

Income/Franchise:

Massachusetts: Draft Release Addresses State Treatment Arising from Federal Partnership Audit Changes

Working Draft Technical Information Release (TIR) – Reporting Rules Related to Centralized Federal Partnership Audits, Mass. Dept. of Rev. (11/23/21). The Massachusetts Department of Revenue (Department) issued a working draft technical information release (draft TIR) for comment addressing certain provisions within the Massachusetts Fiscal Year 2021 Budget [see H.5164 (2020) for more details on this new law], specifically those involving partnerships that are the subject of a federal audit and how Massachusetts is responding to certain changes in the federal partnership audit and adjustment process. The draft TIR explains the new Massachusetts partnership tax audit provisions at G.L. c. 62C, § 30B (“§ 30B”), and describes the Massachusetts reporting and payment obligations of partnerships and partners that are subject to a centralized federal partnership audit. According to the draft TIR, partnerships are subject to § 30B, including the notice requirements described within it, in any instance in which, as a result of a federal audit, there is a difference in the Massachusetts tax liability of any partner from that previously reported – and the “triggering event” for these obligations generally is the “final determination date.” The draft TIR also explains that the Department has developed a process that will allow partnerships to report federal audit adjustments and report and pay audit assessments on behalf of their partners through its electronic tax system (*i.e.*, MassTaxConnect).

URL: <https://www.mass.gov/technical-information-release/working-draft-tir-reporting-rules-related-to-centralized-federal-partnership-audits>

URL: <https://malegislature.gov/Bills/191/H5164>

Note that previously issued administrative guidance [see *Technical Information Release (TIR) 21-4: Tax Provisions in the Fiscal Year 2021 Budget*, Mass. Dept. of Rev. (3/31/21)] explains that § 30B includes provisions that:

URL: <https://www.mass.gov/technical-information-release/tir-21-4-tax-provisions-in-the-fiscal-year-2021-budget>

- Require audited partnerships to amend their Massachusetts nonresident composite returns or withholding reports;
- Allow audited partnerships to make an election to pay state tax on behalf of their partners; and
- Require partners in an audited partnership to directly pay state tax in certain instances.

Please contact us with any questions.

— Bob Carleo (Boston)
Managing Director
Deloitte Tax LLP
rcarleo@deloitte.com

Alexis Morrison-Howe (Boston)
Principal
Deloitte Tax LLP
alhowe@deloitte.com

Gregory Bergmann (Chicago)
Partner
Deloitte Tax LLP
gbergmann@deloitte.com

Shawn David (Boston)
Senior Manager
Deloitte Tax LLP
shdavid@deloitte.com

Ian Gilbert (Boston)
Senior Manager
Deloitte Tax LLP
iagilbert@deloitte.com

Olivia Schulte (Washington, DC)
Manager
Deloitte Tax LLP
oschulte@deloitte.com

This document contains general information only and Deloitte is not, by means of this document, rendering accounting, business, financial, investment, legal, tax, or other professional advice or services. This document is not a substitute for such professional advice or services, nor should it be used as a basis for any decision or action that may affect your business. Before making any decision or taking any action that may affect your business, you should consult a qualified professional advisor. Deloitte shall not be responsible for any loss sustained by any person who relies on this document.

About Deloitte

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited (“DTTL”), its global network of member firms, and their related entities (collectively, the “Deloitte organization”). DTTL (also referred to as “Deloitte Global”) and each of its member firms and related entities are legally separate and independent entities, which cannot obligate or bind each other in respect of third parties. DTTL and each DTTL member firm and related entity is liable only for its own acts and omissions, and not those of each other. DTTL does not provide services to clients. Please see www.deloitte.com/about to learn more.