



The Commonwealth of Massachusetts

Department of Revenue

Leverett Saltonstall Building,

100 Cambridge Street, Boston 02204

L. JOYCE HAMPERS
COMMISSIONER

July 29, 1981

You request a ruling concerning the Massachusetts income tax liability of the owner of fishing vessels who deposits money in a capital construction fund ("fund") in accordance with Section 607 of the Merchant Marine Act of 1936, as amended (46 U.S.C. 1177).

Under Section 607, United States citizens who own or lease "eligible" or "qualified" vessels may enter into agreements with the Secretary of Commerce to establish funds for the acquisition, construction or reconstruction of such vessels. Generally, an eligible or qualified vessel is a vessel built in the United States and operated in the foreign or domestic commerce of the United States or in United States fisheries. All deposits made into the fund and withdrawals from the fund are subject to conditions and requirements prescribed by the Secretary of Commerce in the agreement and by the Secretary of Commerce and the Secretary of Treasury in regulations.

Section 607 exempts from current federal taxation earnings from the investment or reinvestment of amounts held in the fund, and deposits into the fund from earnings from the operation of vessels covered in an agreement and gains from the sale or other disposition of agreement vessels or from insurance against loss of agreement vessels.

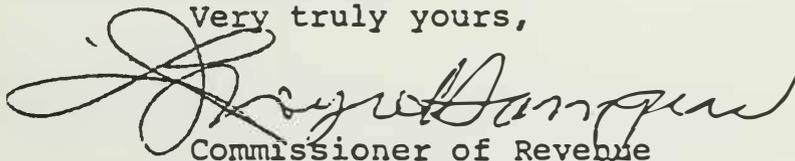
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Under Section 607, withdrawals from the fund result in no current federal income taxation if they are used for the acquisition, construction or reconstruction of eligible vessels or for the payment of indebtedness incurred for such purposes. Withdrawals of income for purposes other than those stated above are taxed in the year of withdrawal.

Massachusetts gross income is federal gross income with certain modifications. (M.G.L. c. 62, s. 2). Generally, an item of income which is not included in federal gross income for a taxable year is not included in Massachusetts gross income.

Based on the foregoing it is ruled that income of a capital construction fund, or income deposited in or withdrawn from the fund, as defined in Section 607 of the Merchant Marine Act, is excluded from Massachusetts gross income to the extent that such income is excluded from federal gross income.

Very truly yours,



Commissioner of Revenue

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