

SENATE No. 2167

The Commonwealth of Massachusetts

SENATE, January 3, 1983.

The committee on Ways and Means, to whom was committed the Senate Bill revising the method of valuing tangible property under the business corporation excise (Senate, No. 1967), reports recommending that the same ought to pass, with an amendment, substituting a new draft entitled "An Act revising the corporate excise to provide business incentives" (Senate, No. 2167).

For the Committee,

CHESTER G. ATKINS

The Commonwealth of Massachusetts

In the Year One Thousand Nine Hundred and Eighty-two.

AN ACT REVISING THE CORPORATE EXCISE TO PROVIDE BUSINESS INCENTIVES.

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 13 of chapter 23B of the General Laws,
2 as most recently amended by sections 3 and 4 of chapter 499
3 of the acts of 1978, is hereby further amended by adding at
4 the end thereof the following paragraph: —

5 (5) It is a facility for which on-site construction commenced,
6 or binding contracts for the construction thereof were entered
7 into, or the land or a leasehold interest therein was acquired,
8 prior to January first, nineteen hundred and eighty-three.

1 SECTION 2. Paragraph 7 of section 30 of chapter 63 of the
2 General Laws, as most recently amended by section 1 of chap-
3 ter 634 of the acts of 1970, is hereby further amended by
4 striking the first sentence and inserting in place thereof the
5 following sentence: — The value of a corporation's tangible
6 property taxable under clause (1) of subsection (a) of section
7 thirty-two or thirty-nine shall be the book value of such of
8 its tangible property situated in the commonwealth on the last
9 day of the taxable year as is not subject to local taxation nor
10 taxable under section sixty-seven. For purposes of this para-
11 graph, "book value" means the original cost of such property,
12 less the depreciation or amortization taken against such prop-
13 erty on the books of the corporation maintained for making
14 financial reports to shareholders.

1 SECTION 3. Subsection (a) of section 31 A of chapter 63 of
2 the General Laws, as appearing in section 2 of chapter 634 of
3 the acts of 1970, is hereby amended by striking the second
4 and third sentences and inserting in place thereof the follow-
5 ing sentences: —

6 The amount of such credit shall be one percent of the cost
7 or other basis for federal income tax purposes of qualifying

8 tangible property acquired, constructed, reconstructed, or
9 erected during the taxable year, after deduction therefrom of
10 any federally authorized tax credit taken with respect to such
11 property. Qualifying property shall be tangible personal prop-
12 erty and other tangible property including buildings and struc-
13 tural components of buildings acquired by purchase, as defined
14 under section one hundred and seventy-nine (d) of the Federal
15 Internal Revenue Code as amended and in effect for the tax-
16 able year; used by the corporation in the commonwealth; sit-
17 uated in the commonwealth on the last day of the taxable
18 year; and which (1) is depreciable under section one hundred
19 and sixty-seven of said Code and has a useful life of four years
20 or more, or (2) is considered recovery property under section
21 one hundred and sixty-eight of said Code.

1 SECTION 4. Subsection (d) of section 38 of chapter 63, as
2 most recently amended by section 5 of chapter 752 of the acts
3 of 1973, is hereby further amended by striking the second sen-
4 tence and inserting in place thereof the following sentence: —
5 Property owned by the corporation shall be value at its orig-
6 inal cost.

1 SECTION 5. Subsection (e) of section 38 of chapter 63 of the
2 General Laws, as most recently amended by section 5 of chap-
3 ter 752 of the acts of 1973, is hereby further amended by strik-
4 ing the first sentence of subparagraph (ii) and inserting in
5 place thereof the following sentence: —

6 (ii) the greater of (a) the total amount paid in this com-
7 monwealth by the corporation for compensation during the
8 taxable year ended in the year nineteen hundred and seventy-
9 two increased by five percent per year for each taxable year
10 subsequent to the taxable year ended in nineteen hundred and
11 seventy-two; or (b) (1) in taxable years ending on or after
12 December thirty-first, nineteen hundred and eighty-two and
13 before December thirty-first, nineteen hundred and eighty-
14 three, seventy-five percent of the total amount paid in this
15 commonwealth by the corporation for compensation,

16 (2) in taxable year ending on or after December thirty-first,
17 nineteen hundred and eighty-three and before December thir-
18 ty-first, nineteen hundred and eighty-four, eighty percent of

19 the total amount paid in this commonwealth by the corpora-
20 tion for compensation, (3) in taxable year ending on or after
21 December thirty-first, nineteen hundred and eighty-four, and
22 before December thirty-first, nineteen hundred and eighty-
23 five, ninety percent of the total amount paid in this common-
24 wealth by the corporation for compensation, and (4) in tax-
25 able years ending on or after December thirty-first, nineteen
26 hundred and eighty-five and thereafter, the total amount paid
27 in this commonwealth by the corporation for compensation.

1 SECTION 6. Chapter 63 of the General Laws is hereby
2 amend by inserting after section 38H the following sections: —

3 *Section 38I.* In determining the net income subject to tax
4 under this chapter for the taxable year, a domestic or foreign
5 corporation may deduct in addition to any other allowable de-
6 duction under this chapter, a deduction equal to the credit
7 allowed under section fifty-one of the Federal Internal Rev-
8 enue Code as amended and in effect for the taxable year, with
9 respect to wages deemed to be compensation paid in the com-
10 monwealth within the meaning of subsection (e) of section
11 thirty-eight of this chapter; provided, however, that with re-
12 gard to compensation qualifying for this deduction and the de-
13 duction under section thirty-eight F of this chapter, the cor-
14 poration may elect either of two deductions but not both. Any
15 such election must be made annually on the return filed and
16 shall be irrevocable.

17 *Section 38J.* In determining the net income subject to tax
18 under this chapter, a domestic or foreign business corporation
19 may deduct, in addition to any other allowable deduction un-
20 der this chapter, an amount equal to twenty-five percent of
21 the allowable deduction for any qualified research contribu-
22 tion, as defined in section one hundred and seventy (e) (4) of
23 the Federal Internal Revenue Code as amended and in effect
24 for the taxable year, to an educational organization, as there-
25 in defined, located in the commonwealth.

1 SECTION 7. Section 11 of chapter 752 of the acts of 1973, as
2 most recently amended by section 2 of chapter 919 of the acts
3 of 1977, is hereby further amended by striking, in line 6, the
4 word "eighty-two" and inserting in place thereof the word: —

5 “eighty-five.”

1 SECTION 8. The department of revenue shall, on or before
2 the fifteenth of September, nineteen hundred and eighty-three,
3 submit a tax expenditure report to the secretary of the execu-
4 tive office for administration and finance, to the chairmen of
5 the house and senate committees on ways and means, and to
6 the house and senate chairmen of the joint committee on tax-
7 ation on the operation of sections thirty-one A, thirty-eight
8 E, thirty-eight F, of chapter sixty-three of the General Laws,
9 as amended by this act, and of the operation of the adjust-
10 ment authorized in paragraphs (i) and (ii) of paragraph (e)
11 of section thirty-eight of said chapter, as so amended, for
12 nineteen hundred and seventy-nine, nineteen hundred and
13 eighty, nineteen hundred and eighty-one tax returns and so
14 much of nineteen hundred and eighty-two tax returns for
15 which there is information available. Such reports shall in-
16 clude, but not be limited to, the number of corporations util-
17 izing the provisions of said section, the aggregate amount of
18 qualifying property, and the aggregate amount of tax loss as
19 the result of the credit authorized by said section.

1 SECTION 9. The department of revenue shall, on or before
2 the fifteenth of March in the years nineteen hundred and
3 eighty-four through nineteen hundred and eighty-eight, inclu-
4 sive, submit a tax expenditure report to the secretary of the
5 office for administration and finance, to the chairmen of the
6 house and senate committees on ways and means, and to the
7 house and senate chairmen of the joint committee on taxation,
8 on the operation of sections thirty-one A, thirty-eight E and
9 thirty-eight F of chapter sixty-three of the General Laws, as
10 amended by this act, of sections 38 I and 38J of said chapter as
11 added by this act, and of the operation of the adjustment au-
12 thorized in subparagraphs (i) and (ii) of paragraph (e) of
13 section thirty-eight of said chapter, as amended by this act,
14 for taxable years ending on or after December thirty-first
15 nineteen hundred and eighty-two. Such report shall include,
16 but not be limited to, a detailed description of the number of
17 corporations utilizing the provisions of said sections; the ag-
18 gregate amount of qualifying property, where applicable; of

19 qualifying compensation, where applicable; and, a description
20 of the number and categories of qualifying employees, where
21 applicable; and, the aggregate amounts of tax loss, as author-
22 ized by each section; and, such other general information as
23 the secretary or the chairmen may request.

1 SECTION 10. The provisions of section six shall apply to tax-
2 able years ending on or after December thirty-first, nineteen
3 hundred and eighty-three and before December thirty-first,
4 nineteen hundred and eighty-five, and the provisions of all
5 other sections, unless otherwise provided therein, shall apply
6 to taxable years ending on or after December thirty-first, nine-
7 teen hundred and eighty-two.

