's tax liability, the excess will be treated as an overpayment and paid to the taxpayer without interest. St. 2023, c. 50, § 26; TIR 24-4.

### **Personal Income Tax Deduction for Sports Wagering Losses**

An Act Making Appropriations for the Fiscal Year 2023 for Supplementing Certain Existing Appropriations and for Certain Other Activities and Projects (the "FY23 Closeout Supplemental Budget") was enacted on December 4, 2023. The FY23 Closeout Supplemental Budget expanded the availability of the deduction for sports wagering losses to include losses from sports wagering that are incurred from wagers placed through a sports wagering operator licensed under G.L. c. 23N, effective for taxable years beginning on or after January 1, 2023. Taxpayers may claim the deduction for sports wagering losses incurred in a calendar year only if the taxpayer has wagering winnings from any such sports wagering operator, gaming establishment, racing meeting licensee, or simulcasting licensee in the same calendar year. The deduction may not exceed the amount of any wagering winnings included in gross income for the calendar year. Prior to the FY23 Closeout Supplemental Budget, G.L. c. 62 § 3(B)(a)(18) allowed taxpayers to deduct wagering losses incurred at a gaming establishment licensed under G.L. c. 23K, a racing meeting licensee, or a simulcasting licensee, not to exceed the amount of winnings from such establishments. St. 2023, c. 77, § 11; TIR 24-6.

### **Inclusion of Sports Wagering Winnings in Nonresident's Massachusetts Gross Income**

The FY23 Closeout Supplemental Budget clarified that a nonresident's sports wagering winnings acquired through a sports wagering operator licensed under Chapter 23N are items of gross income from sources within Massachusetts that are subject to the personal income tax. St. 2023, c. 77, § 12; TIR 24-6.

## **Corporate Excise**

### **Move to Single Sales Factor Apportionment for all Business Corporations and Financial Institutions**

G.L. c. 63, §§ 2A and 38 provide apportionment methods for financial institutions and business corporations that have income subject to tax in Massachusetts and one or more other state(s) to determine the portion of their income that is subject to tax in Massachusetts. Prior to January 1, 2025, financial institutions were required to apportion their net income by multiplying that income by a fraction, the numerator of which is the sum of the property factor, payroll factor, and receipts factor, and the denominator of which is three. Most business corporations were required to apportion their net income by multiplying it by a fraction, the numerator of which is the sum of the property factor, payroll factor, and a double-weighted sales factor, and the denominator of which is four. Business corporations treated as manufacturing corporations under G.L. c. 63, § 38 were required to apportion their net income using only the sales factor.

Effective for tax years beginning on or after January 1, 2025, the 2023 Tax Relief Legislation amended G.L. c. 63, §§ 2A and 38 to require all financial institutions and business corporations that must apportion their income to Massachusetts to determine the portion of their net income subject to tax in Massachusetts by using only the receipts or sales factor. This change also applies to S corporations. St. 2023, c. 50, §§ 27, 29, 31; St. 2023, c. 77, § 194; TIR 24-4; TIR 24-6.

### **Financial Institution Apportionment of Investment and Trading Income**

The 2023 Tax Relief Legislation changed the method by which financial institutions are required to include income from investment and trading assets and activities in the receipts or sales factor. Formerly, these receipts were generally included in the numerator of the receipts factor by reference to whether they were "properly assigned to a regular place of business of the taxpayer within the commonwealth." The 2023 Tax Relief Legislation removed this assignment methodology and included a financial institution's income from investment and trading assets and activities in the numerator of the receipts factor based upon a



fraction ("Assignment Fraction"). The numerator of the Assignment Fraction is the taxpayer's receipts from assets and activities assigned to Massachusetts other than investment and trading assets and activities. The denominator of the Assignment Fraction is the total receipts of the taxpayer included in the denominator of the receipts factor other than interest, dividends, net gains, but not less than zero, and other income from investment and trading assets and activities. There is no elective variation on this rule. These changes are effective for tax years beginning on or after January 1, 2025. St. 2023, c. 50, § 28; St. 2023, c. 77, § 194; TIR 24-4; TIR 24-6.

### **Recodification of the Definition of "Value-Added Agricultural Products"**

The definition of a "manufacturing corporation" was moved from G.L. c. 63 § 38 to G.L. c. 63 § 42B under An Act to Improve the Commonwealth's Competitiveness, Affordability, and Equity (the "Tax Relief Act"), for tax years beginning on or after January 1, 2023. The definition of "value-added agricultural products" included in the G.L. c. 63 § 38 definition was inadvertently omitted from the provisions of the Tax Relief Act that amended G.L. c. 63 § 42B. Accordingly, § 35 of the FY23 Closeout Supplemental Budget amended G.L. c. 63, § 42B to recodify the definition of "value-added agricultural products" previously included in G.L. c. 63 § 38. St. 2023, c. 50, § 35; TIR 24-6.

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

### **Brownfields Tax Credit**

The FY24 Budget extended the brownfields tax credit, previously scheduled to expire on August 5, 2023, for five additional years. Pursuant to G.L. c. 62, § 6(j) and G.L. c. 63, § 38Q, taxpayers subject to the income tax under G.L. c. 62 or the corporate excise under G.L. c. 63, and, more generally, nonprofit organizations, are allowed a transferable brownfields tax credit for incurring eligible costs to remediate a hazardous waste site on property used for business purposes and located within an economically distressed area. The credit may be either 25% or 50% of the "net response and removal costs" as that term is defined in G.L. c. 21E, § 2, depending upon whether an activity and use limitation has been imposed. Under prior law, to qualify for a brownfields tax credit, the relevant work

must have been started on or before August 5, 2023, and the net response and removal costs must have been incurred prior to January 1, 2024. Under the revisions made by the FY24 Budget, the taxpayer must "commence and diligently pursue" the relevant environmental response action(s) on or before August 5, 2028. Additionally, net response and removal costs must be incurred prior to January 1, 2029. St. 2023, c. 28, §§ 30 through 33; TIR 23-12.

### **Increase to the Annual Cap on Low-Income Housing Tax Credits**

Under G.L. c. 62, § 6I and G.L. c. 63, § 31H, a non-refundable, transferable credit is available to G.L. c. 62 and G.L. c. 63 taxpayers who invest in the development, preservation, or improvement of affordable rental housing to the extent authorized by the Massachusetts Executive Office of Housing and Livable Communities (EOHLC). EOHLC allocates the credit based on an annual aggregate limit, which, prior to the 2023 Tax Relief Legislation, was the sum of: (i) \$40,000,000 and (ii) unused or returned Massachusetts low-income housing tax credits, if any, that were available for the preceding calendar years; and (iii) \$5,000,000 for the preservation and improvement of existing state or federal assisted housing. Effective for tax years beginning on or after January 1, 2023, the 2023 Tax Relief Legislation raised the credit's annual limit by increasing the amount in clause (i) from \$40,000,000 to \$60,000,000. Prior to the 2023 Tax Relief Legislation, the amount in clause (i) was scheduled to decrease to \$20,000,000 for tax years beginning on or after January 1, 2026. St. 2023, c. 50, §§ 23, 30; St. 2020, c. 358, §§ 59, 61, 112; TIR 24-4.

### **Increase to the Annual Cap on Tax Credits Awarded Under the Housing Development Incentive Program**

G.L. c. 62, § 6(q) and G.L. c. 63, § 38BB provide a non-refundable, transferable tax credit to G.L. c. 62 and G.L. c. 63 taxpayers who invest in certified housing development projects in Massachusetts. Prior to the 2023 Tax Relief Legislation, the total amount of credits that could be awarded in a calendar year was capped at \$10,000,000, and that limit was scheduled to decrease to \$5,000,000 for calendar years beginning on or after January 1, 2024. The 2023 Tax Relief Legislation temporarily increased the annual cap to \$57,000,000 for calendar year 2023; any portion of which was not authorized in 2023 was

to be authorized in subsequent years. For taxable years beginning on or after January 1, 2024, the 2023 Tax Relief Legislation set the annual cap at \$30,000,000. St. 2023, c. 50, §§ 19, 33, 45, 42; St. 2014, c. 287 §§ 45, 46, 62, 63, 124A (inserted by St. 2018, c. 99, § 26); TIR 24-4.

### **Increase to the Annual Amount of Dairy Farm Tax Credits**

G.L. c. 62, § 6(o) and G.L. c. 63, § 38Z provide a refundable, non-transferable tax credit for G.L. c. 62 and G.L. c. 63 taxpayers who are dairy farmers registered under G.L. c. 94, § 16A. The credit is based on the amount of milk a dairy farm produces and sells and is available to eligible individuals and corporations if the “United States Federal Milk Marketing Order Price” drops below a trigger price at any time during the taxable year. The 2023 Tax Relief Legislation increased the total annual cumulative amount of dairy farm credits authorized for G.L. c. 62 and G.L. c. 63 purposes from \$6,000,000 annually to \$8,000,000 annually, effective for taxable years beginning on or after January 1, 2023. St. 2023, c. 50, §§ 18, 32; TIR 24-4.

### **Changes to the Apprenticeship Tax Credit**

G.L. c. 62 § 6(v) and G.L. c. 63 § 38HH provide a refundable, non-transferable credit for G.L. c. 62 and G.L. c. 63 employers in the Commonwealth. The credit is equal to the lesser of \$4,800 or 50% of the wages paid to each qualified apprentice who the employer hires. The 2023 Tax Relief Legislation amended G.L. c. 62, § 6(v) and G.L. c. 63, § 38HH, effective for tax years beginning on or after January 1, 2023, to give the Secretary of the Massachusetts Executive Office of Labor and Workforce Development (“Secretary”) the authority to expand the list of qualified apprentice’s eligible occupations to “other expansion industries” that the Secretary “identifies as critical to a regional labor market economy.” St. 2023, c. 50, §§ 20, 34; TIR 24-4.

### **Additional Time for Employers to Verify Massachusetts National Guard Status for the National Guard Hire Tax Credit**

Under G. L. c. 62, § 6(aa) and G.L. c. 63, § 38KK, a non-refundable, non-transferable \$2,000 tax credit is allowed to employers in Massachusetts who hire members of the Massachusetts National Guard. Prior to the effective date of the FY23 Closeout Supplemental Budget, to be eligible for the credit, an employer was required

to obtain certification from the Office of the Adjutant General that the employee for whom the credit was claimed was a member of the Massachusetts National Guard no later than the day the employee began work for the employer. The FY23 Closeout Supplemental Budget amended G.L. c. 62, § 6(aa) and G.L. c. 63, § 38KK, respectively, effective for taxable years beginning on or after January 1, 2023, to allow employers 6 months after the employee begins work to obtain the requisite certification from the Office of the Adjutant General. St. 2023, c. 77 §§ 13, 16; TIR 24-6.

### **Temporary Authorized Training Program Credit for Emergency Assistance**

Under An Act Making Appropriations for the Fiscal Year 2024 to Provide for Supplementing Certain Existing Appropriations and for Certain Other Activities and Projects, enacted April 30, 2024, a temporary training program credit was made available to partnerships, limited liability corporations, or other legal entities subject to G.L. c 62, as well as business corporations taxable under G.L. c. 63, that provide training to a qualified trainee through an authorized training program. To qualify for the credit, such entities must (i) have a place of business in the Commonwealth; (ii) conduct an authorized training program in the Commonwealth that is in compliance with recommendations of the Executive Office of Labor and Workforce Development (“EOLWD”); (iii) enroll the qualified trainee in an authorized training program on or after April 30, 2024; and (iv) meet any additional requirements determined by the Executive Office for Administration and Finance and EOLWD. The credit is equal to \$2,500 for each qualified trainee who receives the training from the entity. The amount of the credit that exceeds the tax due for a taxable year may be carried forward to the subsequent taxable year. The credit is subject to an annual cap of \$10,000,000. In the case of a pass-through entity eligible for the credit, the credit will be attributed on a pro-rata basis to the owners, partners, or members of the legal entity that provides the training to a qualified trainee. The credit may be claimed for taxable years beginning on or after January 1, 2024; However, the credit may no longer be claimed as of January 1, 2026, or the taxable year in which the end of the capacity limitation on the emergency shelter assistance program occurs, whichever is sooner. St. 2024, c. 88 §§ 5, 6, 7, 8, 13, 29, 30; TIR 24-7.



## Withholding

### Withholding and Reporting Requirements Relating to Sports Wagering Winnings

The FY23 Closeout Supplemental Budget required payors of winnings from sports wagering under G.L. c. 23N to deduct and withhold 5% of those winnings subject to federal withholding requirements under Code § 3402. Under the federal withholding rules, proceeds of more than \$5,000 from wagering transactions (including sports wagering) are subject to withholding if the amount of such proceeds is at least 300 times the amount wagered. Code § 3402(q)(3)(A). For Massachusetts withholding purposes, if the proceeds from a wager are winnings subject to Massachusetts withholding, then the total proceeds from the wager, and not merely the amounts more than \$5,000, are subject to withholding. St. 2023, c. 77 § 14; TIR 24-6.

## Estate Tax

G.L. c. 65C, § 2A(a) imposes a tax on the estates of decedents who were Massachusetts residents at the time of their death. G.L. c. 65C, § 2A(b) imposes a tax on Massachusetts real and tangible personal property included in the estates of decedents who were not Massachusetts residents at the time of their death. The estate tax is equal to the credit for state death taxes that would have been allowable under Code § 2011, as in effect on December 31, 2000. Under the previous law, G.L. c. 65C, § 2A(a) provided that the tax was reduced by the lesser of (1) the amount of the estate tax or similar tax imposed by any other state, or (2) the tax multiplied by a fraction, the numerator of which was the value of real or tangible personal property located in other states and the denominator of which is the

value of real or tangible personal property wherever situated. Additionally, under the old law, the estate tax applied to an estate with a value exceeding \$1,000,000. The 2023 Tax Relief Legislation amended the estate tax with respect to resident and nonresident decedents dying on or after January 1, 2023. In particular, the 2023 Tax Relief Legislation amended the tax calculation for estates of resident decedents dying on or after January 1, 2023 that include real or tangible personal property located outside Massachusetts. Pursuant to the 2023 Tax Relief Legislation, the tax is reduced by an amount equal to the tax multiplied by a fraction, the numerator of which is the value of real or tangible personal property located in other states and the denominator of which is the value of real or tangible personal property wherever situated. Additionally, the 2023 Tax Relief Legislation eliminated the estate tax for an estate valued at \$2,000,000 or less and allowed a credit for all estates equal to the lesser of the tax that would otherwise be imposed or \$99,600. St. 2023, c. 50, § 37; TIR 24-4.

## Cider Excise

G.L. c. 138, § 21(b) imposes an excise on certain types of cider. Prior to the 2023 Tax Relief Legislation, G.L. c. 138, § 21(b) provided that cider containing more than 3% but not more than 6% alcohol by weight was subject to a tax rate of 3 cents per wine gallon. Additionally, G.L. c. 138, § 21(c) provided that certain still wines, other than cider, containing more than 3% but not more than 6% alcohol by weight, were subject to a tax rate at 55 cents per wine gallon. For taxable years beginning on or after January 1, 2023, the 2023 Tax Relief Legislation amended G.L. c. 138, § 21(b) and (c) to change the maximum alcohol content eligible for the cider tax rate of 3 cents per wine gallon from 6% alcohol by weight to 8.5% alcohol by volume. The excise rates under G.L. c. 138, § 21(b) and (c) remained unchanged. St. 2023, c. 50, § 38, 39; TIR 24-4.

# THE TAXES FY2024

TYPE OF TAX	MEASURE	RATE <sup>1</sup>	RETURN DUE
Personal income and fiduciary income	Net capital gains <sup>2</sup>	5–12%	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%	
	For tax year 2023, for income exceeding \$1,000,000, there is an additional surtax of 4%.		
Nonresident	Massachusetts source income	5%	
	For tax year 2023, for income exceeding \$1,000,000, there is an additional surtax of 4%.		
Estimated tax	Liability in excess of \$400		Due quarterly on or before the 15th day of April; June, September, and January.
Withholding	Wages	5%	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.
	For tax year 2023, for income exceeding \$1,000,000, there is an additional surtax of 4%.		
Pass-through entity (PTE) excise (Voluntary and subject to affirmative election)	The sum of the distributive shares of income subject to Massachusetts personal income tax of each qualified member	5%	Due at same time as a PTE's Form 355S, Form 3, or Form 2.
Estate	Federal taxable estate	0.8%–16% <sup>4</sup>	Within nine months after date of decedent's death.
Nonresident	Massachusetts real and tangible property <sup>4</sup>		Within nine months after date of decedent's death.
Alcoholic beverages	Malt (31-gal. bbl.)	\$3.30	Monthly, on or before the 20th day of the month.
	Cider 3%–8.5% alcohol by volume (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	
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.
	Electronic Nicotine Delivery Systems (ENDS)(wholesale price)	75%	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 <sup>5</sup> per \$500	Monthly, on or before the 10th day of the month (filed by Registry of Deeds).
Motor fuels	Gasoline and diesel fuel per gallon	\$ .24	Monthly, on or before the 20th day of the month.
	Propane, liquified gas, etc. (no minimum)	29.2%	
	Aviation (10¢ minimum)	38.2%	
	Jet fuel at local option (5¢ minimum)	17.3%	

TYPE OF TAX	MEASURE	RATE <sup>1</sup>	RETURN DUE
<b>Room occupancy</b>	Transient room occupancy Local option Convention Center Financing Fee (Boston, Cambridge, Springfield, Worcester, Chicopee and West Springfield) Cape Cod and Islands Water Protection Fund Fee (Barnstable, Nantucket and Dukes Counties) Community Impact Fee at Local Option on certain short-term rentals Tourism Destination Marketing District Fee at Local Option.	5.7% up to 6.0% <sup>6</sup> 2.75%  2.75%  up to 3%  up to 2%	Due monthly on or before the 30th day following the month represented by the return. May be subject to advance payment requirements.
<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%	Due 30 days after the close of the tax period. If annual liability, due on or before 30 days after the end of the filing period (i.e., January 30 of the following year represented by the return). May be subject to advance payment requirements.
<b>Sales tax on meals, prepared food and all beverages</b>	All "restaurant" food and on-premises consumption of any beverages in any amount. Local Option	6.25%  .75%	Due monthly on or before the 30th day following the month represented by the return. May be subject to advance payment requirements.
<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%	Due monthly on or before the 30th day following the month represented by the return. May be subject to advance payment requirements.
<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.



TYPE OF TAX	MEASURE	RATE <sup>1</sup>	RETURN DUE
<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%–1.0%	
Foreign casualty	Premiums	2.28%	On or before May 15.
Ocean marine	Underwriting profit	5.7%	
Preferred provider arrangements	Premiums	2.28%	On or before March 15.
<b>Motor vehicle</b> garaged outside Massachusetts	10% to 90% 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, 2023.

<sup>2</sup> Gains from the sale or exchange of capital assets (except collectibles) held for more than one year are taxed at 5%. Short-term capital gains are taxed at 8.5% and long-term capital gains arising from the sale of collectibles (with a 50% deduction) are taxed at 12%.

<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: 3% if total receipts are \$9 million or more; 2% if total receipts are \$6 million or more but less than \$9 million, and S corporations with receipts of less than \$6,000,000 are not subject to the income measure of excise.

<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: 4% if total receipts are \$9 million or more; 2.67% if total receipts are \$6 million or more but less than \$9 million, and S corporations with receipts of less than \$6,000,000 are not subject to the income measure of excise.

# REVENUE COLLECTIONS FY2024

In thousands	FY20	FY21	FY22	FY23	FY24	% change FY23–24
<b>STATE TAXES COLLECTED BY DOR</b>						
Alcoholic Beverages	\$ 87,621	\$ 92,660	\$ 97,022	\$ 98,268	\$ 97,558	(0.7)
Financial Institutions	9,311	44,926	22,625	21,794	16,679	(23.5)
Cigarettes <sup>1</sup>	523,963	398,214	390,686	365,269	339,557	(7.0)
Corporations	2,523,446	3,626,597	4,576,811	4,549,169	4,228,944	(7.0)
Deeds <sup>2</sup>	215,812	278,547	326,336	234,995	213,486	(9.2)
Estate and Inheritance	699,555	787,764	868,444	973,710	574,198	(41.0)
Income <sup>1</sup>	17,388,969	19,662,123	24,378,536	21,904,495	24,156,985	10.3
Insurance	415,459	480,483	509,117	537,238	587,890	9.4
Motor Fuels and I.F.T.A <sup>3</sup>	707,877	662,932	722,788	701,909	713,227	1.6
Public Utilities	(346)	1,472	1,572	150	(570)	(480.0)
Room Occupancy	252,268	124,220	294,219	388,024	413,255	6.5
Sales and Use	6,846,338	7,849,850	8,809,380	9,448,137	9,397,247	(0.5)
Club Alcoholic Beverages	750	546	621	822	863	5.0
Motor Vehicle Excise	195	783	1,115	619	685	10.7
Convention Center Surcharges	16,682	4,233	10,596	13,811	16,381	18.6
Community Preservation Trust	42,134	82,212	70,650	49,158	42,810	(12.9)
Controlled Substances and Marijuana Excise	51,685	112,370	156,669	161,468	173,743	7.6
Satellite	7,634	6,708	6,081	5,418	4,720	(12.9)
Statewide car rental	6,174	3,242	4,424	5,085	5,409	6.4
Electronic Nicotine Delivery System	—	13,304	16,326	13,871	14,776	6.5
<b>Total state taxes collected by DOR</b>	<b>\$29,795,526</b>	<b>\$34,233,184</b>	<b>\$41,264,018</b>	<b>\$39,473,410</b>	<b>\$40,997,841</b>	<b>3.9</b>
<b>STATE TAXES COLLECTED BY OTHER AGENCIES</b>						
<b>Massachusetts Gaming Commission:</b>						
Pari-Mutual Taxes	\$ 741	\$ 1,117	\$ 1,080	\$ 833	\$ 892	7.0
Gaming Revenue Taxes	187,870	224,007	300,057	318,704	320,922	0.7
Sports Wagering	—	—	—	37,517	119,419	218.3
<b>Lottery Commission:</b>						
Beano	481	30	337	429	445	3.7
Raffles and Bazaars	857	585	815	1,032	983	(4.7)
<b>State Athletic Commission:</b>						
Boxing Contests	150	0	77	74	424	470.5
Boxer's Fund	23	0	18	18	87	389.9
<b>Division of Insurance:</b>						
Excess and Surplus Lines Insurance	54,660	56,922	78,880	76,272	104,131	36.5
<b>Secretary of State:</b>						
Deeds Excise Stamp Tax Fees	98,338	118,630	146,009	101,857	89,981	(11.7)
<b>Division of Unemployment Assistance:</b>						
Workforce Training Contribution	25,743	21,363	21,365	35,085	26,369	(24.8)
<b>Total state taxes collected by other agencies</b>	<b>\$368,863</b>	<b>\$422,653</b>	<b>\$548,637</b>	<b>\$571,820</b>	<b>\$663,654</b>	<b>4.2</b>
<b>TOTAL STATE TAXES</b>	<b>\$30,164,389</b>	<b>\$34,655,837</b>	<b>\$41,812,654</b>	<b>\$40,045,230</b>	<b>\$41,661,494</b>	<b>4.0</b>

In thousands	FY20	FY21	FY22	FY23	FY24	% change FY23–24
<b>OTHER REVENUE</b>						
Local option airplane jet fuel	\$ 31,178	\$ 9,798	\$ 25,659	\$ 54,416	\$ 50,286	(7.6)
Local option rooms	209,229	108,844	251,542	330,475	356,115	7.8
Local option meals	125,822	109,249	156,552	176,506	186,310	5.5
Local option marijuana	14,386	31,252	43,337	44,738	47,805	6.9
Local option vehicle rental surcharge	1,770	595	1,154	2,136	810	(62.1)
Local option community impact fee	630	924	2,048	3,275	3,910	19.4
Urban redevelopment	29,501	63,650	45,290	44,887	42,625	(5.0)
Department non-tax revenue	9,010	12,261	16,180	6,378	9,930	55.7
Paid family and medical leave	608,707	951,781	949,690	933,988	1,032,453	10.5
County recording fees	30,082	39,707	33,107	21,405	17,914	(16.3)
Abandoned deposits – bottle	60,252	71,637	71,618	71,742	73,705	2.7
Embarkation fees	1,518	973	1,380	1,496	1,466	(2.0)
UST delivery fees	74,802	69,778	76,989	79,865	83,642	4.7
Cape Cod & Islands water protection fund	9,359	15,558	20,266	21,626	21,559	(0.3)
Tourism District Fee	—	—	15,422	31,489	34,614	9.9
<b>Total other revenue</b>	<b>\$1,206,247</b>	<b>\$1,486,007</b>	<b>\$1,710,234</b>	<b>\$1,824,423</b>	<b>\$1,962,962</b>	<b>7.6</b>
<b>TAXES ON PROPERTY COLLECTED BY LOCAL GOVERNMENT</b>						
Real Estate	\$17,287,537	\$18,030,614	\$18,800,267	\$19,689,282	\$20,695,739	4.7
Personal Property	844,697	900,357	963,428	985,465	1,057,615	2.3
Motor Vehicles	894,810	912,272	951,184	960,317	1,044,501	1.0
<b>Total taxes on property collected by local government</b>	<b>\$19,027,044</b>	<b>\$19,843,244</b>	<b>\$20,714,879</b>	<b>\$21,635,064</b>	<b>\$22,797,855</b>	<b>4.4</b>
<b>TOTAL ALL TAXES</b>	<b>\$50,397,679</b>	<b>\$55,985,087</b>	<b>\$64,237,767</b>	<b>\$63,504,400</b>	<b>\$66,422,311</b>	<b>(1.1)</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.

The FY24 Annual Report reflects the most current information as of the posting date and includes accounting adjustments made for prior periods.

Because of rounding, detail may not add to totals.



# OFFERS IN COMPROMISE

FY2024

The Commissioner of DOR is authorized under Massachusetts General Laws, Chapter 62C, Section 37A to accept less than the full amount of the tax liability owed if there is “serious doubt” as to whether the tax due can be collected, there is no intent to defraud, and accepting an offer is in the best interest of the Commonwealth. The Offer in Compromise must be recommended to the Commissioner of DOR by at least two deputy commissioners. The written agreement, signed by all parties and including the reasons for compromise, is a public record.

The Attorney General of the Commonwealth of Massachusetts must review any offer that proposes a settlement of over \$20,000 less than the total amount owed, or any offer for less than half of the total amount owed. The Attorney General may also object to such an offer.

The law requires that a listing of all Offers in Compromise accepted during the fiscal year be included in the Department’s Annual Report. In Fiscal Year 2024, the Attorney General reviewed the following Offers:

TAXPAYER NAME	TOTAL TAX, INTEREST & PENALTIES	AMOUNT PAID IN COMPROMISE	AMOUNT ABATED
BZ’s Restaurants, Inc. & RPs Rogerio Balestri & Ricki Day Balestri	\$ 111,317.23	\$ 68,200.00	\$ 43,117.23
Fitzgerald, Kim	13,022.95	5,000.00	8,022.95
Miranda, Karen	13,995.89	6,000.00	7,995.89
Nicoli, Margarida	9,254.64	5,000.00	4,254.64
TOTALS	\$147,590.71	\$84,200.00	\$63,390.71

# COLLECTION AGENCIES FY2024

Chapter 209 of the Acts of 1988 permits the Commissioner of DOR 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
The Allen Daniel Associates, Inc.	\$ 4,949,069.01	\$ 570,223.34	\$ 4,378,845.67
TSI/EOS-CCA	3,703,970.87	432,348.34	3,271,622.53
TOTAL	\$8,653,039.88	\$1,002,571.68	\$7,650,468.20