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## Letter Ruling 77-1: Interest on an HR-10 (Keogh) Plan

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January 3, 1977

You inquire as to the taxability of interest earned on an HR-10 Plan established in a bank in Massachusetts.

M.G.L. c. 62, s. 2, as amended by St. 1975, c. 684 provides in pertinent part:

“2(d) Part B adjusted gross income shall be the Part B gross income less the deductions allowable under sections sixty-two and four hundred and four, without regard to section two hundred and sixty-five, of the Code, provided, however, the following deductions shall not be allowed: . . .

(7) In the case of an individual who is an employee within the meaning of section four hundred and one (c) (1) of the Code, the deductions allowed by section four hundred and four and four hundred and five (c) of the Code to the extent attributable to contributions made on behalf of such individual; however, no contributions on behalf of such individual shall be treated as an excess contribution under this chapter unless treated as an excess contribution for federal tax purposes in the year made. . . .”

This provision of subparagraph (d)(7) eliminates the deduction for amounts contributed to an HR-10 Plan. The qualified status of the plan itself is preserved. Since no portion of the income of the plan is includible in federal gross income, and there being no provision in the Massachusetts statute adding income of the plan to the Massachusetts gross income of the participant, interest earned on an HR-10 Plan established in a bank in Massachusetts would not be subject to tax.

Very truly yours,

/s/Owen L. Clarke

Owen L. Clarke  
Commissioner of Corporations  
and Taxation

LR 77-1