2016 Instructions for Massachusetts Premium Excise Return for Insurance Companies Form **63-23P**

Major 2016 Tax Law Changes

Consent to Extend the Time to Act on an Amended Return Treated as an Abatement Application

The Department has established a consent process that will protect a taxpayer's appeal rights in instances where a taxpayer's amended return is treated by the Department as an abatement application. In such instances, the Department will consider the taxpayer's act of filing an amended return, either electronically or on paper, to constitute the taxpayer's written consent to grant the Commissioner additional time to act on an amended return treated as an abatement application. For further information, see TIR 16-11.

Economic Development Incentive Program Tax Credit

For projects certified after January 1, 2017, the economic development incentive program tax credit is no longer calculated based on the cost of property that qualifies for the investment tax credit allowed under G.L. c. 63, § 31A and is instead determined by the Economic Assistance Coordinating Council based on factors set out in G.L. c. 23A, § 3D. In addition, limitations on the maximum amount of the credit awarded to particular types of certified projects have been eliminated, the credit is only subject to recapture if the Economic Assistance Coordinating Council revokes the certification of a project, and the credit may be designated as refundable in relation to any certified project. For further information, see TIR 16-15.

Community Investment Tax Credit

Effective August 10, 2016, the community investment tax credit has been modified. A community partner may now claim a subsequent community investment tax credit if the Department of Housing and Community Development determines that the community partner has made satisfactory progress towards utilizing any prior allocation it has received. For further information, see TIR 16-15.

Low-Income Housing Tax Credit

Effective January 1, 2017, the low-income housing tax credit has been expanded to also provide a non-refundable tax credit for corporate excise taxpayers that donate real or personal property to certain non-profit entities for use in purchasing, constructing, or rehabilitating a qualified Massachusetts project. This credit is generally limited to 50% of the amount of the donation. The credit must be claimed in the year that the qualifying donation is made and credit amounts that exceed the tax due may be carried forward for up to five years. For further information, see TIR 16-15.

Historic Rehabilitation Tax Credit

Effective August 10, 2016, the historic rehabilitation tax credit has been modified to allow the Massachusetts Historical Commission to, subject to certain criteria, transfer the historic rehabilitation tax credit to corporate excise taxpayers that acquire a qualified historic structure. For multi-phased projects, the Massachusetts Historical Commission may transfer historic rehabilitation tax credit awards for any phase that meets the criteria. For further information, see TIR 16-15.

Certified Housing Development Tax Credit

Effective January 1, 2017, the certified housing development tax credit allows corporate excise taxpayers to claim 25% of qualified project expenditures as a credit. The credit may also be carried forward for up to 10 years. For further information, see TIR 16-15.

Filing Amended Returns and Applications for Abatement for Business Taxes

The Department of Revenue is implementing a new computerized tax system that will make filing returns, submitting payments, and managing taxpayer accounts simpler, quicker, and more efficient than ever before. With this new online tax system, called MassTaxConnect, the amended return process will be automated, and in most cases will be separated from the abatement application process. For further information, see TIR 15-13.

New Electronic Filing and Payment Requirements

Effective January 1, 2016, businesses with combined annual liability for wage withholding, sales and use tax, and other transactional taxes at or exceeding $5,000 will be required to file and pay their taxes electronically. In addition, certain businesses and organizations, including financial institutions, urban redevelopment excise filers and 501(c) corporations, reporting annual gross income of $100,000 or more on their corporate excise returns, will also be required to file electronically. For further information, see TIR 15-9.

Who Must File Form 63-23P?

All domestic insurance companies subject to Massachusetts General Laws (M.G.L.) Ch. 63, secs. 22 and 22A must file Form 63-23P. Life insurance companies and ocean marine business companies are not required to file this form.

A domestic company is a company incorporated or formed in the Commonwealth.

All classes of foreign insurance companies subject to M.G.L. Ch. 63, Secs. 23 and 24A must file Form 63-23P. Life insurance companies that are taxable under M.G.L., Ch. 63, Sec. 20, 21 or 23 and marine business companies taxable under M.G.L. Ch. 63, Sec. 29A are not required to file this form.

A foreign company is any company organized or formed in any state or country other than Massachusetts.

All domestic or foreign organizations that offer preferred provider arrangements under Ch. 176I are required to file this form.

If you are a domestic property and casualty insurer, complete lines 1 through 5 on page 1. Also complete any applicable lines on page 2 and 3 of Form 63-23P. In addition, complete the sections "Part 1, Premium Excise" and "Part 2, Gross Investment income."

If you are a foreign property and casualty insurer, complete lines 6 through 14 on page 1. Also complete any applicable lines on page 2 and 3 of Form 63-23P. In addition, complete the section "Part 3, Computation of Retaliatory Tax."

If you are an insured preferred provider and casualty insurer subject to MGL Ch. 176I, complete lines 15 through 20 on page 1 and all applicable lines on pages 2 and 3 of Form 63-23P. You are not required to complete Parts 1, 2 or 3.

Only in rare circumstances should you fill out more than one section on page 1.

When Must Form 63-23P Be Filed?

Form 63-23P, together with payment in full of any tax due, must be filed on or before the 15th day of the third month after the close of the company's taxable year.

Can an Insurance Company Obtain an Extension of Time to File?

Yes. Form 63-23P filers will receive an automatic six-month extension of time to file Form 63-23P provided they pay any tax due in full on or before the original due date.

In 2015, the Department adopted an automated process for extensions of time to file tax returns for corporate excise taxpayers, beginning with all returns due on or after November 30, 2015, as part of the new MassTaxConnect system. Consistent with current rules, taxpayers meeting certain payment requirements will be given an automatic seven-month extension in the case of corporate excise taxpayers filing combined reports and a six-month extension for other corporate excise taxpayers. Taxpayers filing unrelated business income tax returns will be given an eight-month extension. For further information, see TIR 15-15.

Note: An extension of time to file is not valid if the corporation fails to pay at least 50% of the total tax liability or the minimum tax of $456, whichever is greater, through estimated payments or with Form 355-7004.

Any tax not paid on or before the due date — without regard to the extension — shall be subject to an interest charge.

What Are the Penalties for Late Returns?

Insurance excise returns that are not filed on or before the due date are subject to interest and penalty charges. The penalty for failure to pay the total amount due with this form is 1% of the balance due per month (or fraction thereof), up to a maximum of 25%. A late payment penalty does not apply to amended returns when the amount shown on the original return was paid.

The penalty for failure to file a return by the due date is 1% of the balance due per month (or fraction thereof), up to a maximum of 25%.

Any tax not paid on or before the due date — without regard to the extension — is subject to interest.

What Is a Valid Return?

A valid return is one upon which all required amounts have been entered for all of the appropriate items on the form. Applicable forms and documents may be enclosed to explain these amounts. Referencing enclosed items instead of properly entering all amounts onto the return is not sufficient. The return **must** be signed by either the treasurer or assistant treasurer of the company.

Documentation of Premiums

Domestic property and casualty insurers should include the following schedules:

• Exhibit of Premiums and Losses (Statutory page 14) for Business in the State of Massachusetts; and

• Schedule T, Exhibit of Premiums Written; and

• Exhibit of Net Investment Income.

Foreign property and casualty insurers should include the following schedules:

• Exhibit of Premiums and Losses (Statutory page 14) for Business in the State of Massachusetts; and

• Schedule T, Exhibit of Premiums Written.

Preferred provider arrangements should include:

• Any schedule, spreadsheet and/or correspondence with the Massachusetts Division of Insurance verifying the premiums declared.

Reproduction of returns must be approved by DOR prior to filing and meet the criteria provided in Technical Information Release 95-8.

Failure to meet any of the requirements detailed in this section may result in a penalty for filing an insufficient return. Such a penalty may be assessed at double the amount of the tax due.

Please visit our website, www.mass.gov/dor, for additional copies of this return.

What if the Taxpayer Is a Fiscal or Short Year Filer?

File the 2016 return for calendar year 2016 and fiscal years that began in 2016 and ended in 2017. For a fiscal year return, fill in the tax year space at the top of page 1. Short year filers should file using the tax form for the calendar year within which the short year falls. If the short year spans more than one calendar year, the filer should file use the tax form for the calendar year in which the short year began. If the current form is not available at the time the short year filer must file, the filer should follow the rules explained in TIR 11-12.

When Are Estimated Tax Payments Required?

Any insurance company which reasonably estimates its excise to be in excess of $1,000 for the taxable year is required to make estimated tax payments to the Commonwealth. Estimated payments must be made in quarterly installments of 40%, 25%, 25% and 10% of the estimated annual tax liability.

Note: New corporations in their first full taxable year with less than 10 employees have different estimated payment percentages — 30%, 25%, 25% and 20% respectively.

Insurance companies that underpay, or fail to pay, their estimated taxes may incur an additional penalty on the amount of the underpayment for the period of the underpayment. Form M-2220, Underpayment of Massachusetts Estimated Tax by Corporations, is used to compute the additional charge.

Any corporation having $1 million or more of federal taxable income in any of its three preceding taxable years (as defined in Section 6655 (g) of the IRC) may only use its prior year's tax liability to calculate its first quarterly estimated tax payment. Any reduction in the first installment payment that results from using this method must be added to the second installment payment.

A company that claims the exception to the underpayment penalty of equaling the prior year's tax liability **must provide federal tax returns** (front page only) for the three preceding taxable years to verify that federal taxable income is less than $1 million.

Note: Any insurance company required to file more than one type of excise return must also file separate estimated payments since each type of tax is governed by a different section of the Massachusetts General Laws.

For more information on corporate estimated taxes, refer to M.G.L., Chapter 63B.

How Is the Excise Determined?

Domestic insurance companies are taxed both on premiums written and finance charges imposed on those premiums in Massachusetts. These companies are also taxed on premiums in other jurisdictions where no tax is paid. A tax is also imposed on gross investment income.

Foreign insurance companies are taxed on gross premiums written or renewed, and finance charges imposed on those premiums in Massachusetts.

Organizations conducting preferred provider business are taxed on gross premiums received for persons residing in Massachusetts.

Amended Return

If you need to change a line item on your return, complete a new return with the corrected information and select "Amended Return." Generally, an amended return must be filed within three years of the date that your original return was filed. By submitting the amended return, you are giving your consent for the Commissioner of Revenue to act upon your amended return after six months from the date of filing. If you choose not to consent, you must do so in writing and attach it to this amended return. If you do not consent, any requested reduction in tax will be deemed denied at the expiration of six months from the date of filing.

If this is an amended Massachusetts return and it does not report changes that result from the filing of a federal amended return or from a federal audit (for example, if the amended Massachusetts return is reporting only a change in the apportionment calculation or an additional tax credit), check only the "amended return" box. If this is an amended return that includes changes you have reported on an amended federal return filed with the IRS for the same tax year, check both the "amended return" box and the "federal amendment" box. If the amended Massachusetts return incorporates changes that are the result of an IRS audit, check both the "amended return" box and the "federal audit" box; attach a complete copy of the federal audit report and supporting schedules.

If you are disputing an assessment resulting from an audit, or are requesting an abatement of penalties, do not file an amended return. Rather, you must file a Form ABT, Application for Abatement. Visit mass.gov/dor/amend for additional information about filing an amended return, or filing an application for abatement.

Credit Manager Schedule

The Credit Manager Schedule reports in Part 1 the taxpayer's credits available (including credits carried over from prior years) and the credits taken. Credits are shown in a table format and may be listed in any order. Taxpayers with more than one credit available may choose how much of each credit to take in the current year. A taxpayer participating in a combined report and allowing other members of the combined group to use its credits as allowed in 830 CMR 63.32B.2(9), also reports the amount or each credit shared on this schedule.

Some credits are identified on the credit manager schedule by a certificate number. The certificate number for the credit is assigned by the issuing agency (which may be the Department of Revenue) and must always be reported to claim the credit. A taxpayer with multiple certificates for the same type of credit will enter each separately, with the available (unused) balance associated with that certificate in column (e) and the amount of the credit used in the current year in column (f). Taxpayer's claiming the EDIP Credit for a Certified Jobs Creation Project must enter a certificate number but are only required to complete the header section of schedule EDIP.

Some credits are identified by the period end date which refers to the period in which the credit originated. This may be the current taxable year or a prior year if the credit is being carried forward from a prior year. If the period of origin is the current year, a schedule detailing the calculation of the amount of credit must be enclosed with the return. If the period of origin is a prior year, only the amount carried over to and available in the current year is shown in column (e) and no calculation schedule is required.

If, by operation of M.G.L. c. 63, s. 32C or another provision of law, a credit normally identified by period of origin is eligible for indefinite carryover, the credit should be reported as "non-expiring"; the taxpayer is not required to identify the period of origin on the credit manager schedule. (Non-expiring credits were formerly referred to as "unlimited.")

The abbreviation in the enumeration column is used to identify the credit type on the credit manager schedule (in column a. in both Part 1 and Part 2).

Part 2 of the Credit Manager Schedule reports any refundable credits claimed in the current year. Certain credits are refundable only if specifically authorized or, in the case of the Film Credit, if the original recipient has not transferred the credit to another. Other conditions may apply depending on the terms applicable to the specific credit. Credits are identified separately. The amount in column (f) is the amount of the refund requested, which may be 100% or 90% of the amount reported in column (e).

For more information and examples, see the Credit Manager Schedule instructions.

Credit Recapture Schedule

Certain Massachusetts tax credits are subject to recapture as specified in the statute authorizing the credit (e.g., investment tax is subject to recapture under M.G.L. c 63, s 31A(e) if an asset for which the credit was taken is disposed of before the end of its useful life). Recapture may also be triggered if the corporation no longer qualifies for the credit (as when a manufacturing corporation ceases to qualify as such or a corporation's status as a Life Sciences Company is terminated as discussed in TIR 13-6).

If a recapture calculation is required, the amount of the credit allowed is redetermined and the reduction in the amount of credit allowable is recaptured to the extent the credit was taken or used in a prior year. See DOR Directive 89-7. Taxpayers who have a recapture calculation must complete this schedule whether or not a recapture tax is determined to be due.

The Credit Recapture Schedule lists each credit for which a recapture calculation must be made. For credits tracked by certificate numbers that must be reported on the return to claim the credit, enter each certificate number and the associated credits separately. For credits not tracked by certificate number, enter credits separately by type and the year to which they relate. List only those credits and certificate numbers or tax years for which a reduction in the credit is being calculated.

For more information and examples, see the Credit Recapture Schedule example.

Are There Special Tax Credits Available In Massachusetts?

Yes. Massachusetts offers several special credits to corporations.

Under M.G.L. Ch. 63, sec. 32C, a corporation's credits may not offset more than 50% of its excise. Any credits not utilized as a result of this provision may be carried over for an unlimited number of years. This provision does not apply to the Research Credit, the Harbor Maintenance Tax Credit, Low-Income Housing Credit, Historic Rehabilitation Credit, the Film Incentive Credit or the Medical Device Credit.

Investment Tax Credit

Manufacturing corporations and corporations engaged primarily in research and development, agriculture or commercial fishing are allowed a credit of 3% of the cost of depreciable real and tangible property. Such property must have a useful life of four years or more. The property must be used and located in Massachusetts on the last day of the taxable year. A corporation cannot take the credit on property which it leases to another. A corporation can take the credit on property which it leases from another (for property leased and placed in service on or after July 1, 1994). Generally, eligible corporate lessees making qualifying leasehold improvements may claim the credit.

Note: Motor vehicles and trailers acquired on or after January 1, 1988 and subject to the motor vehicle excise do not qualify for the Investment Tax Credit.

A corporation may carry over to the next succeeding three years any unused portion of its Investment Tax Credit (ITC). To claim the ITC, Schedule H must be completed where the credit is calculated. The amount of the credit is then entered on the Credit Manager Schedule.

Vanpool Credit

Business corporations are allowed a credit of 30% of the cost incurred during the taxable year for the purchase or lease of company shuttle vans used in the Commonwealth as part of an employer-sponsored ridesharing program. The shuttle vans must be used for transporting employees and students from their homes, or public transportation facilities, to their places of employment or study.

To claim the Vanpool Credit, Schedule VP must be completed. The amount of the credit is then entered on the Credit Manager Schedule.

Economic Opportunity Area Credit

A credit of 5% of the cost of qualifying property purchased for business use within an Economic Opportunity Area (EOA) is available to businesses. To qualify for the EOA credit, the property must be used exclusively in a certified project in an EOA and must meet the same tests (four years useful life, etc.) imposed for the 3% ITC. A certified project is a project that has been approved by the Economic Assistance Coordinating Council (EACC). If a corporation participates in a qualified project and is also eligible for the 3% ITC (see above), the corporation may claim either the ITC or the EOAC, but not both with respect to each item of qualifying property.

The 5% EOA credit cannot offset more than 50% of the excise due nor reduce the excise below the minimum tax. Any unused credit may be carried forward for 10 years. Taxpayers seeking to claim credits for projects certified prior to January 1, 2010 must use Schedule EOAC. See TIR 10-01 for further information. The amount of the credit is then entered on the Credit Manager Schedule.

Taxpayers authorized by the EACC to claim tax credits for projects certified on or after January 1, 2010 must use Form EDIP, Refundable Economic Development Incentive Program Credit, to claim such credits (see below, Refundable Economic Development Incentive Credit).

Research Credit

A credit is allowed for corporations which made basic research payments and/or incurred qualified research expenses conducted in Massachusetts during the taxable year. A corporation taking the research credit is limited in the amount that can be taken against the excise in any year. The credit cannot reduce the tax to less than $456.

The amount of credit is equal to:

• 100% of the first $25,000 of excise; and

• 75% of any amount of excise remaining after the first $25,000.

The deduction allowed to a corporation for any research expenses generating a Massachusetts Research Credit must be reduced by the amount of the credit generated. This amount is added back to income on Schedule E, line 13.

Any corporation which is a member of a combined group may share excess research credits with other members of the combined group. Corporations which are members of a controlled group or which are under common control with any trade or business (whether or not incorporated) are treated as a single taxpayer for purposes of determining the allowable Research Credit.

See Schedule RC instructions for further information. To claim the Research Credit, Schedule RC must be completed and the amount of the credit entered on the Credit Manager Schedule.

Harbor Maintenance Tax Credit

Corporations are allowed a credit against the corporate excise for certain harbor maintenance taxes paid to the U.S. Customs Service pursuant to IRC sec. 4461. A corporation is eligible for the credit if the tax paid is attributable to the shipment of break-bulk or containerized cargo by sea- and ocean-going vessels through a Massachusetts harbor facility.

The credit is not subject to the 50% limitation; however, it may not reduce the tax to less than the minimum excise of $456. A taxpayer may carryover any excess credit to any of the next succeeding five taxable years.

See Schedule HM instructions for further information. To claim the Harbor Maintenance Tax Credit, Schedule HM must be completed and the amount of the credit entered on the Credit Manager Schedule.

Brownfields Tax Credit

Taxpayers are allowed a credit for amounts expended to rehabilitate contaminated property owned or leased for business purposes and located within an economically distressed area.

In 2013 legislation extended the Brownfields credit to nonprofit organizations, extended the time frame for eligibility for the credit, and permitted the credit to be transferred, sold, or assigned. Under prior law, net response and removal costs incurred by a taxpayer between August 1, 1998 and August 5, 2005, were eligible for the credit provided that the environmental response action before August 5, 2005. As a result of the recent legislation, the environmental response action commencement cut-off date is changed from August 5, 2013 to August 5, 2018, and the time for incurring eligible costs that qualify for the credit is extended to January 1, 2019. See TIR 13-15 for more information.

The Brownfields Credit may be transferred, sold or assigned to another taxpayer with a liability under chapter 62 or chapter 63, or to a nonprofit organization.

The Department will issue a certificate to the party receiving the Brownfields Credit reflecting the amount of the Brownfields Credit received. The party receiving the Brownfields Credit must enclose the certificate with each tax return in which the credits are being applied. Certificate application forms and additional information are available at mass.gov/dor.

The Brownfields Credit cannot offset more than 50% of the excise due nor reduce the excise below the minimum tax. Any unused credit may be carried forward for five years.

If you qualify for this credit, you must have completed Schedule BCA, Brownfields Credit Application, and received certificate number from DOR. Be sure to enter the DOR issued certificate number in the space provided on the Credit Manager Schedule.

Low-Income Housing Credit

This credit is administered through the Massachusetts Department of Housing and Community Development (DHCD). The Low-Income Housing Credit is available to taxpayers that claim a U.S. credit for the construction or development of low-income housing. The state credit is taken over five years. The amount of credit a taxpayer may claim for a qualified Massachusetts project is allocated by the DHCD and is based on a total pool of money awarded to the Commonwealth. In order to claim the credit, a copy of the eligibility statement issued by DHCD must be available upon request.

The LIHC is not subject to the 50% limitation rule for corporate taxpayers. If the taxpayer disposes of the property generating the LIHC, a portion of the credit may be subject to recapture.

For further information regarding this credit, contact the Department of Housing and Community Development, Division of Private Housing, at (617) 727-7824.

To claim the Low-Income Housing Credit, supporting documentation must be enclosed with the return and the amount of the credit entered on the Credit Manager Schedule.

Historic Rehabilitation Credit

Effective for years beginning on or after January 1, 2005 and ending on or before December 31, 2022, taxpayers may be eligible for the Historic Rehabilitation Credit (HRC). To claim this credit, a historic rehabilitation project must be complete and have been certified by the Massachusetts Historical Commission. Unused portions of the credit may be carried forward for a maximum of five years. This credit may be transferred or sold to another taxpayer.

The HRC is not subject to the 50% limitation rule for corporate taxpayers. If the taxpayer disposes of the property generating the HRC, a portion of the credit may be subject to recapture.

For further information, see Regulation 830 CMR 63.38R.1, Massachusetts Historic Rehabilitation Tax Credit and TIR 10-11.

To claim the Historic Rehabilitation Credit, supporting documentation must be enclosed with the return and the amount of the credit entered on the Credit Manager Schedule.

Film Incentive Credit

For taxable years beginning on or after January 1, 2006 and before January 1, 2023, Massachusetts allows two credits for motion picture production companies who meet certain qualification requirements. Production companies who incur at least $50,000 of production costs in Massachusetts are eligible for income and corporate excise tax credits equal to 25% of the total Massachusetts payroll for the production, excluding salaries of $1 million and higher. In addition, production companies whose Massachusetts production expenses exceed 50% of the total production cost receive an income and corporate excise tax credit of 25% of the total Massachusetts production expense. Supporting documentation must be available to the Department of Revenue upon request.

For further information on the Film Incentive Credit, see TIR 07-15. To claim the Film Incentive Credit, enter the Certificate Number issued by the Department of Revenue and the amount of the credit on the Credit Manager Schedule. Certificate application forms and additional information are available at mass.gov/dor.

Medical Device Credit

The Medical Device Credit is equal to 100% of the user fees actually paid to the United States Food and Drug Administration (USFDA) by a medical device company during the taxable year for which the tax is due for pre-market submissions (e.g., applications, supplements, or 510(k) submissions) to market new technologies or upgrades, changes, or enhancements to existing technologies, developed or manufactured in Massachusetts.

For further information on the Medical Device Credit, see TIR 06-22. To claim the Medical Device Credit, enter the Certificate Number issued by the Department of Revenue and the amount of the credit on the Credit Manager Schedule. Certificate application forms and additional information are available at mass.gov/dor.

Life Science Company Investment Tax Credit

For taxable years beginning on or after January 1, 2009, a new Investment Tax Credit (ITC) may be available to corporate excise taxpayers.

This credit, which is available to certified life sciences companies only to the extent authorized pursuant to the Life Sciences Tax Incentive Program, is equal to 10% of the cost of qualifying property acquired, constructed or erected during the taxable year and used exclusively in the Commonwealth.

The refundable ITC can apply to purchases made on or after January 1, 2009 even if a construction project started before that date. The scope of qualifying property for purposes of the new credit is the same as that provided by the existing ITC under M.G.L. Ch. 63, sec. 31A.

Life sciences companies or persons also qualifying for the Economic Opportunity Area Credit (EOAC) for the same property may only take such EOAC to the extent of an additional 2% of the cost of the qualifying property. Corporations taking these credits are not allowed to take the ITC under M.G.L. Ch. 63, sec. 31A or the Low-Income Housing Credit under M.G.L. Ch. 63, sec. 31H for the same qualifying property.

If a life sciences ITC exceeds the tax otherwise due under the corporate excise, as applicable, 90% of the balance of such credit may, at the option of the taxpayer and to the extent authorized pursuant to the Life Sciences Tax Incentive Program, be refundable to the taxpayer for the tax year in which the qualified property giving rise to such credit is placed in service. If such refund is elected by the taxpayer, then the carryover provisions for this credit that would otherwise apply shall not be available.

For further information, see TIR 08-23. The amount of this credit must be entered on the Credit Manager Schedule.

Life Science Company FDA User Fees Credit

For taxable years beginning on or after January 1, 2009, a new credit may be available to corporate excise tax payers for user fees paid on or after June 16, 2008 to the U. S. Food and Drug Administration (USFDA) upon submission of an application to manufacture a human drug in the Commonwealth.

This credit, which is available to certified life sciences companies only to the extent authorized pursuant to the Life Sciences Tax Incentive Program, is equal to 100% of the user fees actually paid by the taxpayer, as specified in the certification, and may be claimed in the taxable year in which the application for licensure of an establishment to manufacture the drug is approved by the USFDA. To be eligible for the credit, more than 50% of the research and development costs for the drug must have been incurred in Massachusetts.

Taxpayers may use the FDA user fees credit to reduce their tax to 0. To the extent authorized pursuant to the Life Sciences Tax Incentive Program, 90% of the balance of credit remaining is refundable. The deduction otherwise allowable for user fees qualifying for the credit is disallowed.

For further information, see TIR 08-23. The amount of this credit must be entered on the Credit Manager Schedule.

Life Sciences Company Research Credit

For taxable years beginning on or after January 1, 2009, a new credit may be available for certified life sciences companies pursuant to the Life Sciences Tax Incentive Program, to provide qualifying companies with a means to obtain a research credit for certain expenditures not qualifying for the existing research credit under c. 63, § 38M. St.

2008, c. 130, §§ 30 and 53, codified at G.L. c. 63, § 38W. Under this new provision, the credit is generally calculated in the same manner as the research credit under section 38M. However, the qualified research expenditures which form the basis for the calculation in new section 38W differ from those of section 38M in that they can qualify when the activities are performed both inside and outside of the Commonwealth, to the extent they relate to legally mandated clinical trial activities.

The credit can reduce the corporate excise to the minimum excise of $456 and may be carried forward for 15 years. Unlike the regular research credit, as amended by the new subsection (j) of section 38M, described above, the new life sciences research credit under M.G.L. Ch. 63, sec. 38W is not refundable.

For further information, see TIR 08-23. The amount of this credit must be entered on the Credit Manager Schedule.

Refundable Film Credit

Schedule RFC, Refundable Film Credit, is used by motion picture production companies to elect to claim a refundable film credit if they have not transferred or carried forward a portion of the film credit for the production. Transferees of the film credit do not qualify for the refundable film credit.

If an election to refund the film credit for a production is made, the entire film credit remaining after reducing the current year tax liability will be refunded at 90%. The production company is not allowed to partially refund and partially transfer or carryover over any portion of the credit to the next tax year.

The amount of refundable credit must be entered on the Credit Manager Schedule.

Refundable Dairy Credit

A taxpayer who holds a certificate of registration as a dairy farmer pursuant to M.G.L. Ch. 94, sec. 16A is allowed a refundable tax credit based on the amount of milk produced and sold. The dairy farmer tax credit as originally enacted was 90% refundable. Under recent legislation, the dairy farmer tax credit is now 100% refundable.

The amount of refundable credit must be entered on the Credit Manager Schedule.

Refundable Life Science Credit

There are different credits which the Massachusetts Life Sciences Center, with the approval of the Secretary of Administration and Finance, may authorize a taxpayer to have refunded in lieu of carrying forward such credit to a future year.

A taxpayer may apply for a refund of 90% of the unused Investment Tax Credit granted under M.G.L. Ch. 63, sec. 38U or the additional credit on the same property that may be granted under M.G.L. Ch. 63, sec. 38N if property for which the 38U credit is granted is used in a certified project.

A taxpayer may apply for a refund of 90% of the unused FDA User Fee Credit granted under M.G.L. Ch. 63, sec. 38M, including credits carried over from prior years. Schedule RLC, Refundable Life Science Credit, is used by taxpayers to claim the refund.

The amount of refundable credit must be entered on the Credit Manager Schedule.

Refundable Life Science Jobs Credit

Effective for tax years beginning on or after January 1, 2011, a new tax incentive has been added 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% 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 shall not be carried forward to subsequent taxable years.

The refundable jobs credit is subject to all the requirements of G.L. c. 23I, including the requirements set out in TIR 08-23. 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.

The amount of refundable credit must be entered on the Credit Manager Schedule.

Refundable Economic Development Incentive Credit

Under the provisions of the Economic Development Incentive Program (EDIP) established pursuant to M.G.L. Ch. 23A, the Economic Assistance Coordination Council (EACC) may authorize taxpayers participating in certified projects to claim tax credits under M.G.L. Ch. 62 sec. 6(g) and M.G.L. Ch. 63 sec. 38N. Taxpayers authorized by the EACC to claim tax credits for projects certified on or after January 1, 2010 must use Form EDIP, Refundable Economic Development Incentive Program Credit, to claim such credits. Taxpayers seeking to claim credits for projects certified prior to January 1, 2010 must use Schedule EOAC. See TIR 10-01 for further information.

The amount of refundable credit must be entered on the Credit Manager Schedule.

Conservation Land Tax Credit

Effective for tax years beginning on or after January 1, 2011, a credit is allowed for qualified donations of certified land to a public or private conservation agency. The credit is equal to 50% of the fair market value of the qualified donation. The amount of the credit that may be claimed by a taxpayer for each qualified donation cannot exceed $75,000. The credit is refundable but not transferable. The certification process is conducted by the Executive Office of Energy and Environmental Affairs (EEA). EEA has promulgated a regulation, 301 CMR 14.00, entitled Conservation Land Tax Credit, which sets forth criteria for authorizing and certifying the credit. See also, 830 CMR 62.6.4, entitled Conservation Land Tax Credit, promulgated by DOR to explain the calculation of the allowable credit.

The amount of this credit must be entered on the Credit Manager Schedule.

Employer Wellness Program Tax Credit

Effective for tax years beginning on or after January 1, 2013, a Massachusetts business that employs 200 or fewer workers may qualify for a tax credit for up to 25% of the cost of implementing a “certified wellness program” for its employees. A taxpayer seeking to claim the credit must apply to the Department of Public Health (DPH) for certification of its wellness program. DPH will approve a dollar amount of credit for a qualifying taxpayer and issue a certificate number to be provided in connection with filing a tax return in order to claim the credit. The amount of the credit that may be claimed by a taxpayer cannot exceed $10,000 in any tax year. DPH has promulgated a regulation, 105 CMR 216.000, entitled Massachusetts Wellness Tax Credit Incentive, which sets forth criteria for authorizing and certifying the credit. The credit is set to expire on December 31, 2017. **Note:** You must enter the certificate number on the Credit Manager Schedule. Failure to do so will result in this credit being disallowed on your tax return and an adjustment on your reported tax. Enter the number from left to right.

The amount of this credit must be entered on the Credit Manager Schedule.

Community Investment Tax Credit

Effective for tax years beginning on or after January 1, 2014, a credit is allowed for qualified investments (certain cash contributions made to a community development corporation, community support organization, or a community partnership fund) made on or after January 1, 2014. The credit is equal to 50% of the total qualified investment made by the taxpayer for the taxable year. No credit is allowed to a taxpayer that makes a qualified investment of less than $1,000. In any one taxable year, the total amount of the credit that may be claimed by a taxpayer that makes qualified investments cannot exceed $1,000,000. The credit is refundable, or, alternatively, may be carried forward five years. The credit is set to expire December 31, 2019. For further guidance see the Department's regulation 830 CMR 62.6M.1, Community Investment Tax Credit and the regulation issued by the Department of Housing and Community Development, 760 CMR 68.00, Community Investment Grant and Tax Credit Program.

The amount of this credit must be entered on the Credit Manager Schedule.

Certified Housing Development Credit

Effective for tax years beginning on or after January 1, 2011, taxpayers may receive a tax credit of up to 10% of the costs of qualified substantial rehabilitation expenditures, as defined in G.L. c. 40V sec. 1, of the market rate units within certified housing development projects. The credit is administered by the Massachusetts Department of Housing and Community Development. See TIR 10-14 for further information.

The amount of this credit must be entered on the Credit Manager Schedule.

Line Instructions

Should the Whole Dollar Method Be Used?

Yes. All amounts entered must be rounded off to the nearest dollar.

Note: Ocean marine premiums reported on your 2013 Ocean Marine Profits Tax Return are deductible from net direct premiums.

Computation of Excise

Line 1. Multiply the amount from Part 1, line 5 by .0228 and enter in line 1. If amount is negative, enter "0."

Taxable premiums are derived from net direct premiums subject to tax in Massachusetts from Schedule T of the NAIC Annual Statement, and net direct premiums from other states or countries where no tax has been paid. Include in this amount any finance and service charges from Schedule T.

Form 63-23P filers are allowed a dividend deduction for premiums returned or credited to policyholders in Massachusetts as dividends on direct business from Schedule T of the NAIC Annual Statement.

Net direct premiums are gross premiums, exclusive of reinsurance assumed as written in:

• all policies issued or renewed (including dividends applied to payment of renewals, and policy and membership fees whether or not actually received by the company);

• all additional premiums charged on policies issued in this or in previous years; and

• all assessments made upon policyholders, for insurance of property or interests in Massachusetts or which are subjects of insurance issued through companies or agents in this state;

Less

• premiums on direct policies written but not taken or canceled through default of payment; and

• premiums returned to policyholders on canceled policies of direct insurance, but without deduction or exclusion in any manner of reinsurance ceded, dividends, commissions, expenses or losses.

Line 2: Income. Enter in the subtotal section of line 2 the amount from Part 2, line 10. Multiply this amount by the applicable tax rate checked in the registration section. Property and casualty insurers may reduce their tax rate on gross investment income from the 1% tax rate if they contribute the required amount to the initiative over a five-year period. The reduced rate schedule is as follows: 0.8% for the first year on or after January 1, 1999, in which it makes the required contribution and 0.6% for the second year it makes the required contribution or 0.4% for the third year it makes the required contribution. The tax rate is 0.2% in the fourth year it makes the required contribution. No gross investment income tax shall be due for the tax years beginning on or after the fifth year in which said company contributes its full proportionate share. A Certificate of Contribution issued by the Property and Casualty Insurance Company Initiative must accompany the return if claiming the lower rate. A company that does not make the required contribution in any year will continue to be taxed at the rate for the last year in which it did make the required contribution.

Line 3. Domestic companies should report the amount of FAIR Plan disbursement check received from the Massachusetts Property Insurance Underwriting Association and/or Crime Insurance Program.

Lines 4, 13 and 19: Credit Recapture and Installment Sales Tax. If the corporation is required to recapture any amount of previously claimed EOAC, Low-Income Housing Credit Brownfields Credit or Historic Rehabilitation Credit, complete the Credit Recapture Schedule and enter the result. Current year credits can then be used to offset the total excise due which will include the recapture amount.

Include in the total on lines 4, 13 and 19 the tax amount representing an interest charge on the deferred tax on gain from certain installment sales with a sales price over $150,000 if you are not a dealer and the aggregate face amount of installment obligations arising during the tax year and outstanding as of the close of the tax year exceeds $5 million. For more information see M.G.L. Ch. 62C, sec. 32A(a) and I.R.C. sec. 453A (a)–(c).

Also include in the total the tax amount representing interest on the deferred gain from the installment sale of timeshares and residential lots, if the sale meets one of the following criteria:1) the sale is of a timeshare right for 6 weeks or less; 2) the sale is for the recreational use of specified campgrounds; or 3) the sale is for a residential lot and neither the dealer nor someone related to the dealer is obligated to make any improvements on the lot. For more information see M.G.L. Ch. 62C, sec. 32A (b) and I.R.C. sec. 453(l)(2)(B).

If you are a partner in a partnership or a shareholder in an S corporation, the entity will be sending you the information you need to calculate the addition to tax under this provision. For more information see TIR 10-11.

Line 7: Other Premiums. Taxpayers receiving disbursement checks from the Massachusetts Property Insurance Underwriters Association in January 2016 must place the premiums associated with the check on line 7. For example, if the taxpayer receives a disbursement check for $100, the Department would expect the taxpayer to report premiums of $4,386 on line 7. If the taxpayer has included FAIR Plan premiums on their Schedule T, they must include a letter stating (1) the amount of the disbursement check and (2) the amount of allocated premiums that were included on Schedule T.

Line 9: Deduction. Enter the total of dividend deductions for premiums returned or credited to policyholders in Mass. as dividends on direct business from Schedule T of the NAIC Annual Statement.

Line 12: Retaliatory tax. Use Part 3 of Form 63-23P to calculate your excise using the same method and rate used by the state in which you are incorporated and would be imposed on a like Massachusetts insurance company, or its agents, if doing business to the same extent. If the computation in the state of your incorporation is in every respect the same as your Massachusetts computation, a statement to that effect should be made. Enter this amount in line 12. Retaliatory tax provisions are provided under M.G.L. Ch. 63, secs. 23 and 24A.

Line 21: Retaliatory surtax credit. A company that contributes its full and proportionate share to the Property and Casualty Initiative may receive a credit against the premium tax equal to increasing percentages of the retaliatory taxes paid during the preceding taxable year attributable to the surtax. If the aggregate cumulative investment by domestic property and casualty companies in the Property and Casualty Initiative reaches $100,000,000, the credit shall equal 100% of the retaliatory taxes attributable to the surcharge. The amount of the credit is 20% for the tax year beginning on or after January 1, 1999 or the first year in which a participating property and casualty company contributes its full proportionate share. The amount of the credit is 40% for the tax year beginning on or after January 1, 2000 or the second year in which a participating property and casualty company contributes its full proportionate share. The amount of credit is 60% for the tax year beginning on or after January 1, 2001 or the third year in which the participating property and casualty company contributes its full proportionate share. The amount of credit is 80% for the tax year beginning on or after January 1, 2002 or the fourth year in which the participating property and casualty company contributes its full proportionate share. The amount of the credit is 100% for the year beginning on or after January 1, 2003 or the fifth year in which a participating property and casualty company contributes its full proportionate share.

The total amount of the credit shall not exceed $8,000,000 for all domestic property and casualty companies. The amount of each property and casualty company's credit shall be limited to that company's credit share. A company seeking the credit must provide the Commissioner of Revenue with the amount of its retaliatory taxes attributable to the surtax and payable for the preceding taxable year, before application for the credit, by December 31 of the current taxable year. The commissioner of revenue shall be responsible for reporting to each company its credit share amount by February fifteenth of the current taxable year. A certificate of contribution issued by the Property and Casualty Initiative must accompany the return.

Line 22: Initiative credit. A company shall be allowed a credit against the premium tax equal to 1½% (.015) of such company's total capital contribution in excess of their full proportionate share which shall mean an investment in the Massachusetts Property and Casualty Insurance Company Community and Economic Development Initiative.

This credit is effective for tax years in which the aggregate cumulative investment in the Property and Casualty Initiative reaches 100 million or the tax year 2004, whichever is later.

Line 24: Credit for member insurers of the Massachusetts Life and Health Insurance Guaranty Association. Enter 10% of the assessment for each of five years following the year in which the assessment was paid. If the sum of offsets exceeds $3,000,000, the excess may be carried forward and may be used in a year in which the $3,000,000 is **not** exceeded. If the total offsets exceed $3,000,000 in a year, the Department of Revenue will assess each member with an additional tax equal to the amount of the offset which exceeds $3,000,000 of such members pro rata share. If the total offsets do not exceed $3,000,000 in a year, the Department of Revenue will calculate each members' pro rata share to determine the amount of refund due each member and issue a refund to each member.

Line 37: Voluntary Contribution to the Nongame Wildlife Fund. Any corporation that wishes to contribute any amount to the Natural Heritage and Endangered Species Fund may do so on this form. This amount is added to the excise due. It increases the amount of the corporation's payment or reduces the amount of its refund.

The Natural Heritage and Endangered Species Fund is administered by the Department of Fisheries, Wildlife and Environmental Law Enforcement to provide for conservation programs for rare, endangered and nongame wildlife and plants in the Commonwealth.

Line 42: Pass-through Entity Withholding. Enter the amount of any withholding tax from pass-through entities. Be sure to include the taxpayer identification number of the person or entity submitting the withholding payment on behalf of the taxpayer.

Lines 39 through 49: Payments. Enter in line 39 any overpayment credited from 2015 to 2016. Enter estimated tax payments made in 2016 in line 40. Any extension payment should be entered in line 41. Line 49 should reflect the total payments made for the entire year.

Lines 50 through 52: Overpayment and refund. If the amount in line 49 is larger than the amount in line 38, enter the amount overpaid in line 50.

The overpayment may be applied in part or in full to 2016 estimated taxes by entering in line 51 the amount to be credited to 2016 estimated tax payments. Enter the amount to be refunded in line 50.

An overpayment of excise cannot be applied as a credit to the tax of another account of this company or to the tax of another company.

Line 53: Balance due. If line 37 is larger than line 49, enter the balance due in line 53. Payment in full is due on or before March 15, 2016.

Line 54: Penalties. Any company that has an underpayment of estimated tax will incur a penalty on the underpayment for the period of the underpayment. Enclose a copy of Form M-2220. For more information, refer to the section, "When Are Estimated Tax Payments Required?"

Any company that fails to file a timely return will be subject to a late filing penalty of 1% per month, or fraction thereof, and a late payment penalty of 1% per month, or fraction thereof, on the amount required to be shown as the tax due on the return. For more information, refer to the section, "What Are the Penalties for Late Returns?"

Line 55: Interest. Any company that fails to pay its tax when due will be subject to interest on the unpaid balance. For more information, refer to the section "What Are the Penalties for late Returns?"

Line 56: Payment due. Enter the total payment due. Checks for this amount should be made payable to the **Commonwealth of Massachusetts**. Checks should have the company's federal identification number written in the lower left corner.

Signature

When the form is complete, it must be signed by the treasurer or assistant treasurer. If you are signing as an authorized delegate of the appropriate corporate officer, check the box in the signature section and attach a Massachusetts Form M-2848, Power of Attorney. Mail forms to: **Massachusetts Department of Revenue, PO Box 7052, Boston, MA 02204.**