

Income/Franchise:

Massachusetts: Release Summarizes Single Sales Factor Apportionment for Corporations and Financial Institutions

Technical Information Release (TIR) 24-4: Provisions in the 2023 Tax Relief Legislation, Mass. Dept. of Rev. (5/30/24). The Massachusetts Department of Revenue issued a new technical information release (“TIR 24-4”) that explains certain provisions included in the 2023 tax relief legislation entitled “An Act to Improve the Commonwealth’s Competitiveness, Affordability, and Equity” (the “Act”) [see H.B. 4104 (2023), and previously issued Multistate Tax Alert for more details on this legislation]. Regarding the state tax law changes “affecting only G.L. c. 63 taxpayers,” TIR 24-4 explains Massachusetts’ move to single sales factor apportionment for all business corporations and financial institutions is “effective for tax years beginning on or after January 1, 2025.” TIR 24-4 notes that the Act changes the method by which financial institutions are required to include income from investment and trading assets and activities in the receipts factor; formerly, these receipts were generally included in the numerator of the receipts factor by reference to whether they were “properly assigned to a regular place of business of the taxpayer within the commonwealth.” According to TIR 24-4, the Act removes this older assignment methodology and includes a financial institution’s income from investment and trading assets and activities in the numerator of the receipts factor based upon a fraction (*i.e.*, the “Assignment Fraction”), the numerator of which is the taxpayer’s receipts from assets and activities assigned to Massachusetts other than investment and trading assets and activities, and the denominator of which is the total receipts of the taxpayer included in the denominator of the receipts factor other than interest, dividends, net gains but not less than zero, and other income from investment and trading assets and activities – and “there is no elective variation on this rule.” TIR 24-4 also addresses some other provisions in the Act, including the reduction in the short-term capital gains rate.

URL: <https://www.mass.gov/technical-information-release/working-draft-tir-provisions-in-the-2023-tax-relief-legislation>

URL: <https://malegislature.gov/Bills/193/H4104>

URL: <https://www2.deloitte.com/content/dam/Deloitte/us/Documents/Tax/us-tax-multistate-tax-alert-massachusetts-adopts-significant-tax-legislation-including-adoption-of-single-sales-factor-in-2025.pdf>

Note that a recently posted working draft technical information release for practitioner comment [see *Working Draft TIR: Tax Changes in Fiscal Year 2023 Closeout Supplemental Budget*, Mass. Dept. of Rev. (6/3/24) for details on this draft release] similarly explains that Massachusetts’ move to single sales factor apportionment for all business corporations and financial institutions, as well as the new sourcing rule for financial institutions, are effective for tax years beginning on or after January 1, 2025. Please contact us with any questions.

URL: <https://www.mass.gov/technical-information-release/working-draft-tir-tax-changes-in-fiscal-year-2023-closeout-supplemental-budget>

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