

Income/Franchise:

Massachusetts: New Law Revises Apportionment Provisions for Companies Without a Sales Factor

H.B. 5077, signed by gov. 12/4/24. New law revises Mass. Gen. Laws. c. 63, § 38(g) related to Massachusetts' move to single sales factor apportionment for all business corporations and financial institutions for tax years beginning on or after January 1, 2025 [see H.B. 4104 (2023), and previously issued Multistate Tax Alert for more details on this law change] by removing older language pertaining to a missing factor(s) and providing newer language that uses a taxpayer's property and payroll when "the sales factor is inapplicable." Specifically, the newer language provides:

URL: <https://malegislature.gov/Bills/193/H5077>

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>

"If the sales factor is inapplicable, the corporation's taxable net income shall be apportioned to the commonwealth based on the corporation's property and payroll in the commonwealth. The sales factor shall not be applicable if: (i) both its numerator and denominator are zero; (ii) the denominator is less than 10 per cent of one third of the taxable net income; or (iii) it is otherwise determined by the commissioner to be insignificant in producing income. The sales factor shall not be deemed to be inapplicable solely because the numerator is zero. The commissioner shall adopt regulations providing for such method of apportionment."

This newer language took effect on January 1, 2025. Please contact us with any questions.

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