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Department of Revenue

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Directive 13-6: Combined Reports for Prior Tax Years for which Electronic Filing is Not Available

Introduction:

In Technical Information Release (TIR) 09-18, the Commissioner expanded electronic filing and payment requirements to certain returns, including the combined report required to be filed by one or more taxable members of a combined group under G.L. c. 63, § 32B. No paper filing option exists for current year combined reports. Generally, prior year combined reports must also be filed electronically. The Commissioner is aware, however, that a combined group's software vendor may eventually terminate electronic filing support for past tax years, making electronic filing impossible for those tax years. A taxpayer filing a combined report or seeking to amend a combined report for tax years for which electronic filing is no longer supported by the taxpayer's software vendor will be permitted to file for those tax years on paper, as described in this Directive, assuming that the taxpayer^[1] has no reasonable alternative way to file electronically.

Issue 1:

How should a taxpayer file or amend a combined report for a prior tax year if the taxpayer's software vendor has terminated electronic filing support for that tax year?

Directive 1:

A taxpayer or a responsible person acting on the taxpayer's behalf may file a "Statement of Paper Filing," which, when accompanied by the documentation required in Directive 2, will be treated as a validly filed combined report or an amendment to a combined report for a tax year for which the software vendor has terminated electronic filing support.^[2] The Statement of Paper Filing and accompanying documents should be mailed to the Massachusetts Department of Revenue at P.O. Box 7010, Boston,

MA 02204. The Department will accept such paper filings only for prior tax years and only if (1) the taxpayer's vendor has terminated electronic filing support for those tax years and (2) the taxpayer has no reasonable alternative way to file electronically.

If the taxpayer is filing an original return, any payment due should be submitted electronically using

WebFile for Business. If the taxpayer is amending a return, any payment due should be made by check and attached to the paper filing.

Issue 2:

In addition to the Statement of Paper Filing described in Directive 1, what information must be submitted by a taxpayer filing a permissible paper combined report, or a permissible paper amendment to a combined report, for a prior tax year?

Directive 2

The documentation that must accompany the taxpayer's statement of paper filing depends upon the particular circumstances that relate to the filing. If no combined report was previously filed for the taxable year (e.g., the taxpayer did not file at all or filed another type of return in error) a complete paper printout of the combined report for the taxable year, accompanied by all applicable schedules, must be filed. In contrast, a taxpayer amending a previously filed combined report should file only those sections of the Form 355U that have changed.

At a minimum, the taxpayer should provide any changes in the combined group's taxable net income and any changes to the common apportionment denominator used by all taxable members of the group to determine each member's apportioned share of group income. Because changes to the combined group's taxable net income or the common denominator will affect all taxable members of the group, the taxpayer should file a single schedule showing the following information for all taxable members: 1) the member's previously reported and revised apportionment formula or apportionment numerators; and 2) the member's previously reported and revised taxes due (including a statement as to net operating loss carry forward deductions and tax credits previously taken, and any revisions to these numbers if necessary.) The schedule should list any members, taxable or not, that were added or subtracted after the previous filing and should indicate whether any additional member is taxable in Massachusetts. More detailed general filing information as to the Form 355U is provided in the instructions with respect to Form 355U, which are set forth in the Corporate Excise Tax "Forms" section of the Department's Website.

If the taxpayer is amending a previously filed combined report because of a change in federal taxes due or a change in taxes due to another state or Canadian jurisdiction, the taxpayer should file, in addition to the information specified above, a copy of the Revenue Agent's Report (RAR) or the equivalent document from the other jurisdiction. The RAR (or equivalent document) must contain all the information necessary to ensure that the Department can understand the adjustments.^[3]

/s/Amy Pitter

Amy Pitter
Commissioner of Revenue

AP:MTF:lab

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[1] In the event that there are two or more taxable members of a combined group, the combined report is to be filed by a principal reporting corporation. 830 CMR 63.32B.2(11)(a). In such cases, the term “taxpayer” as used in this Directive refers to the principal reporting corporation.

[2] More detailed information on the “Statement of Paper Filing” is provided in the Form 355U instructions, which can be accessed in the [Corporate Excise Tax "Forms"](#) section on the Department's Website.

[3] Unless duplicated elsewhere in the RAR, copies of IRS form 5701 (Notice of Proposed Adjustment) should be submitted as part of the filing. If some of the changes made by the IRS audit are not applicable in calculating taxable income for Massachusetts, the taxpayer should provide sufficient documentation to confirm this fact.

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