

## Income/Franchise:

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

*Technical Information Release (TIR) 22-1*, Mass. Dept. of Rev. (1/6/22). The Massachusetts Department of Revenue (Department) adopted a technical information release (TIR 22-1) 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 under the centralized federal partnership audit regime and how Massachusetts is responding to certain changes in the federal partnership audit and adjustment process. TIR 22-1 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 TIR 22-1, 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” and includes a federal administrative adjustment issued to the partnership. TIR 22-1 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/tir-22-1-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.

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