

# HOUSE . . . . . No. 352

By Mr. Lawton of Brockton (by request), petition of William C. Madden for legislation to correct certain inequities in the income tax law and eliminating certain exemptions therein. Taxation.

## The Commonwealth of Massachusetts

In the Year One Thousand Nine Hundred and Sixty.

### AN ACT CORRECTING CERTAIN INEQUITIES IN THE INCOME TAX LAW, AND ELIMINATING CERTAIN EXEMPTIONS FROM SAID LAW.

1 *Whereas*, The deferred operation of this act would tend to  
2 defeat its purpose, which is to provide without delay additional  
3 revenue required to finance certain state activities, therefore it  
4 is hereby declared to be an emergency law, necessary for the  
5 immediate preservation of the public convenience.

*Be it enacted by the Senate and House of Representatives in General  
Court assembled, and by the authority of the same, as follows:*

1 SECTION 1. Section 1 of chapter 62 of the General Laws is  
2 hereby amended by striking out the first sentence, as amended  
3 by section 1 of chapter 679 of the acts of 1954, and inserting in  
4 place thereof the following sentence: — Income of the classes  
5 described in subsections (a), (b) and (c) received by any in-  
6 habitant of the commonwealth during the preceding calendar  
7 year, shall be taxed at the rate of six per cent per annum.

1 SECTION 2. Subsection (a) of said section 1 of said chapter 62  
2 is hereby amended by striking out paragraph Third.

1 SECTION 3. Said section 1 of said chapter 62 is hereby fur-  
2 ther amended by striking out subsection (c), as most recently  
3 amended by section 2 of chapter 445 of the acts of 1957, and in-  
4 serting in place thereof the following subsection: —

5 (c) Dividends, other than stock dividends paid in new stock  
6 of the business trust issuing the same, on shares in all business  
7 trusts.

1 SECTION 4. Subsections (d) and (e) of said section one of said  
2 chapter sixty-two are hereby repealed.

1 SECTION 5. Section four of said chapter sixty-two, as appear-  
2 ing in the Tercentenary Edition, is hereby repealed.

1 SECTION 6. Section 5 of said chapter 62 is hereby amended  
2 by striking out subsection (d), as so appearing.

1 SECTION 7. Section 6 of said chapter 62 is hereby amended  
2 by striking out the first paragraph, as most recently amended  
3 by section 5 of chapter 677 of the acts of 1957, and inserting in  
4 place thereof the following paragraph: —

5 The business income taxable under subsection (b) of section  
6 five and subsection (c) of section five A shall be the net income  
7 from the profession, employment, trade or business and from  
8 transactions entered into for profit, excepting transactions in  
9 intangible personal property, and the net income from real es-  
10 tate, excepting, however, the rental income from houses consist-  
11 ing of three or less apartments, one of which is occupied by the  
12 taxpayer as a home, and having an assessed valuation not ex-  
13 ceeding ten thousand dollars.

1 SECTION 8. Said section 6 of said chapter 62 is hereby fur-  
2 ther amended by striking out clause (c), as most recently  
3 amended by section 1 of chapter 448 of the acts of 1957, and  
4 inserting in place thereof the following clause: —

5 (c) Taxes, other than taxes on income, paid within the year  
6 to the United States or any dependency thereof, to any other  
7 nation, to any province of the Dominion of Canada, or to any  
8 state, county, city, town or district.

1 SECTION 9. Section 6A of said chapter 62, as most recently  
2 amended by section 1 of chapter 489 of the acts of 1958, is  
3 hereby further amended by striking out paragraph (a).

1 SECTION 10. The second paragraph of section 7 of said  
2 chapter 62, as appearing in chapter 152 of the acts of 1958, is  
3 hereby amended by striking out, in lines 4 and 5, the words  
4 “, the rental income from which is exempt under this chapter”,  
5 — so as to read as follows: — In the case of real or tangible

6 personal property, the foregoing basis shall be diminished by  
7 the amount of depreciation allowable to the taxpayer under the  
8 provisions of this chapter and corresponding provisions of earlier  
9 laws. For determining loss in the case of real property, the fore-  
10 going basis shall be reduced by depreciation sustained during  
11 the period such property was rented. In the case of undeveloped  
12 land, the foregoing basis shall be increased by the excess of the  
13 property taxes paid over the rental income received after that  
14 date.

1 SECTION 11. Paragraph (l) of section eight of said chapter  
2 sixty-two, added by section seven of said chapter six hundred  
3 and seventy-seven of the acts of nineteen hundred and fifty-  
4 seven, is hereby repealed.

1 SECTION 12. Said chapter 62 is hereby further amended by  
2 striking out section 21, as appearing in the Tercentenary Edition,  
3 and inserting in place thereof the following section: —

4 *Section 21.* A business trust having a usual place of business  
5 in the commonwealth and deriving income from any business  
6 carried on within the commonwealth shall be subject to the  
7 taxes imposed on income by this chapter, and subject to the  
8 same rates, deductions and exemptions as though it were a  
9 natural person. The tax shall be assessed to such business trust  
10 by the name under which it does business.

1 SECTION 13. Section 22 of said chapter 62 is hereby amended  
2 by striking out the first paragraph, as amended by section 2 of  
3 chapter 611 of the acts of 1954, and inserting in place thereof  
4 the following paragraph: —

5 Every individual inhabitant of the commonwealth, including  
6 every partnership, association or trust, whose annual income  
7 from all sources exceeds two thousand dollars shall annually  
8 make a return of his entire income, except income derived  
9 (a) from dividends exempt from taxation under section one,  
10 (b) from interest upon bonds or other obligations of the United  
11 States, (c) from interest upon such bonds, notes and certificates  
12 of indebtedness of the commonwealth and political subdivisions  
13 thereof as are exempt from taxation under clause Twenty-fifth  
14 of section five of chapter fifty-nine, and (d) from wages, salaries  
15 or compensation exempted from taxation by subsection (b) of

16 section five. Every other individual inhabitant, including every  
17 partnership, association or trust, who receives income taxable  
18 under section one or subsection (a) or (c) of section five shall  
19 make an annual return of such taxable income.

1 SECTION 14. Section 33 of said chapter 62 is hereby amended  
2 by striking out the second paragraph, as amended by section 2  
3 of chapter 735 of the acts of 1945, and inserting in place thereof  
4 the following paragraph: —

5 Every corporation organized under the laws of this common-  
6 wealth and every corporation doing business therein, including  
7 every banking association organized under the laws of any state  
8 or nation, and every business trust doing business in the common-  
9 wealth, shall annually file with the commissioner in such form  
10 as he shall from time to time prescribe, a complete list of the  
11 names and addresses of its shareholders as of record on December  
12 thirty-first of the preceding year, or on any other date satis-  
13 factory to the commissioner, or, in its discretion, of such share-  
14 holders as are residents of the commonwealth, together with the  
15 number and class of shares held by each shareholder, the rate of  
16 dividends paid on each class of stock for such preceding year,  
17 and the amount of dividends paid during such year to each  
18 shareholder.

1 SECTION 15. Section 61 of said chapter 62, as amended by  
2 section 1 of chapter 597 of the acts of 1956, is hereby further  
3 amended by adding the following subsection: —

4 (c) As used in this chapter, the words "business trust" shall  
5 mean any partnership, association or trust, the beneficial interest  
6 in which is represented by transferable shares, other than any  
7 such partnership, association and trust, no portion of the in-  
8 come of which, if received by a natural person residing in the  
9 commonwealth, would be subject to taxation under this chapter.

1 SECTION 16. The provisions of this act are severable, and  
2 if any of its provisions shall be held unconstitutional by any  
3 court of competent jurisdiction, the decision of such court shall  
4 not affect or impair any of the remaining provisions.

1 SECTION 17. This act shall take effect with respect to re-  
2 turns for the taxable year nineteen hundred and fifty-nine and  
3 subsequent years.