

Income/Franchise:

Massachusetts DOR Posts Release on New Entity-Level Taxation for Some Pass-through Entities

Technical Information Release (TIR) 22-6: Pass-through Entity Excise, Mass. Dept. of Rev. (3/18/22). The Massachusetts Department of Revenue (Department) released a technical information release (TIR 22-6) addressing state law [see H. 4009 (2021) and previously issued Multistate Tax Alert for more details on this new law] that provides an election for some “eligible pass-through entities (PTEs)” to pay a new entity-level excise tax (PTE Excise) on qualified income that is taxable in Massachusetts at a rate of 5%, applicable for taxable years beginning on or after January 1, 2021. The Department states that the purpose of this release is to explain the PTE Excise election, computation of the excise, filing and payment requirements, and computation of the PTE Excise credit that is available to qualified members of a PTE that makes the election. According to TIR 22-6, the excise generally is equal to 5% of:

URL: <https://www.mass.gov/technical-information-release/tir-22-6-pass-through-entity-excise>

URL: <https://malegislature.gov/Bills/192/H4009>

URL: <https://www2.deloitte.com/content/dam/Deloitte/us/Documents/Tax/us-tax-mta-massachusetts-enacts-pass-through-entity-tax-election.pdf>

- PTE income attributable to qualified members who are Massachusetts residents; plus
- PTE income attributable to nonresident qualified members multiplied by the PTE’s Massachusetts apportionment percentage for the taxable year.

Qualified members are allowed a Massachusetts personal income tax credit for 90% of their share of the PTE Excise paid by the PTE. The PTE Excise credit is refundable if it is claimed against Massachusetts personal income tax and treated as an overpayment. 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

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

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

Tyler Greaves (Boston)
Manager
Deloitte Tax LLP
tgreaves@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.