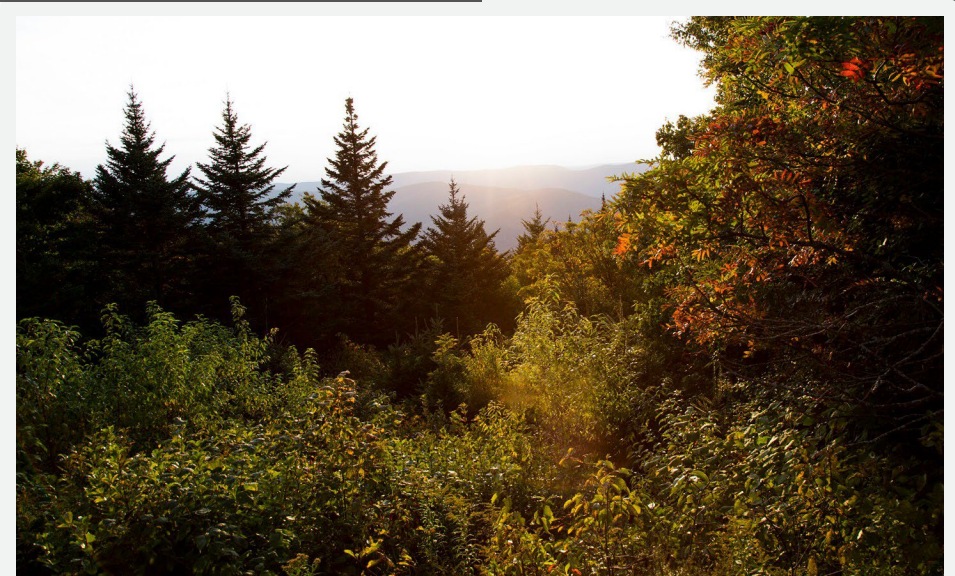


FY2025 ANNUAL REPORT

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 2025 (FY25) Annual Report as directed by G.L. c. 14, § 6.

FY25 budgeted revenues totaled \$43.708 billion, \$2.908 billion, or 7.1% more than collections in FY24, and \$2.101, or 5.1% above the FY25 benchmark. This mainly reflects an increase in withholding, capital gains tax, the additional 4% tax levied pursuant to Article XLIV of the Amendments of the Constitution of the Commonwealth (the surtax), sales and use tax, and "all other" tax, primarily the estate tax.

The increase was partially offset by decreases in corporate and business excise taxes.

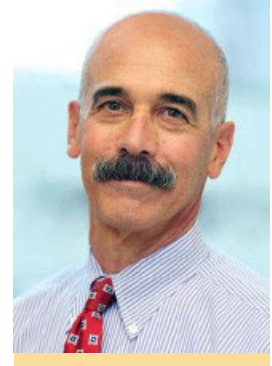
- ▶ The FY24 Supplemental Budget amended the Child and Family Tax Credit, enabling noncustodial parents to claim the credit for a child dependent who is aged 13 or older and is physically or mentally unable to care for themselves.
- ▶ The Economic Development Act and the Climate Act amended the Offshore Wind Investment Tax Credit in Massachusetts, extending this credit to offshore wind companies that meet specific criteria, including facility and employment requirements.
- ▶ Massachusetts passed the HERO Act (An Act Honoring, Empowering, and Recognizing Our Servicemembers and Veterans), which amended the Qualified Veterans Hire Tax Credit to increase the credit amount per qualified veteran hired from \$2,000 to \$2,500.
- ▶ DOR implemented a 60-day amnesty program authorized by the FY25 General Appropriations Act, leading to amnesty collections of \$142,832,153.40 and waived penalties totaling \$30,422,936.74.
- ▶ The Child Support Services Division collected \$595.3 million in support payments during FY25.
- ▶ In FY25, the Division of Local Services certified tax levies totaling \$22,880,943,840 and distributed \$7,951,382,674 in net local aid to cities, towns, and regional and charter schools.

DOR provides citizens of the Commonwealth with information and a range of services to help them understand and fulfill their tax obligations. We are committed to serving taxpayers by ensuring fairness in revenue collection, assisting local officials with effective fiscal management through training and oversight, and providing financial support to families throughout Massachusetts.

Sincerely,



Geoffrey E. Snyder
Commissioner



LEGISLATIVE REVIEW FY2025

Personal Income Tax

Code Update

Generally, Massachusetts personal income tax determines a taxpayer's Massachusetts gross income based on a taxpayer's federal gross income as defined under the Internal Revenue Code (IRC), as amended as of a specific date and in effect for the taxable year. The Fiscal Year 2025 Budget (the FY2025 Budget) updated G.L. c. 62 § 1(c) and generally conforms the personal income tax to the IRC as amended on January 1, 2024, and in effect for the taxable year, effective for taxable years beginning on or after January 1, 2024. St. 2024, c. 140, §§ 100, 251; TIR 24-14.

Repeal of the Angel Investor Credit

The Act Relative to Strengthening Massachusetts' Economic Development (the Economic Development Act) repealed the Angel Investor Credit, a credit previously allowed under G.L. c. 62, § 6(t). The credit was available to taxpayers subject to tax under G.L. c. 62 in an amount 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. The Massachusetts Life Sciences Center administered the credit, in consultation with the Executive Office of Economic Development (EOED) and the Commissioner, and awarded the credit in its discretion. Angel Investor Credits awarded by the Massachusetts Life Sciences Center were included in the cumulative annual limit applicable to the Massachusetts Life Sciences Tax Incentive Program established in G.L. c. 23I, § 5(d).

The credit was allowed for tax years beginning on or after January 1, 2017. The effective date of the credit's repeal was January 1, 2024. A taxpayer that has unused credit in a tax year beginning on or after January 1, 2024, that has been carried forward from a prior tax year may claim the credit in such tax year, subject to the

limitations under 830 CMR 62.6.5(11). St. 2024, c. 238, §§ 190, 325; TIR 25-5.

Changes to the Child and Family Tax Credit

The Fiscal Year 2024 Supplemental Budget (the FY2024 Supplemental Budget) amended G.L. c. 62, § 6(x), the Child and Family Tax Credit, to allow a noncustodial parent to claim the credit with respect to a child dependent who is age 13 or older and who is physically or mentally incapable of caring for himself or herself. To claim the Child and Family Tax Credit the household must include at least one individual who is (1) under the age of 13 and who qualifies for the federal exemption for dependents provided by IRC § 151; (2) a qualifying individual, pursuant to IRC § 21, which includes a dependent or spouse where such dependent or spouse is physically or mentally incapable of taking care of himself or herself and lives principally with the taxpayer; or (3) a dependent under IRC § 152 who is age 65 or over or disabled. The noncustodial parent must attach the written declaration required under Code § 152(e)(2) to the relevant return for the taxable year in which they seek to claim the credit. St. 2024, c. 206, §§ 12, 62; TIR 24-13.

Repeal of Deduction of Interest and Dividends from Massachusetts Banks

The FY2025 Budget struck G.L. c. 62, § 3.B(a)(6) which allowed a deduction for interest and dividends from savings deposits, savings accounts, shares or share savings accounts that were in a Massachusetts bank in the amount of \$100 for a single person, head of household or a married person filing separate return, or \$200 for a couple filing a joint return. For taxable years beginning on or after January 1, 2024, these amounts are no longer excluded from Massachusetts Part B taxable income. St. 2024, c. 140, § 101; TIR 24-14.

Title 5 Credit for Mandated Septic System Repairs, Replacements, Upgrades, and Sewer Connections

The FY2025 Budget amended G.L. c. 62, § 6(i) to allow the Title 5 credit for taxpayers who repair, replace, or upgrade a cesspool or septic system or who connect to a sanitary sewer collection system,

if such repair, replacement, upgrade or sewer connection is required pursuant to the provisions of Title 5 of the State Environmental Code, 310 CMR 15.000, a watershed permit issued by the Department of Environmental Protection (DEP), or other requirements or conditions for implementation of the watershed permit imposed by the permittee or the DEP. The amended statute clarifies that eligible repairs, replacements, upgrades, or connections also include, but are not limited to: (1) upgrades to best available nitrogen reducing technology pursuant to 310 CMR 15.215(2)(a) or (2)(d)1, or pursuant to the requirements of a watershed permit issued in accordance with 314 CMR 21.00; and (2) connections to a sewer pursuant to the requirements of a watershed permit. To claim the credit a taxpayer must obtain a verification letter from the city or town which states that repair, replacement, or upgrade of the system or connection to a sewer was required pursuant to 310 CMR 15.215(2)(a) or (2)(d)1, or pursuant to the requirements of a watershed permit issued in accordance with 314 CMR 21.0. Extra requirements are necessary if a taxpayer is claiming costs for nitrogen-reducing technology or costs associated with a sewer connection. St. 2024, c. 140, § 102; TIR 24-14.

Change to Married Couples Filing Status Requirement for Massachusetts Tax Returns

Before the FY2025 Budget, married couples filing a joint federal income tax return for any taxable year were required to also file a joint income tax return in Massachusetts, pursuant to G.L. c. 62C, § 6(a)(2). The FY2025 Budget amended this rule, and a married couple is now not required to file a joint Massachusetts income tax return if at least one of the spouses would not otherwise be required to file a Massachusetts return because the spouse's Massachusetts gross income did not exceed \$8,000 in the taxable year. This change is in effect for tax years beginning on or after January 1, 2024. St. 2024, c. 140, §§ 103, 251; TIR 24-14.

Corporate Excise

Changes to the Massachusetts Research Credit

Under G.L. c. 38M, a research credit may be claimed by business corporations subject to tax

under G.L. c. 63 that incur qualified research expenses and basic research payments, as such terms are defined in IRC § 41. This credit closely parallels the federal research credit. Taxpayers may elect to compute the Massachusetts Research Credit separately for defense-related activities and other research activities. The Economic Development Act amended G.L. c. 63, § 38M(j)(2) to expand the definition of defense related activities to also include medical countermeasures, including, but not limited to: (1) medicines and medical supplies that can be used to diagnose, prevent or treat diseases related to chemical, biological, radiological or nuclear threats; (2) biologic products, vaccines, blood products and antibodies; and (3) antimicrobial or antiviral drugs, diagnostic tests to identify threat agents and personal protective equipment. This revised definition is effective for expenses incurred on or after November 20, 2024. St. 2024, c. 238, § 196; TIR 25-5.

Change to Single Sales Factor Rules for Companies whose Sales Factor is Inapplicable

For tax years beginning on or after January 1, 2025, G.L. c. 63, §§ 2A and 38 requires that all business corporations, including financial institutions, 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. The FY2024 Supplemental Budget amended G.L. c. 63, § 38(g) to provide a special rule that applies to business corporations, other than financial institutions, for tax years when those corporations' sales factors are inapplicable. Pursuant to this change, for such years, these corporations will be required to base their apportionment on the percentage of their property and payroll in Massachusetts. The sales factor of such a corporation is inapplicable if: (i) both its numerator and denominator are zero; (ii) the denominator is less than 10% of one-third of the taxable net income; or (iii) it is otherwise determined by the Commissioner to be insignificant in producing income. The FY2024 Supplemental Budget's change does not affect the computation of the receipts factor for purposes of determining the apportionment percentage for financial institutions. St. 2024, c. 248, § 15; TIR 25-5.

Personal Income Tax and Corporate Excise

New Live Theater Credit

The Economic Development Act established a new transferable, non-refundable Live Theater Credit for certain live theater companies subject to tax under G.L. c. 62 or G.L. c. 63 in G.L. c. 62, § 6(ff) and G.L. c. 63, § 38QQ. The Live Theater Credit is administered by the Massachusetts Office of Business Development (MOBD), which runs a competitive grant program to award the credit. The amount of a live theater company's credit is equal to 35% of its total in-state payroll costs, 25% of its total in-state production and performance expenditures, and 25% of its total in-state transportation expenditures, and may not exceed the amount specified in the eligible theater production certificate issued by MOBD. MOBD has the discretion to authorize up to \$7,000,000 in annual credits. To be eligible for the Live Theater Credit, a theater production must be a live stage musical, dance, theatrical production, or tour that is either: (i) a pre-Broadway production; (ii) a pre-off-Broadway production; (iii) a national tour launch; or (iv) a regional professional theater production. The theater production must be presented in a qualified production facility. The theater production's budget must be at least \$100,000. The Live Theater Credit may be carried forward for up to five tax years from the date the credit was issued. The Live Theater Credit is available for tax years beginning on or after January 1, 2025. The credit is set to expire on January 1, 2030. St. 2024, c. 238, §§ 315; 319, 322; TIR 25-5.

New Qualified Internship Credit

The Economic Development Act established a new non-transferable, refundable Qualified Internship Credit in G.L. c. 62, § 6(ii) and G.L. c. 63, § 38UU for employers engaged in business in Massachusetts who are subject to tax under either G.L. c. 62 or G.L. c. 63 and employ qualified interns during the taxable year. EOED will administer the credit and has the discretion to authorize the credit for taxpayers starting in the taxable year that follows the next state fiscal year in which Massachusetts closes with a consolidated net surplus of at least \$400 million.

The credit is equal to the lesser of \$5,000 or 50% of the wages paid to each net-new qualified intern that the employer employs during the taxable year. The total annual amount of credits that can be authorized by EOED cannot exceed \$10,000,000 annually, and an employer may not claim more than \$100,000 in the credits for any taxable year.

The credit is available to the employer of a qualified intern, provided that the intern is a student at or recent graduate of a public or private institution of higher education located in Massachusetts who works for the employer for at least 12 weeks in the taxable year. The employer must demonstrate that the total number of interns employed in the taxable year exceeds the average number of interns employed over the previous three taxable years. A student or recent graduate cannot generate a credit for more than one employer in any taxable year. Credits claimed by an employer that is a non-corporate entity must be attributed on a pro rata basis to the owners, partners, or members of the employer. The credit is scheduled to be repealed on January 1 of the sixth tax year following the year in which the credit becomes effective. St. 2024, c. 238, §§ 194, 212; 320; TIR 25-5.

Changes to the Economic Development Incentive Program (EDIP) Credit

The Economic Development Act amended G.L. c. 62, § 6(g) and G.L. c. 63, § 38N, and changed several aspects of the EDIP credit, a credit for taxpayers subject to tax under G.L. c. 62 or G.L. c. 63 who participate in a certified project as defined in G.L. c. 23A, §§ 3A and 3F. The Economic Assistance Coordinating Council (EACC), which administers the EDIP, has the discretion to confer state and local tax incentives in exchange for job creation and investment commitments. The Economic Development Act removes several restrictions that applied to the EDIP Credit. Pursuant to the Economic Development Act, the EACC may now annually authorize more than \$5,000,000 in refundable credits. Additionally, taxpayers who receive non-refundable credits are entitled to use those credits to offset more than 50% of their tax liability for a given taxable year. Additionally, taxpayers claiming the EDIP credit may now also claim the investment tax credit provided by G.L. c. 63, § 31A. These changes to

the EDIP credit became effective on November 20, 2024. St. 2024, c. 238, §§ 35, 185, 201, 206; TIR 25-5.

Changes to the Housing Development Incentive Program

The FY2024 Supplemental Budget amended G.L. c. 62, § 6(q)(5) and G.L. c. 63, § 38BB(5) to make changes to the \$30,000,000 annual cap for the Housing Development Incentive Program Credit. The Executive Office of Housing and Livable Communities (EOHLC), which administers the credit, has the discretion to authorize the credit for taxpayers subject to tax under G.L. c. 62 or G.L. c. 63 that invest in certified housing development projects in Massachusetts. The credit is based on a taxpayer's qualified project expenditures incurred for newly constructed or rehabilitated multi-unit residential housing that contains a minimum of 80% market-rate units. The total amount of credits that EOHLC may award in a calendar year is limited to \$30,000,000. The FY2024 Supplemental Budget requires that any unused portion of the annual cap be added to the total amount of credit that EOHLC may authorize in subsequent years. St. 2024, c. 248, §§ 13, 16; TIR 25-5.

Extension of the Cranberry Bog Renovation Credit

The Cranberry Bog Renovation Credit allows taxpayers subject to tax under G.L. c. 62 or G.L. c. 63 to claim, in the discretion of the Secretary of Energy and Environmental Affairs, a credit for expenses incurred in renovating cranberry bogs. The credit was previously set to expire on December 31, 2025. The Economic Development Act amended St. 2021, c. 24, § 148 to extend this credit to tax years ending on or before December 31, 2030. St. 2024, c. 238, § 277; TIR 25-5.

Changes to the Offshore Wind Investment Tax Credit

Both the Economic Development Act and the Act Promoting a Clean Energy Grid, Advancing Equity and Protecting Ratepayers (the Climate Act) amended G.L. c. 62, § 6(cc) and G.L. c. 63, § 38MM to make changes to the Offshore Wind Investment Tax Credit. The Massachusetts clean energy technology center (MassCEC), which administers the credit, has the discretion to

authorize the credit for owners or members of offshore wind companies subject to tax under G.L. c. 62 and offshore wind companies subject to tax under G.L. c. 63 that invest in certain offshore wind facilities. The Economic Development Act clarifies the eligibility requirements for tenants of an offshore wind facility seeking to claim the credit. A tenant must demonstrate that it occupies a leased area of the offshore wind facility that represents at least 25% of the total leasable square footage of the facility. The Climate Act also makes changes to the Offshore Wind Investment Tax Credit. Prior to the Climate Act, where the certified offshore wind company was a tenant of an offshore wind facility, the aggregate number of full-time employees from all tenants at the facility had to be at least 200 by the fifth year of the company's certification period. The Climate Act changes this employment requirement to instead require that each tenant employ at least 50 full-time employees by the fifth year of the tenant's certification period. St. 2024, c. 238, §§ 191, 209; St. 2024, c. 239, §§ 40, 41; TIR 25-5.

Changes to the Offshore Wind Jobs Tax Credit

The Economic Development Act amended G.L. c. 62, § 6(bb) and G.L. c. 63, § 38LL to make changes to the Offshore Wind Jobs Tax Credit. The MassCEC, which administers the credit, has the discretion to authorize the credit for owners or members of offshore wind companies subject to tax under G.L. c. 62 and offshore wind companies subject to tax under G.L. c. 63. Before the Economic Development Act, certified offshore wind companies were required to commit to the creation of not less than 50 net new permanent employees in Massachusetts to be eligible for the credit. The Economic Development Act reduces this employment requirement by requiring such companies to commit to creating not less than 10 net new permanent full-time employees in Massachusetts. St. 2024, c. 238, §§ 191; 209; TIR 25-5.

Changes to the Massachusetts Life Sciences Tax Incentive Program

The Massachusetts Life Sciences Tax Incentives Program, administered by the Massachusetts Life Sciences Center, enables life sciences companies to claim various tax incentives. A life sciences company is an entity engaged in life sciences

research, development, manufacturing, or commercialization in Massachusetts. For tax years beginning on or after January 1, 2024, the Economic Development Act amended G.L. c. 23I, § 5(d) and G.L. c. 62, § 6(r) to increase the cumulative annual amount of life sciences tax incentives that the Massachusetts Life Sciences Center can authorize up to \$40,000,000. The prior limit was 30,000,000. In addition, the Economic Development Act expanded the eligibility for life sciences tax incentives by expanding the definition of "life sciences" to include biosecurity, life sciences-related artificial intelligence, medical technology, and preventative medicine. The expansion of the definition of "life sciences" is effective for applications beginning with those submitted to the Massachusetts Life Sciences Center for the 2024 taxable year. St. 2024, c. 238, §§ 61, 195, 197, 208; TIR 25-5.

Climatetech Tax Incentive Program

The Economic Development Act established the Climatetech Tax Incentive Program, administered by the MassCEC in consultation with the Commissioner, which includes three tax credits. The purpose of the program is to develop and expand climatetech-related employment opportunities in Massachusetts and to promote climatetech-related economic development in Massachusetts by supporting and stimulating research, development, innovation, manufacturing, and deployment of climate technologies within the climatetech sector. The credits are collectively subject to an annual cap of \$30,000,000 and are effective for taxable years beginning on or after January 1, 2024. St. 2024, c. 238.

The Climatetech Incentive Jobs Credit

The Economic Development Act established a refundable Climatetech Incentive Jobs Credit for climatetech companies subject to tax under G.L. c. 62 or G.L. c. 63 that have been certified by the MassCEC. MassCEC has discretion to decide whether to confer the credit to a climatetech company and, in consultation with the Commissioner, determine the amount of such credit. If the credit exceeds the certified climatetech company's liability for the taxable year, 90% of such excess credit is to be refunded

to the company. Excess credit amounts cannot be carried forward to subsequent taxable years. Where the certified climatetech company is a pass-through entity subject to tax under G.L. c. 62, the credit will be attributed on a pro rata basis to the owners, partners, or members of such entity. If a climatetech company's certification is revoked, recapture of the credit will be required. St. 2024, c. 238, §§ 194, 212; TIR 25-5.

The Climatetech Capital Investment Credit

The Economic Development Act established a refundable Climatetech Capital Investment Credit for climatetech companies subject to tax under G.L. c. 62 or G.L. c. 63. To claim the credit, a climatetech company must first be certified by the MassCEC. Once a climatetech company is certified, MassCEC has the discretion to award the climatetech company a credit for capital investment in a climatetech facility in an amount up to 50% of such investment, provided that the company demonstrates that it has met certain eligibility requirements. The credit is awarded in equal parts over five taxable years.

The eligibility requirements for the Climatetech Capital Investment Credit vary depending on whether the certified climatetech company owns or leases the climatetech facility. A certified climatetech company that is the owner of a facility must demonstrate to the MassCEC that (i) it has a total capital investment in the facility that is not less than \$5,000,000; and (ii) that the climatetech facility will employ at least 50 new full-time employees by the fifth year of the climatetech company's certification. A certified climatetech company that is a tenant of a climatetech facility, must demonstrate to the MassCEC that (i) the owner has made a total capital investment in the facility that equals not less than \$5,000,000; (ii) it leases an area of the facility that represents not less than 25% of the total leasable square footage of the facility; and (iii) it will employ at least 13 full-time employees by the fifth year of the tenant's certification period. Further, in the tenant cases, the amount of credit to be awarded for a taxable year cannot exceed the certified climatetech company's total lease payments for the facility in the taxable year. Where the certified climatetech company is a pass-through entity subject to tax under G.L. c. 62, the credit will be

attributed on a pro rata basis to the owners, partners, or members of such entity. If a climatetech company's certification is revoked, recapture of the credit will be required. St. 2024, c. 238, §§ 194, 212; TIR 25-5.

The Climatetech Qualified Research Expenses Credit

The Economic Development Act established a Climatetech Qualified Research Expenses Credit for certified climatetech companies subject to tax under G.L. c. 63 for research and development costs. The MassCEC has the discretion to award a climatetech company the credit pursuant to the Climatetech Tax Incentives Program. The allowable credit is the sum of 10% of the excess, if any, of qualified research expenses for the taxable year, over the base amount, and 15% of the basic research payments determined pursuant to IRC § 41(e)(1)(A). Each of the terms "qualified research expenses," "base amount," "qualified organization base period amount," "basic research," and any other terms affecting the calculation of the credit has the same meaning as defined in IRC § 41, unless the context requires otherwise. The qualified research expenses include those performed both inside and outside the Commonwealth. The credit cannot reduce a corporation's corporate excise liability below the minimum excise. A corporation entitled to the credit for a taxable year may carry over any excess credit for a taxable year to any of the next 15 succeeding taxable years. St. 2024, c. 238, §§ 194, 212; TIR 25-5.

Changes to the Qualified Veterans Hire Tax Credit

The Qualified Veterans Hire Tax Credit under G.L. c. 62 § 6(u) and G.L. c. 63 § 38GG provides for non-refundable, non-transferrable tax credits for certain employers located in Massachusetts that hire qualified veterans. The credit was equal to \$2,000 for each qualified veteran hired. The Act Honoring, Empowering, and Recognizing Our Servicemembers and Veterans (the Servicemembers and Veterans Act) amended G.L. c. 62, § 6(u)(4) and G.L. c. 63, § 38GG(d), respectively, effective for taxable years beginning on or after January 1, 2024, to increase the amount of the credit per qualified veteran hired

from \$2,000 to \$2,500. The Servicemembers and Veterans Act also amended G.L. c. 62, § 6(u)(2) and G.L. c. 63, § GG(b), respectively, effective for qualified veterans hired on or after August 1, 2024, to allow employers up to 6 months after the qualified veteran employee begins work to obtain the requisite certification from the Department of Career Services. Previously, the certification was required as of the day the qualified veteran began work. St. 2024, c. 178, §§ 25-28, 153; TIR 24-15.

New Massachusetts Homeownership Credit

An Act Relative to the Affordable Homes Act (the Affordable Homes Act) created a new Massachusetts Homeownership Credit in G.L. c. 62, § 6O and G.L. c. 63, § 38PP for taxpayers subject to tax under G.L. c. 62 or G.L. c. 63 for a qualified homeownership development project authorized by the Executive Director of the Massachusetts Housing Finance Agency (MHFA). A qualified homeownership development project is a project to develop for-sale single-family dwellings in Massachusetts that involves (1) new construction of at least ten single-family dwellings; (2) is in an eligible location; and (3) results in at least 20% of the single-family dwellings being sold to qualified buyers who are subject to an affordability restriction established by MHFA. To receive the credit, a sponsor must submit an application to MHFA and receive an eligibility certificate.

The amount of credit authorized by MHFA cannot exceed the maximum credit amount, which is 35% of the lesser of either: (1) the project's total qualified project expenditures calculated on a per single-family dwelling basis; or (2) 80% of the area median new single-family dwelling sales price, subject to further limitations established by MHFA. This credit is non-refundable but is transferable. Any amount of the credit that exceeds the tax due for a taxable year may be carried forward for the duration of the qualified homeownership development project's affordability period, which is a 10-year period that starts when the first sale of a single-family dwelling constructed as part of the project is sold. The credit is subject to recapture if MHFA determines that a sponsor or qualified homeownership development project does not qualify for the credit, ceases to qualify for the credit, or did not qualify for the credit at the time they claimed the

credit. The credit is available for taxable years beginning on or after January 1, 2025. St. 2024, c. 150, §§ 21, 26, 140; TIR 24-16.

New Qualified Conversion Credit

The Affordable Homes Act established a new qualified conversion credit in G.L. c. 62, § 6(ee) and G.L. c. 63, § 3800 available to taxpayers subject to tax under G.L. c. 62 or G.L. c. 63 in relation to a qualified conversion project that has been certified by EOHLC. To claim the credit, a sponsor submits a project proposal to EOHLC requesting the certification of a housing development project as a qualified conversion project. EOHLC determines the amount of the credit awarded to the sponsor, and the amount cannot exceed 10% of the qualified conversion project's development costs. The credit is nonrefundable but is transferable. Any amount of the credit that exceeds the tax due in a taxable year may be carried forward to any of the 10 subsequent taxable years. EOHLC may revoke the certification of a project if it determines that the representations made by a sponsor in its project proposal are materially different from the sponsor's conduct after the project's certification or if the project no longer satisfies the qualified conversion project program's requirements. In the event of such a revocation, the Commissioner will recapture the credit. The credit is available for taxable years beginning on or after January 1, 2025, and ending on or before December 21, 2029. St. 2024, c. 150, §§ 17, 21, 26, 137, 140, 142; TIR 24-16.

Changes to the Community Investment Credit

The Massachusetts Community Investment Credit, in G.L. c. 62, § 6M and G.L. c. 63, § 38EE, which allows taxpayers subject to G.L. c. 62 and G.L. c. 63 to claim a credit for cash contributions made to a community partner to support implementation of its community investment plan, or to a community partnership fund, was due to expire on December 31, 2025, but the Affordable Homes Act made the credit permanent. Effective for taxable years beginning on or after January 1, 2025, the Affordable Homes Act also raised the credit's annual limit, previously set at \$12,000,000 for taxable years 2023 through 2025, to \$15,000,000. St. 2024, c. 150, §§ 20, 25, 106; TIR 24-16.

Changes to the Massachusetts Historic Rehabilitation Credit

The Massachusetts Historic Rehabilitation Credit, in G.L. c. 62, § 6J and G.L. c. 63, § 38R, which allows taxpayers subject to tax under G.L. c. 62 or G.L. c. 63 to claim a credit for certain expenditures made to rehabilitate certain qualified historic structures, was due to expire on December 31, 2027, but the Affordable Homes Act extended the credit to taxable years ending on or before December 31, 2030. Effective for taxable years beginning on or after January 1, 2024, the Affordable Homes Act also raises the credit's annual limit from \$55,000,000 to \$110,000,000. St. 2024, c. 150, §§ 18, 19, 23, 24, 141; TIR 24-16.

Sales and Use Tax

The Climatetech Tax Incentive Program Sales Tax Exemption

The ClimateTech Tax Incentive Program, established in the Economic Development Act, also includes a sales and use tax exemption. The Economic Development Act adds a sales and use tax exemption under G.L. c. 64H, § 6(yy) for sales of tangible personal property purchased for a certified climatetech company, to the extent that the MassCEC, in its discretion, has authorized the exemption pursuant to the Climatetech Tax Incentive Program. The exemption applies to tangible personal property purchased for use in connection with the construction, alteration, remodeling, repair, or remediation of research, development, or manufacturing or other commercial facilities used for the provision of goods or services in the climatetech sector and utility support systems. St. 2024, c. 238, § 214; TIR 25-5.

New Sales and Use Tax Exemption for Qualified Data Centers

The Economic Development Act created a new sales and use tax exemption under G.L. c. 64H, § 6(zz) for purchases of certain tangible personal property used for the construction or refurbishment of qualified data centers and for use by such newly constructed or refurbished qualified data centers. The exemption is allowed only to the extent that EOED, in its discretion, has authorized a taxpayer to claim it. In particular, the exemption

applies to the purchase of eligible data center equipment, software, and electricity used in a qualified data center, as well as construction costs incurred during the building, renovation, or refurbishment of a qualified data center. Once EOED certifies the data center, it becomes a qualified data center for a 20-year period, commencing on the date the application was submitted to EOED or a prospective date stated in the application, which does not exceed 5 years after the date of submission. Where the data center comprises more than one data center building, each subsequently constructed building at the qualified data center facility during the qualification period has a separate 20-year qualification period. EOED, in consultation with the Commissioner, may revoke a data center's certification if EOED determines the data center has failed to incur at least \$50,000,000 in qualified data center costs or maintain at least 100 jobs in Massachusetts. If the qualified data center is sold to a new owner prior to the expiration of the 20-year qualification period, the exemption will remain in effect and apply to the subsequent owner for the remaining duration of the qualification period, subject to the same requirements.

The sales and use tax exemption for data centers is in effect with respect to purchases made on or after November 20, 2024, by owners and operators of data centers that have been certified by EOED. St. 2024, c. 238, §§ 47, 326; TIR 25-5.

Change to M.G.L. 64H, § 6(u), Motor Vehicle License Plate Requirement for Sales Tax Exemption

The Servicemembers and Veterans Act changed the exemption in G.L. c. 64H § 6(u) that provides a sales tax exemption for certain disabled veterans purchasing motor vehicles. The Servicemembers and Veterans Act allows the exemption for taxpayers who have been issued a motor vehicle license plate displaying the words 'Disabled Veteran' or a Purple Heart distinctive registration plate. Before this change, the exemption was only available to veterans who had been determined to be permanently disabled by a medical advisory board and issued a disabled veteran number plate under G.L. c. 90 § 2. The change to the eligibility requirements for

the exemption is effective for purchases made on or after February 8, 2025. St. 2024, c. 178, §§ 29, 154; TIR 24-15.

Repeal of the Sales Tax Exemption for Certain Publications of Tax-exempt Organizations

The Massachusetts sales tax applies to all sales of tangible personal property unless the transaction is otherwise exempt under G.L. c. 64H, § 6. The FY2025 Budget repeals the exemption found in G.L. c. 64H, § 6(m) for sales of publications of any corporation, foundation, organization, or institution that is an IRC § 501(c)(3) organization and described in G.L. c. 64H, § 6(e), except in cases where such publications are produced in an accessible format, including, but not limited to, braille, enlarged print, audio, or electronic text, for use by individuals unable to read other print due to disability. The repeal of this exemption was effective on September 27, 2024. St. 2024, c. 140, §§ 104, 247; TIR 24-14.

Estate

Estate Tax Calculation Change with Respect to Property Located Outside of Massachusetts

Massachusetts imposes a tax, in G.L. c. 65C, § 2A(a), on the estates of decedents who were 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 IRC § 2011, as in effect on December 31, 2000. If an estate includes real or tangible personal property located outside of Massachusetts, the estate tax is reduced by the amount of real or tangible personal property outside of Massachusetts. The FY2024 Supplemental Budget amended G.L. c. 65C, § 2A(a) and provided a new tax calculation for estates of resident decedents dying on or after January 1, 2023, to exclude real or tangible personal property located outside of Massachusetts from the gross estate prior to calculating the credit. The tax now equals the credit determined based on the value of the federal gross estate after such estate is reduced by the value of such real or tangible personal property located outside of the commonwealth. St. 2024, c. 206, § 13; TIR 24-13.

Motor Vehicle Excise

Motor Vehicle Excise Exemption for Disabled Veterans

An excise in M.G.L. c. 60A is imposed on the value of motor vehicles owned and registered in Massachusetts for the privilege of such registration. Motor vehicles owned by certain individuals or entities are exempt from the excise. An exemption is available for motor vehicles owned and registered by, or leased to, certain disabled veterans. The Servicemembers and Veterans Act changed the requirements, such that the Medical Advisory Board no longer needs to determine whether a veteran is permanently disabled for the purposes of this exemption. The Servicemembers and Veterans Act provides that

to qualify for the exemption, a veteran must have been determined by the United States Department of Veterans Affairs to: (i) have a combined service-connected disability rating of 100%; or (ii) be individually unemployable due to their service-connected disability. St. 2024, c. 178, § 24; TIR 24-15.

Miscellaneous

Tax Amnesty Program

The FY2025 Budget allowed the Commissioner to establish a sixty-day tax amnesty program within fiscal year 2025, during which certain tax penalties would be waived if the taxpayer, during the amnesty period, voluntarily filed proper returns and paid the full amount of any tax due. St. 2024, c. 140, § 225; TIR 24-12; TIR 24-14.

THE TAXES FY2025

TYPE OF TAX	MEASURE	RATE ¹	RETURN DUE
Personal income and fiduciary income	Net capital gains ²	5-12%	On or before April 15 for calendar year filings. The 15th day of the 4th month for fiscal year filings. ³
	Dividends, interest, wages, other income	5%	
	For tax year 2024, for income exceeding \$1,053,750, there is an additional surtax of 4%.		
Nonresident	Massachusetts source income	5%	
	For tax year 2024, for income exceeding \$1,053,750, 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 2024, for income exceeding \$1,053,750, 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% ⁴	Within nine months after date of decedent's death.
Nonresident	Massachusetts real and tangible property ⁴		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%	
	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 ⁵ per \$500	Monthly, on or before the 10th day of the month (filed by Registry of Deeds).
Motor fuels⁶	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% ⁷	
	Aviation (10¢ minimum)	7.5% ⁷	
	Jet fuel at local option (5¢ minimum)	5% ⁷	

TYPE OF TAX	MEASURE	RATE ¹	RETURN DUE
Room occupancy	Transient room occupancy	5.7%	Due monthly on or before the 30th day following the month represented by the return. May be subject to advance payment requirements.
	Local option	up to 6.0% ⁸	
	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%	
	Tourism Destination Marketing District Fee at Local Option	up to 2%	
Club alcoholic beverages	Gross receipts	0.57%	On or before April 15.
Sales and use tax	Sale, rental or use of tangible personal property, including cigarettes, telecommunication services and certain fuel.	6.25%	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.
Sales tax on meals, prepared food and all beverages	All "restaurant" food and on-premises consumption of any beverages in any amount.	6.25%	Due monthly on or before the 30th day following the month represented by the return. May be subject to advance payment requirements.
	Local Option	.75%	
Marijuana retail taxes	Sales of marijuana or marijuana products	6.25%	Due monthly on or before the 30th day following the month represented by the return. May be subject to advance payment requirements.
	State excise tax	10.75%	
	Local option for cities and towns	up to 3%	
Direct broadcast satellite service	Gross revenues	5%	Monthly, on or before the 20th day of each calendar month.
Business and manufacturing corporations	Net income	8.0% ⁹	On or before the 15th day of fourth month after close of taxable year. ¹⁰
	Tangible property or net worth	\$2.60 per \$1,000	
	Minimum	\$456	
Estimated tax	Liability in excess of \$1,000		Due quarterly as follows: 15th day of 3rd (40%), 6th (25%), 9th (25%), and 12th (10%) months of taxable year. ¹¹
Security corporation	Non-bank holding co.	Gross income	Same as business corporations.
	Bank holding company	Gross income	
		Minimum	
Financial institutions	Net income	9.0% ¹²	Same as business corporations.
	Minimum	\$456	
Ship excise tax	Value (equity interest) of the corporation's interest in a ship or vessel engaged in interstate or foreign trade.	0.33%	Same as business corporations.

TYPE OF TAX	MEASURE	RATE ¹	RETURN DUE
Insurance company			
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%	
Motor vehicle 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.
Boston sightseeing tour	Ticket purchase price of any water- or land-based sightseeing tourist venue or entertainment cruise or trolley tour originating or located in Massachusetts and conducted partly or entirely in Boston.	5%	Quarterly, on or before the 20th day following the close of the tax period.
Boston vehicular rental transaction surcharge	Each vehicular rental transaction contract executed in Boston.	\$10	Quarterly, on or before the 20th day following the close of the tax period.
Parking facilities surcharge in Boston, Springfield and/or Worcester	Parking facilities built in conjunction with or as part of a project authorized by the Convention Center Financing Act in Boston, Springfield or Worcester.	\$2 per vehicle per day	Quarterly, on or before the 20th day following the close of the tax period.

¹ Tax rates as of August 1, 2024.

² 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%.

³ Resident tax is equal to federal credit for state death taxes computed under December 31, 2000 IRC, based on the value of the federal gross estate.

⁴ Nonresident tax is equal to federal credit for state death taxes computed under December 31, 2000 IRC, based on the value of real and tangible personal property located in Massachusetts.

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

⁶ See the [Rate Table](#) for quarterly fuel excise.

⁷ Of the average price per gallon, determined quarterly.

⁸ Boston is authorized to charge up to 6.5%.

⁹ 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.

¹⁰ 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.

¹¹ 30%, 25%, 25% and 20% for corporations with fewer than 10 employees in their first full tax year.

¹² 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 FY2025

In thousands	FY21	FY22	FY23	FY24	FY25	% change FY24-25
STATE TAXES COLLECTED BY DOR						
Alcoholic Beverages	\$ 92,660	\$ 97,022	\$ 98,268	\$ 97,558	\$ 96,139	(1.5)
Financial Institutions	44,926	22,625	21,794	16,679	19,949	19.6
Cigarettes ¹	398,214	390,686	365,269	339,557	312,510	(8.0)
Corporations	3,626,597	4,576,811	4,549,169	4,228,944	4,036,624	(4.5)
Deeds ²	278,547	326,336	234,995	213,486	231,930	8.6
State and Inheritance	787,764	868,444	973,710	574,198	740,359	28.9
Income ¹	19,662,123	24,378,536	21,904,495	24,156,985	26,759,776	10.8
Insurance	480,483	509,117	537,238	587,890	613,268	4.3
Motor Fuels and I.F.T.A ³	662,932	722,788	701,909	713,227	706,665	(0.9)
Public Utilities	1,472	1,572	150	(570)	0	(100.0)
Room Occupancy	124,220	294,219	388,024	413,255	428,308	3.6
Sales and Use	7,849,850	8,809,380	9,448,137	9,397,247	9,719,093	3.4
Club Alcoholic Beverages	546	621	822	863	902	4.5
Motor Vehicle Excise	783	1,115	619	685	685	0.0
Convention Center Surcharges	4,233	10,596	13,811	16,381	16,641	1.6
Community Preservation Trust	82,212	70,650	49,158	42,810	49,152	14.8
Controlled Substances and Marijuana Excise	112,370	156,669	161,468	173,743	183,269	5.5
Satellite	6,708	6,081	5,418	4,720	4,309	(8.7)
Statewide car rental	3,242	4,424	5,085	5,409	5,697	5.3
Electronic Nicotine Delivery System	13,304	16,326	13,871	14,776	14,858	0.6
Total state taxes collected by DOR	\$34,233,184	\$41,264,018	\$39,473,410	\$40,997,841	\$43,940,133	7.2
STATE TAXES COLLECTED BY OTHER AGENCIES						
Massachusetts Gaming Commission:						
Pari-Mutual Taxes	\$ 1,117	\$ 1,080	\$ 833	\$ 892	\$ 941	5.6
Gaming Revenue Taxes	224,007	300,057	318,704	320,922	327,030	1.9
Sports Wagering	—	—	37,517	119,419	151,839	27.1
Lottery Commission:						
Beano	30	337	429	445	469	5.5
Raffles and Bazaars	585	815	1,032	983	921	(6.3)
State Athletic Commission:						
Boxing Contests	0	77	74	424	87	(79.6)
Boxer's Fund	0	18	18	87	20	(76.8)
Division of Insurance:						
Excess and Surplus Lines Insurance	56,922	78,880	76,272	104,131	118,315	13.6
Secretary of State:						
Deeds Excise Stamp Tax Fees	118,630	146,009	101,857	89,981	101,980	13.3
Division of Unemployment Assistance:						
Workforce Training Contribution	21,363	21,365	35,085	26,369	26,987	2.3
Total state taxes collected by other agencies	\$422,653	\$548,637	\$571,820	\$663,654	\$728,590	9.8
TOTAL STATE TAXES	\$34,655,837	\$41,812,654	\$40,045,230	\$41,661,494	\$44,668,723	7.2

In thousands	FY21	FY22	FY23	FY24	FY25	% change FY24–25
OTHER REVENUE						
Local option airplane jet fuel	\$ 9,798	\$ 25,659	\$ 54,416	\$ 50,286	\$ 43,089	(14.3)
Local option rooms	108,844	251,542	330,475	356,115	368,737	3.5
Local option meals	109,249	156,552	176,506	186,310	195,341	4.9
Local option marijuana	31,252	43,337	44,738	47,805	50,946	6.6
Local option vehicle rental surcharge	595	1,154	2,136	810	1,605	98.2
Local option community impact fee	924	2,048	3,275	3,910	4,583	17.2
Urban redevelopment	63,650	45,290	44,887	42,625	43,033	1.0
Department non-tax revenue	12,261	16,180	6,378	9,930	10,835	9.1
Paid family and medical leave	951,781	949,690	933,988	1,032,453	1,348,717	30.6
County recording fees	39,707	33,107	21,405	17,914	21,330	19.1
Abandoned deposits – bottle	71,637	71,618	71,742	73,705	72,220	(2.0)
Embarkation fees	973	1,380	1,496	1,466	1,448	(1.2)
UST delivery fees	69,778	76,989	79,865	83,642	90,853	8.6
Cape Cod & Islands water protection fund	15,558	20,266	21,626	21,559	22,065	2.3
Tourism District Fee	—	15,422	31,489	34,614	35,722	3.2
Total other revenue	\$1,206,247	\$1,486,007	\$1,710,234	\$1,824,423	\$2,310,524	17.7
TAXES ON PROPERTY COLLECTED BY LOCAL GOVERNMENT						
Real Estate	\$18,030,614	\$18,800,267	\$19,689,282	\$20,695,739	\$21,671,725	4.7
Personal Property	900,357	963,428	985,465	1,057,615	1,132,853	7.1
Motor Vehicles	912,272	951,184	960,317	1,044,501	13,534	(98.7)
Total taxes on property collected by local government	\$19,843,244	\$20,714,879	\$21,635,064	\$22,797,855	\$22,818,112	0.1
TOTAL ALL TAXES	\$55,985,087	\$64,237,767	\$63,504,400	\$66,422,311	\$69,797,359	5.1

¹ 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.

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

³ International Fuel Tax Agreement.

The FY25 Annual Report provides the latest information available at the time of posting and includes accounting adjustments for previous periods.

Because of rounding, the individual numbers may not add up to the total amounts.

OFFERS IN COMPROMISE

FY2025

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 of Revenue's Annual Report. In Fiscal Year 2025, the Attorney General reviewed the following Offers:

TAXPAYER NAME	TOTAL TAX, INTEREST & PENALTIES	AMOUNT PAID IN COMPROMISE	AMOUNT ABATED
Cosmopolitan Club of Salem Inc.	\$103,954.25	\$35,760.00	\$68,194.25
Albert Mendelsohn	\$68,404.65	\$30,983.36	\$37,421.29
Dennis Coady	\$54,363.08	\$20,000.00	\$34,363.08
Natty Greene's Tavern Inc.	\$51,420.25	\$27,200.00	\$24,220.25
TOTALS	\$278,142.23	\$113,943.36	\$164,198.87

COLLECTION AGENCIES FY2025

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 the Commissioner to list all agencies with existing collection agreements, including the total amount of tax collected and the compensation paid, in the Department of Revenue's Annual Report.

They are as follows:

CONTRACTOR	TOTAL COLLECTED	FEES PAID	NET TO DOR
Allen Daniel Associates	\$6,916,687.51	\$707,280.58	\$6,209,406.93
Harris & Harris, LTD	\$7,591,719.75	\$707,480.96	\$6,884,238.79
TOTAL	\$14,508,407.26	\$1,414,761.54	\$13,093,645.72