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**Commonwealth of Massachusetts**

**Department of Revenue**

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# **Annual Report**

## **Fiscal Year 2012**

**To the Honorable Deval L. Patrick, Governor of the Commonwealth, and the Honorable Members of the General Court of Massachusetts:**

I am proud to submit this Annual Report of the Department of Revenue for the Fiscal Year 2012 on behalf of the 1,700 employees to whom I attribute many of our accomplishments in tax administration, child support enforcement and local services.

In FY2012, DOR continued to enhance its operations in all divisions building on the programs initiated by my predecessor Navjeet Bal while providing direct and courteous customer service to over a million taxpayers.

The best measurement of success for the Commonwealth's top revenue collection agency is the bottom line. In FY2012, DOR collected over \$21.2 billion in state taxes, 2.9% more than the previous fiscal year. The Taxpayer Services Division continued to increase efficiency in tax administration with more than 707,000 taxpayers utilizing DOR self-help applications. More than half of taxpayer communications are now received electronically and more than 94% of the 3.5 million income tax returns it received in tax year 2012 were filed electronically and through the agency's free online filing system.

Our Audit Department implemented automated programs that doubled the number of desk audits to 45,887 resulting in an additional \$7.3 million in collections. Maximizing technology, data matching and ongoing efforts to combat aggressive tax planning schemes resulted in the division assessing more than \$1.1 billion.

DOR's Child Support Enforcement Division collected more than \$643 million, almost 4% more than the previous fiscal year. For every dollar spent on the collection program, CSE took in \$7.85 in child support.

In FY2012, the Division of Local Services certified free cash for 347 communities in the amount of \$875.6 million; certified new tax levy growth of \$188.3 million; distributed \$4.55 billion in net local aid to 351 cities and towns; certified \$22.6 billion in state and local revenues for the Commonwealth's 351 cities and towns; and conducted 16 management reviews for local governments. DLS hosted and led the fourth annual Regionalization Conference at the College of the Holy Cross in Worcester highlighting the continuing regionalization efforts and the implementation and success of twenty-eight CIC grants awarded over the previous year.

I hope that you find this report informative. I look forward to working with you and the Commonwealth's taxpayers in the year ahead as we move forward on a strategic plan that puts the customer at the center of all DOR transactions.

Sincerely,

A handwritten signature in black ink that reads "Amy A. Pitter". The signature is written in a cursive, flowing style.

Amy A. Pitter  
Commissioner of Revenue

# Legislative Review FY 2012

## **Sales and Use Tax**

### **The 2011 Massachusetts Sales Tax Holiday Weekend**

On August 1, 2011, the Governor signed into law the Massachusetts “sales tax holiday weekend,” *i.e.*, two consecutive days during which most purchases made by individuals for personal use would not be subject to Massachusetts sales or use taxes (“the Act”). St. 2011, c. 86. The Act provided that the sales tax holiday would occur on August 13 and 14, 2011 and on those days, non-business sales at retail of single items of tangible personal property costing \$2,500 or less were exempt from sales and use taxes, subject to certain exceptions. The following did not qualify for the sales tax holiday exemption and remained subject to tax: all motor vehicles, motorboats, meals, telecommunications services, gas, steam, electricity, tobacco products and any single item whose price is in excess of \$2,500. The Act charged the Commissioner of Revenue with issuing instructions or forms and rules and regulations necessary to carry out the purposes of the Act.

The exemption applied to sales of tangible personal property bought for personal use *only*. Purchases by corporations or other businesses and purchases by individuals for business use remained taxable. Purchases exempt from the sales tax under G.L. c. 64H were also exempt from use tax under G.L. c. 64I. Therefore, eligible items of tangible personal property purchased on the Massachusetts sales tax holiday from out-of-state retailers for use in Massachusetts were exempt from the Massachusetts use tax. *See* TIR 11-7.

### **Sales Tax Exemption for Medically Necessary Breast Pumps**

On July 11, 2011, the Governor signed into law the Fiscal Year 2012 Budget (“the Act”). St. 2011, c. 68. Pursuant to the Act, General Laws chapter 64H, § 2 imposes an excise on retail sales of tangible personal property or telecommunications services in the Commonwealth by any vendor unless otherwise exempt. Effective July 1, 2011, the Act specified that “physician-

prescribed, medically necessary breast pumps” are exempt from sales and use tax. *See* TIR 11-6.

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

### **Life Sciences Tax Incentive Program**

On July 11, 2011, the Governor signed into law the Fiscal Year 2012 Budget (“the Act”). St. 2011, c. 68. The existing Life Sciences Tax Incentive Program in G.L. c. 23I, § 5 consists of several tax benefits that are explained in TIR 08-23, *Life Sciences Tax Incentive Program under St. 2008, c. 130*. Effective for tax years beginning on or after January 1, 2011, the Act adds another tax incentive to the Life Sciences Tax Incentive Program in the form of a refundable jobs credit. A taxpayer, to the extent authorized by the Life Sciences Tax Incentive Program, may be allowed a refundable jobs credit against the tax liability imposed under G.L. c. 62, the personal income tax, or G.L. c. 63, the corporate excise. A taxpayer claiming a life sciences refundable jobs credit must commit to the creation of a minimum of 50 net new permanent full-time positions in Massachusetts.

The amount of life sciences jobs credit allowed to a taxpayer will be determined by the Massachusetts Life Sciences Center in consultation with the Department of Revenue. If a life sciences jobs credit claimed by a taxpayer exceeds the tax otherwise due under the personal income tax or the corporate excise, as applicable, 90 percent of the balance of such credit may, to the extent authorized by the Life Sciences Tax Incentive Program, be refundable to the taxpayer. Excess credit amounts may not be carried forward to subsequent taxable years.

The total dollar amount of the various life sciences tax incentives, including the refundable jobs credits, for qualifying life sciences companies is subject to an annual cap of \$25 million. *See* TIR 11-6.

### **Dairy Farmer Tax Credit**

The Massachusetts dairy farmer tax credit is tied to the U.S. Federal Milk Marketing Order for the applicable market, such that

when the U.S. Federal Milk Marketing Order price drops below a trigger price any time during the taxable year, an eligible dairy farmer will be entitled to the credit. This refundable credit may be claimed against the taxes due under G.L. c. 63 or G.L. c. 62; however, the total amount of credits granted cannot exceed \$4 million in any year. *See* TIR 09-21.

On July 11, 2011, the Governor signed into law the Fiscal Year 2012 Budget (“the Act”). St. 2011, c. 68. Pursuant to the Act, the Department of Food and Agriculture regulations for the implementation of the credit shall provide that when the Massachusetts Board of Food and Agriculture determines that an error has been made in calculating the trigger price or in reporting or collecting data used in the calculation of the trigger price or the credit, the Commissioner of Agricultural Resources shall recalculate, with or without amendments, the trigger price or tax credit. *See* TIR 11-6.

## **Personal Income Tax**

### **Expenses of Human Organ Donation**

On July 11, 2011, the Governor signed into law the Fiscal Year 2012 Budget (“the Act”). St. 2011, c. 68. The Act provides a new personal income tax deduction for certain expenses and other costs incurred by an individual who donates an organ for an organ transplant to another individual. Effective for tax years beginning on or after January 1, 2012, an individual who donates an organ to another person for human organ transplantation may claim as a deduction against Part B income the following expenses that are incurred by the individual and related to the individual's organ donation: (i) travel expenses; (ii) lodging expenses; and (iii) lost wages not to exceed \$10,000. “Human organ” shall mean all or part of human bone marrow, liver, pancreas, kidney, intestine or lung. An individual who is a nonresident for all or part of the taxable year is not eligible to claim this deduction. *See* TIR 11-6.

### **Withholding on Wagering Winnings**

On November 22, 2011, the Commonwealth enacted An Act Establishing Ex-

panded Gaming in the Commonwealth (“the Act”). St. 2011, c. 194. The Act added new chapter 23K to the General Laws which provides for expanded gaming in Massachusetts under the jurisdiction of the Massachusetts Gaming Commission. The Act, which was effective November 22, 2011, provides that wagering winnings are subject to Massachusetts withholding as follows: every person, including the United States, the Commonwealth or any other state, or any political subdivision or instrumentality of the foregoing, making any payment of lottery or wagering winnings which are subject to tax under chapter 62 and which are subject to withholding under section 3402 of the Internal Revenue Code, without the exception for slot machines, keno and bingo played at licensed casinos in subsections (q)(5) and (r) of said section 3402 of the Internal Revenue Code, shall deduct and withhold from such payment an amount equal to 5 percent of such payment, except that such withholding for purposes of this chapter shall apply to payments of winnings of \$600 or greater notwithstanding any contrary provision of the Internal Revenue Code. For the purposes of this chapter and chapter 62C, such payment of winnings shall be treated as if it were wages paid by an employer to an employee.

A nonresident’s lottery or wagering winnings from Massachusetts sources are subject to the Massachusetts personal income tax. For a nonresident, wagering income is Massachusetts source income if the winnings are derived from any of the following: (1) a casino or slots parlor located in Massachusetts, (2) the Massachusetts lottery, (3) a multijurisdictional lottery if the ticket was purchased within Massachusetts, (4) pari-mutuel wagering paid by a Massachusetts racetrack or simulcast center, or (5) any other wagering transaction within Massachusetts. A nonresident whose Massachusetts source income exceeds either \$8,000 or the prorated personal exemption, whichever is less, is required to file a Massachusetts income tax return. If a nonresident’s state of residence has an income tax, the nonresident may be able to claim a credit for tax paid

to Massachusetts on the income tax return for the home state. *See* TIR 13-4.

### **Annual Reports by Entities Doing Business in Massachusetts**

Pursuant to the Act Establishing Expanded Gaming in the Commonwealth (“the Act”), every person or entity doing business in the Commonwealth who makes payments which are taxable to the recipient under G.L. c. 62, the personal income tax, must file an annual report with the Commissioner: (1) giving the names and addresses of all residents of Massachusetts and other persons deriving income in Massachusetts to whom it has paid any income subject to the personal income tax during the preceding calendar year on the same basis as is required by the federal government under the Code, and (2) state in such report the amount of such income so paid by it. St. 2011, c. 194.

Under the Act, this same basis of reporting must be utilized for income that is subject to taxation or withholding under chapter 62 or 62B even where it is not subject to federal taxation or withholding under the Code. Thus, a person making payments of winnings subject to the Massachusetts personal income tax or withholding is required to file an information return in Massachusetts even if the winnings are not subject to federal income tax or withholding. G.L. c. 62C, § 8. *See* TIR 13-4.

### **Corporate Income Tax FAS 109 Deduction**

On July 11, 2011, the Governor signed into law the Fiscal Year 2012 Budget (“the Act”). St. 2011, c. 68. A “FAS 109” deduction was approved for certain publicly held companies as part of a Massachusetts tax law change that lowered the corporate tax rate in stages and adopted combined reporting for tax years beginning on or after January 1, 2009. In general, if the enactment of combined reporting requirements for unitary businesses results in an increase to a combined group’s net deferred tax liability, the combined group is entitled to a FAS 109 deduction. *See* TIR 09-8. The Act delays by a year the implementation of

the FAS 109 deduction. Under prior law, if applicable, the FAS 109 deduction was to be prorated over the 7-year period beginning with the combined group’s taxable year that begins in 2012. Under the Act, the first year of the 7-year period to claim the FAS 109 deduction is the combined group’s taxable year that begins in 2013. *See* TIR 11-6.

### **Administrative**

#### **Interest Charges after Audit; G.L. c. 62C, § 32(f)**

On July 11, 2011, the Governor signed into law the Fiscal Year 2012 Budget (“the Act”). St. 2011, c. 68. Under the Act, section 32 of chapter 62C has been amended by allowing a new interest calculation at G.L. c. 62C, § 32(f) that will apply to interest accruing on certain deficiency assessments where the audit resulting in the deficiency assessment is commenced after July 1, 2011. The Act allows for reduced interest rates on underpayments of tax in the case of certain audits where the audit lasts more than 18 months. The reduced interest rates will be applied where the Department determines that the taxpayer responded with “substantial promptness and completeness” to all requests for information or documentation during the audit period, and where the taxpayer is not responsible for the extended duration of the audit. The Department construes the term “substantial promptness and completeness” as codifying a reasonableness standard depending on the facts and circumstances of each case. A taxpayer may appeal a Department determination that the taxpayer did not comply with an audit request for information or documentation with substantial promptness and completeness to the Appellate Tax Board along with any assessed tax in dispute. *See* TIR 11-6.

#### **Applications for Abatement and Refunds; G.L. c. 62C, §§ 36 and 37**

On July 11, 2011, the Governor signed into law the Fiscal Year 2012 Budget (“the Act”). St. 2011, c. 68. Pursuant to the Act, the amendments to G.L. c. 62C, §§ 36 and 37 apply to requests for refund or applications for abatement filed with the Commissioner

on or after July 1, 2011; provided however, that the amendments to §§ 36 and 37 shall not apply with respect to tax periods where the statute of limitations for refund or abatement, as applicable, had expired prior to July 1, 2011.

The Act amends the parts of G.L. c. 62C, §§ 36 and 37 dealing with the requirements for requests for refunds and applications for abatement, and certain limitations on the amount of refunds. *See* TIR 11-6.

### **A. Amendments to G.L. c. 62C, § 37**

The Act amends the three-year statute of limitations period for applying for an abatement of tax that has been assessed, whether it was a deficiency assessment or a deemed assessment in accordance with the tax return filed. The Act amends § 37 to lengthen the three-year part of the limitations period. The two-year and one-year periods for filing an application for abatement are unchanged. Separate from its expansion of the period for filing certain applications for abatements, the Act clarifies the interaction of the abatement provisions in § 37 and the refund provisions of § 36 by amending § 37 to provide that "... any abatement that would result in a refund of tax, including a credit of such refund against another liability, is subject to section 36 to the extent of such refund or credit."

### **B. Amendments to G.L. c. 62C, § 36**

In general, § 36 allows alternative deadlines for the filing of claims for the refund or credit of overpayments, broken down within three different categories, *i.e.*, requests for a refund or credit (i) where a return has been timely filed, (ii) where a return has not been timely filed, and (iii) where no return is required for the particular type of tax. Refunds or credits must be claimed by the later of the alternate deadlines in each category.

Where a return is timely filed, § 36 generally continues to tie the period for seeking refunds or credits of tax to the period for filing an abatement application under § 37. That period has been liberalized, as discussed in TIR 11-6, with the amendment

made by the Act to § 37, so that, in general, the effect is to allow a full three-year period for claiming a refund of overpaid tax in the case of filers who timely file returns on extension. In contrast, the statute prior to amendment did not take extensions into account. However, also as discussed in TIR 11-6, where a refund or credit results from an abatement under § 37, the amount of such refund or credit is limited to the amount of tax paid, or deemed paid pursuant to § 79, within three years before the taxpayer filed the application for abatement, plus any extension of time the taxpayer had for filing the tax return.

With respect to situations where a return is not filed timely, the Act amends § 36 to lengthen the three-year limitations period. The two-year period for requesting a refund in connection with a late-filed return is unchanged. Prior to the Act, c. 62C, § 36 provided that an application for a refund of an overpayment of any tax where a return which is required to be filed has not been timely filed, shall be made and filed, along with the overdue return, within three years from the date that the return was due to be filed, without regard to extensions, or within two years of the date that the tax was paid, whichever is later. The Act amends § 37 to lengthen the three-year part of this limitations period. The two-year and one-year periods for filing an application for abatement are unchanged.

As amended by the Act, G.L. c. 62C, § 37 provides that a person aggrieved by the assessment of a tax may apply in writing to the Commissioner, on a form approved by her, for an abatement thereof at any time (1) within three years from the date of filing the return, taking into account § 79(a), (2) within two years from the date the tax was assessed or deemed to be assessed, or (3) within one year from the date that the tax was paid, whichever is later.

### **Quarterly Publication of Tax Policy Issues under Development**

On July 11, 2011, the Governor signed into law the Fiscal Year 2012 Budget ("the Act"). St. 2011, c. 68. The Act provides that the Department shall publish on its website,

updated quarterly, a listing of tax policy issues under development. The online listing will include a brief description of all tax policy matters, excluding letter rulings requested by individual taxpayers, on which, as of the date of publication, the Commissioner reasonably anticipates issuing public guidance within the following 12 months. *See* TIR 11-6.

### **Miscellaneous**

#### **Cigarette Excise: Stamper Compensation**

Pursuant to G.L. c. 64C, § 30, a cigarette stamper is authorized by the Commissioner to purchase and affix cigarette excise stamps. On July 11, 2011, the Governor signed into law the Fiscal Year 2012 Budget ("the Act"). St. 2011, c. 68. The Act provides for compensation of certain stampers who are in compliance with G.L. c. 64C, the cigarette excise, and, to the extent applicable, G.L. c. 64H, § 3A, prepayment of tax on tobacco products that will be held for retail sale, and G.L. c. 94F, tobacco manufacturers and brands directory. Effective for stamps purchased on or after January 1, 2012, the Act amends chapter 64C to provide that a stamper who has complied with chapter 64C and, to the extent applicable, section 3A of chapter 64H and chapter 94F, including the rules and regulations promulgated thereunder, may withhold and retain from each payment to be made by that stamper for such stamps as compensation for service rendered in compliance with chapter 64C and, to the extent applicable, said section 3A of chapter 64H and chapter 94F the following amounts: (1) for encrypted stamps purchased and not returned for an abatement, \$12 per roll of 1,200 stamps; and (2) in each fiscal year, \$600 per roll of 30,000 encrypted stamps for the first 50 rolls purchased and \$200 per each additional roll of 30,000 encrypted stamps purchased; and (3) in the case of non-encrypted adhesive stamps purchased and not returned for an abatement, \$1.85 for each 600 stamps purchased and a proportionate amount for any fraction thereof. *See* TIR 11-6.

# The Taxes FY 2012

TYPE OF TAX	MEASURE	RATE <sup>1</sup>	RETURN DUE
<b>Personal income and fiduciary income</b>	Net capital gains <sup>2</sup>	5.3–12%	On or before April 15 for calendar year filings.
	Dividends, interest, wages, other income	5.3%	The 15th day of the 4th month for fiscal year filings.
<b>Nonresident</b>	Massachusetts source income	5.3%	
<b>Estimated tax</b>	Liability in excess of \$400		Due quarterly on or before the 15th day of April; June, September and January.
<b>Withholding</b>	Wages	5.3%	Varies depending on amount of tax withheld in calendar year. If annual withholding: up to \$100 — annual filing; \$101–1,200 — quarterly filings; \$1,201–25,000 — monthly filings; over \$25,000 — quarterly filings, weekly payments.
<b>Estate</b>	Federal taxable estate	0.8%–16% <sup>3</sup>	Within 9 months after date of decedent's death.
<b>Nonresident</b>	Massachusetts real and tangible property <sup>3</sup>		Within 9 months after date of decedent's death.
<b>Alcoholic beverages</b>	Malt (31-gal. bbl.)	\$3.30	Monthly, on or before the 20th day of the month.
	Cider 3%–6% (wine gal.)	\$ .03	
	Still wine 3%–6% (wine gal.)	\$ .55	
	Sparkling wine (wine gal.)	\$ .70	
	Alcoholic beverages 15% or less (wine gal.)	\$1.10	
	Alcoholic beverages more than 15%–50% (wine gal.)	\$4.05	
	Alcoholic beverages more than 50% or alcohol (proof gal.)	\$4.05	
<b>Cigarettes</b>	20-count package	\$2.51	Monthly, on or before the 20th day of the month. Unclassified acquirers must file upon importation or acquisition. same as 20-count package Quarterly, on or before the 20th day following the close of the tax period.
	Smokeless tobacco (percentage of price paid by licensee)	90%	
	Cigars and smoking tobacco (percentage of price paid by licensee)	30%	
<b>Deeds</b>	Sales price (less mortgage assumed) of real estate	\$2.28 <sup>4</sup> per \$500	Monthly, on or before the 10th day of the month (filed by Registers of Deeds).
<b>Motor fuels</b>	Gasoline and diesel fuel per gallon	\$ .21	Monthly, on or before the 20th day of the month.
	Propane, liquified gas, etc. (no minimum)	19.1%	
	Aviation (10¢ minimum)	7.5%	
	Jet fuel at local option (5¢ minimum)	5%	
<b>Room occupancy</b>	Transient room occupancy	5.7%	Monthly, on or before the 20th day following the close of the tax period.
	At local option, up to	6.0% <sup>5</sup>	
	Convention Center Financing Fee	2.75%	
	(Boston, Cambridge, Springfield, Worcester, Chicopee and West Springfield)		
<b>Club alcoholic beverages</b>	Gross receipts	0.57%	On or before April 15.
<b>Sales and use tax</b>	Sale, rental or use of tangible personal property, including cigarettes, telecommunication services and certain fuel.	6.25%	On or before the 20th day following the close of the tax period. If annual liability: up to \$100 — annual filing; \$101–1,200 — quarterly filings; over \$1,200 — monthly filings

<sup>1</sup> Tax rates as of August 1, 2011.

<sup>2</sup> Gains from the sale or exchange of capital assets (except collectibles) held for more than one year are taxed at 5.3%. Short-term capital gains, as well as long-term capital gains arising from the sale of collectibles (with a 50% deduction) are taxed at 12%.

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

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

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

TYPE OF TAX	MEASURE	RATE	RETURN DUE
<b>Sales tax on meals, prepared food and all beverages</b>	All "restaurant" food and on-premises consumption of any beverages in any amount.	6.25%	Monthly, on or before the 20th day following the close of the tax period.
	At local option, up to	.75%	
<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	8.25% <sup>6</sup>	On or before the 15th day of third month after close of taxable year.
	Tangible property or net worth	\$2.60 per \$1,000	
	Minimum	\$456	
<b>Estimated tax</b>	Liability in excess of \$1,000		Due quarterly as follows: 15th day of 3rd (40%), 6th (25%), 9th (25%) and 12th (10%) months of taxable year. <sup>7</sup>
<b>Security corporation</b>			
Non-bank holding co.	Gross income	1.32%	Same as business corporations.
Bank holding company	Gross income	0.33%	
	Minimum	\$456	
<b>Financial institutions</b>	Net income	9.5% <sup>8</sup>	Same as business corporations.
	Minimum	\$456	
<b>Public utilities</b>	Net income	6.5%	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.	0.379%	Same as business corporations.
<b>Insurance company</b>			
Domestic life	Premiums	2.0%	On or before March 15.
Foreign life	Premiums	2.0%	
Domestic casualty	Premiums	2.28%	On or before May 15.
	Gross investment income	0.2%–1.0%	
Foreign casualty	Premiums	2.28%	On or before May 15.
Ocean marine	Underwriting profit	5.7%	
Preferred provider arrangements	Premiums	2.28%	
<b>Motor vehicle garaged outside Massachusetts</b>	90% to 10% of manufacturer's list price	\$25 per \$1,000	On or before 30 days from issuance of tax bill.
<b>Boston sightseeing tour</b>	Ticket purchase price of any water- or land-based sightseeing tourist venue or entertainment cruise or trolley tour originating or located in Massachusetts and conducted partly or entirely in Boston.	5%	Quarterly, on or before the 20th day following the close of the tax period.
<b>Boston vehicular rental transaction surcharge</b>	Each vehicular rental transaction contract executed in Boston.	\$10	Quarterly, on or before the 20th day following the close of the tax period.
<b>Parking facilities surcharge in Boston, Springfield and/or Worcester</b>	Parking facilities built in conjunction with or as part of a project authorized by the Convention Center Financing Act in Boston, Springfield or Worcester.	\$2 per vehicle per day	Quarterly, on or before the 20th day following the close of the tax period.

<sup>6</sup>S corporations: for tax years beginning on or after January 1, 2011 but before January 1, 2012, 2.95% if total receipts are \$9 million or more; 1.97% if total receipts are \$6 million or more but less than \$9 million.

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

<sup>8</sup>S corporations: for tax years beginning on or after January 1, 2011 but before January 1, 2012, 4.2% if total receipts are \$9 million or more; 2.8% if total receipts are \$6 million or more but less than \$9 million.

# Revenue Collections FY 2012

In thousands	FY08	FY09	FY10	FY11	FY12	% change FY11-12
<b>STATE TAXES COLLECTED BY DOR</b>						
<b>Tax on personal income</b>						
<b>TOTAL</b>	<b>\$12,496,141<sup>1</sup></b>	<b>\$10,599,086<sup>1</sup></b>	<b>\$10,128,035<sup>1</sup></b>	<b>\$11,597,151</b>	<b>\$11,933,452</b>	<b>2.9</b>
<b>Taxes on business</b>						
Corporations	\$ 1,511,973	\$ 1,548,619	\$ 1,600,305	\$ 1,951,444	\$ 1,771,113	(9.2)
Insurance companies	368,605	309,448	285,175	296,022	318,061	7.4
Public utilities	120,173	(1,685)	(316)	(8,834)	(35,945)	306.9
Financial institutions	547,809	242,619	234,870	(11,039)	266,612	(2515.2)
<b>TOTAL</b>	<b>\$ 2,548,560</b>	<b>\$ 2,099,001</b>	<b>\$ 2,120,034</b>	<b>\$ 2,227,593</b>	<b>\$ 2,319,841</b>	<b>4.1</b>
<b>Taxes on commodities sold</b>						
Motor fuels	\$ 672,654	\$ 654,022	\$ 654,649	\$ 660,830	\$ 661,975	0.2
Cigarettes	436,942	587,331	579,854	577,359	573,759	(0.6)
Alcoholic beverages	71,169	71,850	70,981	72,733	76,059	4.6
Sales and use <sup>2</sup>	3,456,662	3,241,720	3,854,920	4,094,067	4,193,873	2.4
Sales on meals	641,699	638,696	771,103	826,797	885,644	7.1
<b>TOTAL</b>	<b>\$ 5,279,126</b>	<b>\$ 5,193,619</b>	<b>\$ 5,931,507</b>	<b>\$ 6,231,786</b>	<b>\$ 6,391,310</b>	<b>2.6</b>
<b>Other taxes</b>						
Estate & inheritance	\$ 253,966	\$ 259,734	\$ 221,379	\$ 309,638	\$ 293,269	(5.3)
Room occupancy excise	174,157	160,933	152,233	167,304	183,707	9.8
Deeds excise <sup>3</sup>	110,444	75,260	97,633	98,881	109,883	11.1
Club alcoholic beverage excise	766	748	905	928	901	(2.9)
Motor vehicle excise	96	75	74	61	67	9.8
Controlled substances	0	0	0	0	0	—
Satellite	NA	NA	10,914	13,283	12,504	(5.9)
Convention Center surcharge	13,018	11,795	11,561	13,338	13,642	2.3
Community preservation trust	27,031	25,241	26,289	26,638	27,363	2.7
<b>TOTAL</b>	<b>\$ 579,478</b>	<b>\$ 533,786</b>	<b>\$ 520,988</b>	<b>\$ 630,071</b>	<b>\$ 641,336</b>	<b>1.8</b>
<b>Total state taxes collected by DOR</b>	<b>\$20,903,305</b>	<b>\$18,425,492</b>	<b>\$18,700,564</b>	<b>\$20,686,601</b>	<b>\$21,285,939</b>	<b>2.9</b>

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

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

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

Because of rounding, detail may not add to Totals.

In thousands	FY08	FY09	FY10	FY11	FY12	% change FY11-12
<b>LOCAL TAXES COLLECTED BY DOR ON BEHALF OF COMMUNITIES</b>						
Urban redevelopment	\$ 54,965	\$ 55,060	\$ 53,664	\$ 45,453	\$ 48,291	6.2
Local option airplane jet fuel	27,978	36,504	20,288	26,753	36,213	35.4
Local option room occupancy	96,854	89,815	102,406	131,282	146,111	11.3
Local option meals	NA	NA	27,152	67,325	83,353	23.8
Local rental vehicle (Convention Center 10%)	1,207	1,107	1,066	1,172	1,275	8.8
Vehicle rental surcharge	642	701	612	706	699	(1.0)
Embarkation fees	1,284	1,233	1,190	1,214	1,244	2.5
<b>Total local taxes collected by DOR on behalf of communities</b>	<b>\$ 182,930</b>	<b>\$ 184,420</b>	<b>\$ 206,378</b>	<b>\$ 273,905</b>	<b>\$ 317,186</b>	<b>15.8</b>
<b>OTHER REVENUE</b>						
Utility and insurance assessments	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	—
Department fees, licenses, etc.	23,183	17,945	20,209	11,768	12,180	3.5
County Correction Fund — deeds	7,226	4,807	2,727	0	0	—
County recording fees	30,079	28,063	28,030	29,492	30,518	3.5
Abandoned deposits — bottle	38,774	32,026	35,274	35,109	35,371	0.7
<b>Total other revenue</b>	<b>\$ 99,262</b>	<b>\$ 82,841</b>	<b>\$ 86,240</b>	<b>\$ 76,369</b>	<b>\$ 78,069</b>	<b>2.2</b>
<b>STATE TAXES COLLECTED BY OTHER AGENCIES</b>						
Horse and dog racing	\$ 3,496	\$ 2,773	\$ 2,098	\$ 1,457	\$ 1,635	12.2
Beano, boxing, Boxer's Fund and State Athletic Commission	1,559	1,397	1,356	1,509	1,200	(20.5)
Raffles/bazaars	930	1,052	960	1,077	1,131	5.0
Special insurance brokers	27,591	26,198	25,414	23,822	24,140	1.3
UI surcharge	21,509	21,032	19,377	20,448	21,339	4.4
Deeds, Secretary of State	43,470	30,286	40,280	41,321	48,956	18.5
<b>Total state taxes collected by other agencies</b>	<b>\$ 98,555</b>	<b>\$ 82,738</b>	<b>\$ 89,485</b>	<b>\$ 89,634</b>	<b>\$ 98,401</b>	<b>9.8</b>
<b>TAXES ON PROPERTY COLLECTED BY LOCAL GOVERNMENT</b>						
Real estate	\$10,600,077	\$11,097,468	\$11,505,889	\$11,907,140	\$12,358,206	3.8
Personal property	392,041	455,326	518,588	577,759	618,025	7.0
Motor vehicles	686,792	640,487	605,179	637,123	644,541	1.2
<b>Total taxes on property collected by local government</b>	<b>\$11,678,910</b>	<b>\$12,193,281</b>	<b>\$12,629,656</b>	<b>\$13,122,022</b>	<b>\$13,620,772</b>	<b>3.8</b>
<b>TOTAL ALL TAXES</b>	<b>\$32,962,962</b>	<b>\$30,968,772</b>	<b>\$31,712,323</b>	<b>\$34,248,531</b>	<b>\$35,400,367</b>	<b>3.4</b>

Because of rounding, detail may not add to Totals.

# Offers in Final Settlement FY 2012

Under M.G.L. c. 62C, sec. 37A, the Commissioner of Revenue has the authority, under specific conditions, to accept less than full payment as a final settlement for a state tax liability. The statutory condition for such settlement is "serious doubt" as to collectibility of the tax due or the taxpayer's liability for it. The Commissioner must also determine that the taxpayer or responsible person has acted without intent to defraud. The settlement must be recommended to the Commissioner by at least two deputy commissioners.

The written agreement, signed by all parties and including the reasons for settlement, is a public record. In cases where the liability is reduced by more than half, or by \$20,000 or more, the Attorney General of the Commonwealth must review the settlement and has the authority to object to it.

The law requires that a listing of all settlements entered into during the fiscal year be included in the Commissioner's annual report. In Fiscal Year 2012, 56 settlements were made. All 56 were reviewed by the Attorney General.

The cases approved were as follows:

NAME	TOTAL TAX, INTEREST & PENALTIES	AMOUNT PAID IN SETTLEMENT	AMOUNT ABATED
All Hours Towing & Service, Inc. & Robert R. Stegner, Responsible Person	\$ 89,579.11	\$ 11,363.49	\$ 78,215.62
Anne T. Campbell	6,291.22	2,000.00	4,291.22
Anthony A. Cerullo	61,757.62	5,000.00	56,757.62
Auto Radiator Service, Inc. & Paul N. Bergeron, Responsible Person	37,081.98	5,000.00	32,081.98
Brian M. Beasley	36,257.34	20,000.00	16,257.34
Bryan F. Phillips	16,854.02	11,500.00	5,354.02
Carl Carvalho d/b/a Carl's Stereo and CB	434,330.59	90,000.00	344,330.59
Carmen Colon	4,296.73	1,000.00	3,296.73
Chester A. Pillsbury	12,243.71	4,800.00	7,443.71
Christopher P. Cronin	12,415.01	4,800.00	7,615.01
Christopher A. Rioux	11,333.41	4,000.00	7,333.41
Corinne Mazzola	1,884.01	1,000.00	884.01
Dana R. Maxwell, Responsible Person for Jmax Pies, Inc.	119,294.86	28,250.00	91,044.86
Daniel C. Smith d/b/a Pilgrim Paintball & Individually for Income Taxes	44,847.20	17,280.00	27,567.20
Darcy S. Demarest d/b/a The Baldwin House	56,774.57	24,200.00	32,574.57
David A. Longuemare	37,016.50	5,780.00	31,236.50
David M. Gomes	16,868.95	2,400.00	14,468.95
David P. & Diane M. Riley	16,357.01	7,500.00	8,857.01
Deborah A. Pagley d/b/a Homespun Gatherings	12,882.17	1,000.00	11,882.17
Denise Donovan	8,116.57	3,000.00	5,116.57
Donald W. & Sharon K. Eber	27,268.32	5,000.00	22,268.32
Douglas B. Joseph	7,515.82	4,000.00	3,515.82
Garcia's Market and Deli, Inc. & Carlos M. Garcia, Responsible Person	65,028.27	32,200.00	32,828.27
General Aviation Services, Inc. & Victor Capozzi, Responsible Person	8,290.55	1,000.00	7,290.55
Gerard R. Rousseau	38,806.78	4,153.04	34,653.74
Hugh Gregory Mick	8,318.81	1,200.00	7,118.81
J.B. Ventures, Inc. & Eric M. & Ilene B. Krivelow, Responsible Persons	8,748.77	5,000.00	3,748.77
James A. & Lisa S. Severens	12,018.64	5,000.00	7,018.64
John A. Whitney, Jr.	19,650.21	5,000.00	14,650.21
Johny Khoory	4,363.73	1,000.00	3,363.73
Joseph Conte	41,547.08	13,000.00	28,547.08
Joseph F. Deady	15,130.69	4,800.00	10,330.69
Joseph L. Maiuri d/b/a Maiuri's Catering	78,920.75	28,800.00	50,120.75
Kenneth J. Siler	9,790.85	1,850.00	7,940.85
Kenneth Plante	91,406.42	6,000.00	85,406.42
M. Malone, Inc. & Martin S. Malone, Responsible Person	38,696.29	5,000.00	33,696.29
Webster Auto Repair, Inc. & Milford Auto Repair, Inc. & Micro Automotive, Inc. & Maher Chmaysem, Responsible Person, & Maher Chmaysem d/b/a Mechanic Street Getty	129,867.48	33,000.00	96,867.48
Mary A. Rahmati	5,452.89	1,000.00	4,452.89
Michael P. Ragno	4,020.60	1,000.00	3,020.60
Wally & Christine Talabi	8,266.94	1,200.00	7,066.94
Paraskeva Traganos	48,283.64	7,500.00	40,783.64
Patricia Aulson	14,337.62	5,000.00	9,337.62
Daniel J. Phillips	6,410.47	1,200.00	5,210.47

## Offers in Final Settlement continued

NAME	TOTAL TAX, INTEREST & PENALTIES	AMOUNT PAID IN SETTLEMENT	AMOUNT ABATED
Rebecca J. Pease d/b/a Adorable Bouquets	\$ 31,934.73	\$ 19,404.00	\$ 12,530.73
Resort Restaurant Management, Inc. & Jonathan B. Louis, Responsible Person	73,603.32	30,000.00	43,603.32
Richard Arnold, Responsible Person for Gram Incorporated	69,164.82	10,146.10	59,018.72
Richard G. & Brenda L. Couture	25,907.11	13,200.00	12,707.11
Ronald G. Roemer, Jr. & Donna E. Roemer	15,525.96	1,050.00	14,475.96
Ruby's Place, Inc. & Alan Z. Kirzner, Responsible Person, & Alan Z. Kirzner Individually for Income Taxes	23,345.18	3,650.00	19,695.18
Stephen S. MacLean	10,013.85	1,800.00	8,213.85
Susan B. West	17,482.64	3,455.00	14,027.64
Terry Dew	5,577.25	1,200.00	4,377.25
Mary J. Leckie d/b/a Westfield Carpet Cleaning, & Timothy & Mary J. Leckie, Individually for Income Taxes	29,675.81	25,200.00	4,475.81
Union Street Getty, Inc. & Nicholas R. Marino, Responsible Person	11,644.57	2,640.00	9,004.57
Winh Wah Company, Inc. & Minh T. Phuong, Responsible Person	26,101.54	5,000.00	21,101.54
Zouhir Z. Sendian d/b/a Attleboro Getty Market	9,718.83	3,000.00	6,718.83
<b>TOTAL</b>	<b>\$2,078,319.81</b>	<b>\$542,521.63</b>	<b>\$1,535,798.18</b>

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

## Collection Agencies FY 2012

Chapter 209 of the Acts of 1988 permits the Commissioner of Revenue to use private collection agencies to collect unpaid state taxes. The Commissioner is required to notify all taxpayers whose accounts are to be assigned to a collection agency at least 30 days beforehand.

The law requires that the Commissioner list all agencies with whom collection agreements exist, the amount of taxes collected and the amount of compensation paid in the Department's annual report. They are as follows:

CONTRACTOR	TOTAL COLLECTED	FEES PAID	NET TO DOR
CCA	\$ 13,371,322	\$ 1,686,147	\$ 11,685,175
<b>TOTAL</b>	<b>\$13,371,322</b>	<b>\$1,686,147</b>	<b>\$11,685,175</b>

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



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