
Chapter 195. AN ACT PROVIDING TAX RELIEF FOR LOW INCOME FAMILIES.

Be it enacted, etc., as follows:

SECTION 1. Section 3 of chapter 62 of the General Laws, as appearing in the 1992 Official Edition, is hereby amended by inserting after the word "person", in line 21, the following words:- , other than a married person who qualifies as head of household under section two (b) of the Code,.

SECTION 2. Said section 3 of said chapter 62, as so appearing, is hereby further amended by striking out, in line 76, the word "only",- and by inserting after the word "year", in line 77, the following words:- or if the taxpayer qualifies as a head of household under section two (b) of the Code.

SECTION 3. Said section 3 of said chapter 62, as so appearing, is hereby further amended by inserting after the word "person", in line 84, the following words:- , a person that qualifies as a head of household under section two (b) of the Code,.

SECTION 4. Section 5 of said chapter 62, as so appearing, is hereby amended by striking out subsection (a) and inserting in place thereof the following subsection:-

(a) Notwithstanding the provisions of section four, Part A taxable income and Part B taxable income, shall be exempt from all taxes imposed under this chapter if the Massachusetts adjusted gross income for the taxable year does not exceed the following threshold:

(1) in the case of a single person, eight thousand dollars, or

(2) in the case of a husband and wife filing a joint return or a person filing as a head of household, seven thousand six hundred dollars plus the deductions allowed under the following provisions of paragraph (b) of subsection (B) of section three of this chapter.

(A) an amount equal to that allowed for personal exemptions under clause (A) of subparagraph (1a) of said paragraph or clause (A) of subparagraph (2) of said paragraph, and

(B) an amount equal to the total exemption allowed under subparagraph (3) of said paragraph.

No tax imposed under this chapter shall exceed ten percent of the Massachusetts adjusted gross income less the aforementioned threshold; provided, however, that the provisions of this sentence shall not apply in any case where Massachusetts adjusted gross income exceeds one hundred and seventy-five hundredths of the aforementioned threshold. No exemptions shall be allowed under this section to a married individual filing a separate return, except for those individuals qualifying for head of household under section two (b) of the Code. In the case of a short taxable year, occurring for any reason other than residence during one portion of the normal taxable year and nonresidence during another portion, there shall be substituted for the above threshold amounts, those amounts which bear the same relation to such sums as the number of days in the taxable year bears to three hundred and sixty-five. With respect to a person who is a nonresident for all or part of the taxable year, Massachusetts adjusted gross income shall be determined as if he were a resident of the commonwealth throughout the entire taxable year.

SECTION 5. Section 1 of Chapter 62 of the General Laws, as appearing in the 1992

Official Edition, is hereby amended by striking out subsection (m) and inserting in place thereof the following subsection:-

(m) The term "capital asset" shall have the meaning as given in section one thousand two hundred and twenty-one of the Code and shall be limited to assets which are sold, exchanged or otherwise disposed of by a person while he is subject to taxation under this chapter on any Part A or Part C taxable income; provided, further, that property used in a trade or business within the meaning of section one thousand two hundred and thirty-one (b) of the Code, without regard to the holding period requirement in said section, and property held in connection with a trade or business or transaction entered into for profit within the meaning of section one thousand two hundred and thirty-one (a)(3)(A)(ii)(II) of the Code, without regard to the holding period requirement in said section, shall be treated as if such property were a "capital asset" within the meaning of section one thousand two hundred and twenty-one of the Code.

The term "capital gain income" shall mean gain from the sale or exchange of a capital asset. In determining the amount of gain or loss on any sale, exchange, or other disposition of property, the provisions of section six F of this chapter shall be taken into account; provided that losses from the sale or exchange of capital assets do not include any item the deduction of which is, or but for some other section would be, prohibited by section two hundred and sixty-seven of the Code.

SECTION 6. Subsection (b) of section 2 of said chapter 62, as so appearing, is hereby amended by striking out, in line 102 thereof, the words "two classes" and inserting in place thereof the words:- three Parts.

SECTION 7. Paragraph (1) of subsection (b) of section 2 of said chapter 62, as so appearing, is hereby amended by striking out, in line 104, the words "capital gain net income" and inserting in place thereof the words:- capital gain income.

SECTION 8. Paragraph (1) of subsection (b) of section 2 of said chapter 62, as so appearing, is hereby amended by adding the following subparagraph:-

(C) Gain income from the sale or exchange of capital assets held for more than one year, with such holding period beginning on January 1, 1995 but not including gain income from the sale or exchange of property defined under section four hundred and eight (m)(2) of the Code, as amended and in effect for the taxable year.

SECTION 9. Subsection (b) of section 2 of said chapter 62, as so appearing, is hereby amended by striking out paragraph (2) and inserting in place thereof the following paragraph:-

(2) Part B gross income shall be Massachusetts gross income not included in Part A or Part C gross income.

SECTION 10. Subsection (b) of section 2 of said chapter 62, as so appearing, is hereby amended by adding the following paragraph:-

(3) Part C gross income shall be capital gain income comprised of the following classes:

(A) Class B gain which equals the gains from the sale or exchange of capital assets held for more than one year but less than or equal to two years.

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(B) Class C gain which equals the gains from the sale or exchange of capital assets held for more than two years but less than or equal to three years.

(C) Class D gain which equals the gains from the sale or exchange of capital assets held for more than three years but less than or equal to four years.

(D) Class E gain which equals the gains from the sale or exchange of capital assets held for more than four years but less than or equal to five years.

(E) Class F gain which equals the gains from the sale or exchange of capital assets held for more than five years but less than or equal to six years.

(F) Class G gain which equals the gains from the sale or exchange of capital assets held for more than six years.

For purposes of this subsection, property acquired prior to January 1, 1996 shall be deemed to have been acquired on January 1, 1995 or on the date of actual acquisition, whichever is later.

SECTION 11. Subsection (c) of section 2 of said chapter 62, as so appearing, is hereby amended by striking out, in line 122, the word "deductions:" and inserting in place thereof the words:- deductions and including the following class of gain income:-

SECTION 12. Subsection (c) of section 2 of said chapter 62, as so appearing, is hereby amended by striking out paragraphs (2) and (3) and inserting in place thereof the following paragraphs:-

(2) Losses from the sale or exchange of capital assets held for one year or less, provided, that any such losses which exceed Part A gross income shall be a loss under this paragraph (2) in succeeding taxable years.

(3) A deduction equal to fifty percent of the gain income from the sale or exchange of property defined under section four hundred and eight (m)(2) of the Code, as amended and in effect for the taxable year, and held for more than one year, after reduction by any losses in paragraph (2).

SECTION 13. Subsection (d) of section 2 of said chapter 62, as amended by section 45 of chapter 43 of the acts of 1994, is hereby amended by adding the following paragraph:-

(M) The deduction allowed by section sixty-two (a)(3) of the Code.

SECTION 14. Section 2 of said chapter 62, as most recently amended by section 45 of chapter 43 of the acts of 1994, is hereby amended by adding the following subsection:-

(e) Part C adjusted gross income shall be the Part C gross income comprised of the following classes as adjusted:

(A) Class B net gain which equals the excess of Class B gains over the losses from the sale or exchange of capital assets held for more than one year but less than or equal to two years.

(B) Class B net loss which equals the excess of losses from the sale or exchange of capital assets held for more than one year but less than or equal to two years over the Class B gains.

(C) Class C net gain which equals the excess of Class C gains over the losses from the sale or exchange of capital assets held for more than two years but less than or equal

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to three years.

(D) Class C net loss which equals the excess of losses from the sale or exchange of capital assets held for more than two years but less than or equal to three years over the Class C gains.

(E) Class D net gain which equals the excess of Class D gains over the losses from the sale or exchange of capital assets held for more than three years but less than or equal to four years.

(F) Class D net loss which equals the excess of losses from the sale or exchange of capital assets held for more than three years but less than or equal to four years over the Class D gains.

(G) Class E net gain which equals the Class E gains over the losses from the sale or exchange of capital assets held for more than four years but less than or equal to five years.

(H) Class E net loss which equals the excess of losses from the sale or exchange of capital assets held for more than four years but less than or equal to five years over the Class E gains.

(I) Class F net gain which equals the Class F gains over the losses from the sale or exchange of capital assets held for more than five years but less than or equal to six years.

(J) Class F net loss which equals the excess of losses from the sale or exchange of capital assets held for more than five years but less than or equal to six years over the Class F gains.

(K) Class G net gain which equals the Class F gains over the losses from the sale or exchange of capital assets held for more than six years.

(L) Class G net loss which equals the excess of losses from the sale or exchange of capital assets held for more than six years over the Class G gains.

For purposes of this subsection, property acquired prior to January 1, 1996 shall be deemed to have been acquired on January 1, 1995 or on the date of actual acquisition, whichever is later.

Any excess net long-term capital loss from property sold or exchanged prior to January 1, 1996 as determined under paragraph (2) of subsection (c) of section (2) of this chapter in effect prior to January 1, 1996, shall be treated as Class B losses for purposes of paragraphs (A) and (B) of this subsection. Any excess net short-term capital loss from property sold or exchanged prior to January 1, 1996 as determined under paragraph (2) of subsection (c) of section (2) of this chapter in effect prior to January 1, 1996, shall be treated as losses from the sale or exchange of capital assets held for one year or less for purposes of paragraph (2) of subsection (c).

SECTION 15. Subsection (e) of section 2 of said chapter 62, as appearing in the 1992 Official Edition, is hereby amended by striking out, in line 203, the letter "(e)" and inserting in place thereof the letter:- (f).

SECTION 16. Subsection (f) of section 2 of said chapter 62, as so appearing, is hereby amended by striking out, in line 206, the letter "(f)" and inserting in place thereof the letter:- (g).

SECTION 17. Section 2 of said chapter 62, as most recently amended by section

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45 of chapter 43 of the acts of 1994, is hereby amended by adding the following subsection:-

(h) The Part C taxable income shall be the Part C adjusted gross income less the deductions and exemptions allowable under Part C of section three.

SECTION 18. Section 2 of said chapter 62, as so amended, is hereby amended by striking out subsection (g) and inserting in place thereof the following subsection:-

(i) Massachusetts adjusted gross income shall be the sum of Part A adjusted gross income, Part B adjusted gross income and Part C adjusted gross income.

SECTION 19. Section 3 of said chapter 62, as most recently amended by sections 79 and 80 of chapter 60 of the acts of 1994, is hereby amended by adding the following subsection:-

C. In determining the Part C taxable income, the Part C adjusted gross income shall be reduced by the following deductions and exemptions:

(a) There shall be deducted from the Part C adjusted gross income in determining the Part C taxable income:

(1) Such net amount of the Part C adjusted gross income of trustees or other fiduciaries subject to taxation under sections nine or ten as is payable to or accumulated for persons not inhabitants of the commonwealth to the extent that such income would not be subject to taxation under section five A if received by a non-resident.

(2) Such net amount of the Part C adjusted gross income of trustees, executors or administrators as is pursuant to the terms of the will, deed or other instrument governing the estate or trust currently payable to or irrevocably set aside for public charitable purposes, or to or for the benefit of any organization or organizations established and operated exclusively for charitable purposes.

(b) An exemption shall be allowed under this section equal to the amount by which the total exemptions allowable under Part B of section three exceed the Part B adjusted gross income less the deductions allowable under paragraph (a) of Part B of section three and the Part A adjusted gross income less the deductions allowable under paragraph (a) of Part A of section three. No exemption shall be allowed hereunder to any married person filing a separate return.

SECTION 20. Section 4 of said chapter 62, as appearing in the 1992 Official Edition, is hereby amended by adding the following subsection:-

(c) The tax on Part C taxable income shall be equal to the sum of the following:

- (1) Class B net gain or net loss multiplied by the rate of five percent;
- (2) Class C net gain or net loss multiplied by the rate of four percent.
- (3) Class D net gain or net loss multiplied by the rate of three percent.
- (4) Class E net gain or net loss multiplied by the rate of two percent.
- (5) Class F net gain or net loss multiplied by the rate of one percent.
- (6) Class G net gain or net loss multiplied by the rate of zero percent.

If such sum is a negative amount, such negative amount shall be a Part C credit and shall be applied against any Part A tax imposed on any capital gain as determined under subsection (a) of this section before any credits in section six. If there remains any excess Part C credit after offsetting any such Part A tax, such excess Part C credit shall be carried

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over without limitation, and in any tax year may first offset any Part C tax as calculated under this subsection (c) before any credits in section six, with any excess Part C credit applied against any Part A tax imposed on any capital gain as determined under subsection (a) of this section before any credits in section six. For purposes of this subsection, capital gain determined under subsection (a) of this section, shall be capital gain reduced by any capital losses in subsection (c).

SECTION 21. Subsection (a) of section 5 of said chapter 62, as so appearing, is hereby amended by striking out, in line 2, the words "income and Part B Taxable income" and inserting in place thereof the following words:- income, Part B taxable income and Part C taxable income.

SECTION 22. Subsection (a) of section 5A of said chapter 62, as so appearing, is hereby amended by striking out, in lines 1 and 2, the words "income and the Part B taxable income" and inserting in place thereof the following words:- income, the Part B taxable income and the Part C taxable income.

SECTION 23. Subsection (a) of section 6 of said chapter 62, as so appearing, is hereby amended by striking out, in line 14, the words "Part A or Part B gross income" and inserting in place thereof the following words:- Part A, Part B or Part C income.

SECTION 24. Subsection (a) of section 6 of said chapter 62, as so appearing, is hereby amended by striking out, in line 15, the words "Part A or Part B gross income" and inserting in place thereof the following words:- Part A, Part B or Part C income.

SECTION 25. Subsection (a) of section 8 of said chapter 62, as so appearing, is hereby amended by striking out, in line 11, the words "three A or three B" and inserting in place thereof the following words:- three A, three B or three C.

SECTION 26. Subsection (b) of section 8 of said chapter 62, as so appearing, is hereby amended by striking out, in line 32, the words "Part A gross income" and inserting in place thereof the following words:- Part A gross income and Part C gross income.

SECTION 27. Subsection (g) of section 10 of said chapter 62, as so appearing, is hereby amended by striking out, in line 84, the words "income or Part B income" and inserting in place thereof the following words:- income, Part B income or Part C income.

SECTION 28. Subsection (C) of section 17 of said chapter 62, as so appearing, is hereby amended by striking out clauses (1) and (2), appearing in lines 33 through 36, and inserting in place thereof the following:-

(1) The offset of Part A losses against interest and dividends provided in paragraph 2 of subsection (c) of section 2; the deduction allowed under paragraph (3) of subsection (c) of section 2; and the credits allowed under subsection (c) of section 4; (2) the exemptions provided in section five and clauses one, two, three, and four of paragraph (b) of subsection B of section three.

SECTION 29. Sections 1 to 4, inclusive shall apply to taxable years beginning on or after January first, nineteen hundred and ninety-five.

SECTION 30. Sections 5 to 28, inclusive shall apply to taxable years beginning on or after January first, nineteen hundred and ninety-six.

Approved December 9, 1994.