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Letter Ruling 80-4: Reporting Requirements of Corporation in Bankruptcy

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January 24, 1980

In your recent letter you inquire as to the income reporting requirements of a corporation which is under a chapter XI Plan of Arrangement.

In July of 1974 [A] Corporation and [B] Co. filed in United States District Court of Massachusetts voluntary chapter XI proceedings and subsequently were consolidated into [C] Corporation doing business as [ABC] Company. In April of 1976 the Court approved a chapter XI Plan of Arrangement; it provided that all tangible and intangible assets of the corporation were transferred to and for the benefit of creditors of the corporations. Two bank accounts representing proceeds of collection of accounts receivable were opened for the benefit of creditors in the name of the two court appointed trustees. You specifically ask about the reporting of interest which accrued on these accounts.

Section 346 (c) of chapter 11 of the Bankruptcy Act states that the commencement of a case involving a corporation does not affect the status of the corporation for purposes of any state or local law imposing a tax on or measured by income; the income of the corporation may be taxed only as though such cases had not been commenced. It further states that the trustee must file all the tax returns which the corporation would otherwise have been required to file.

Based on the foregoing, the trustees should report the corporation's income on the same tax form and calculate its income in the same manner as would the corporation had it not been under a chapter XI Plan of Arrangement. The gross income of a Massachusetts business corporation is its federal gross income. Interest received or accrued is included in federal and Massachusetts gross income.

Very truly yours,

/s/L. Joyce Hampers

L. Joyce Hampers,
Commissioner of Revenue

LJH/RSF/jmcd

LR 80-4