

Income/Franchise:

Massachusetts DOR Adopts Release on FY 2023 Budget Including IRC §199A Decoupling

Technical Information Release, TIR 23-1, Mass. Dept. of Rev. (1/5/23). The Massachusetts Department of Revenue issued a technical information release (“TIR 23-1”) explaining certain provisions in the Massachusetts Fiscal Year 2023 Budget (“FY23 Budget”), including the decoupling of Massachusetts’ personal income tax from Internal Revenue Code (IRC) section 199A, which provides a federal deduction for qualified business income from a qualified trade or business operated directly or through a pass-through entity. TIR 23-1 explains that the FY23 Budget adds G.L. c. 62, § 2(d)(1)(Q), which provides that in determining Massachusetts Part B adjusted gross income for personal income tax purposes, the federal deduction afforded by IRC section 199A is *not* allowed. TIR 23-1 notes that IRC section 199A provides a deduction of up to 20% for qualified business income from a qualified trade or business operated directly or through a pass-through entity; however, because this deduction was enacted in 2017 and was effective for tax years beginning in 2018 and thereafter, Massachusetts did *not* conform to the deduction for taxable years beginning before January 1, 2022. According to TIR 23-1, while Massachusetts personal income tax law now generally conforms to the IRC as amended on January 1, 2022 and in effect for the taxable year pursuant to the FY23 Budget, because the FY23 Budget specifically decouples from IRC section 199A, “it remains the case that Massachusetts does not conform to this section.” Please contact us with any questions.

URL: <https://www.mass.gov/technical-information-release/tir-23-1-tax-provisions-in-the-fiscal-year-2023-budget-including-massachusetts-personal-income-tax-code-update>

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