

## Income/Franchise:

### Massachusetts DOR Explains Application of Caselaw Exempting Capital Gains from Sale of Partnership's Urban Redevelopment Project

*Technical Information Release (TIR) 23-9: Taxability of Capital Gain on the Sale of a Chapter 121A Urban Redevelopment Project*, Mass. Dept. of Rev. (8/11/23). The Massachusetts Department of Revenue (Department) issued a technical information release (TIR 23-9) explaining its position regarding a recent Massachusetts Supreme Judicial Court (Court) ruling, which reversed the Massachusetts Appellate Tax Board and held in a couple's favor that the capital gain from the sale of a Massachusetts urban redevelopment project undertaken pursuant to G.L. c. 121A, § 18C, was exempt from individual income taxation. In the underlying case, the urban redevelopment projects were undertaken by three "Section 18C" entities (collectively, the "121A Partnerships") and, near the end of their respective 40-year terms, the 121A Partnerships sold their projects to unrelated buyers; the partners of the 121A Partnerships did *not* report the capital gains from the sale of the projects as taxable on their Massachusetts individual income tax returns. As a result of the Court opinion in the taxpayers' favor, the Department explains that pursuant to G.L. c. 121A, when a taxpayer's capital gain on the sale of an urban redevelopment project is causally connected to the project, that gain is exempt from tax if the sale is within the statutory exemption period – noting that taxpayers that own projects remain liable for Massachusetts' special annual urban redevelopment excise (*i.e.*, the "121A Excise") consisting of an income tax component and a property tax component, "as well as any other applicable taxes under G.L. c. 121A." Please contact us with any questions.

**URL:** <https://www.mass.gov/technical-information-release/tir-23-9-reagan-v-commissioner-of-revenue-taxability-of-capital-gain-on-the-sale-of-a-chapter-121a-urban-redevelopment-project>

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