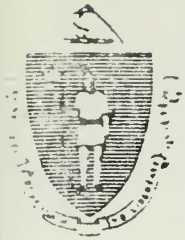


# The Commonwealth of Massachusetts

Department of Revenue

Leverett Saltonstall Building,

100 Cambridge Street, Boston 02204



JOYCE HAMPERS  
COMMISSIONER

January 30, 1981

You inquire whether interest received on a federal tax refund is subject to Massachusetts income taxation and, if so, at what rate.

Interest on a federal tax refund is included in federal gross income. (U.S. Treas. Reg. 1.61-7). Massachusetts gross income is defined as federal gross income with certain modifications. (M.G.L. c. 62, s. 2). One of these modifications is the deduction of interest on United States obligations exempt from state taxation. (M.G.L. c. 62, s. 2(a)(2)(A)). Obligations of the United States are bonds, notes and other similar interest-bearing obligations of the United States which are needed to secure credit to carry on the necessary functions of government. (Smith v. Davis, 323 U.S. 111 (1944)). A federal tax refund is not an obligation of the United States for this purpose.

Interest income, other than interest on deposits in banks located within the Commonwealth, is Massachusetts Part A gross income, taxable at the rate of 10% plus surtax.

Interest received by a Massachusetts resident on any tax refund from a federal, state or local government is subject to Massachusetts income taxation at the rate of 10% plus surtax.

Very truly yours,

A handwritten signature in cursive script, appearing to read "Joyce Hampers".

Commissioner of Revenue

LJH:DMH:mf

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