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Letter Ruling 82-25: Interest on All Savers Certificates

March 29, 1982

Section 128 of the Internal Revenue Code grants an aggregate exclusion from federal gross income of up to \$1,000 on individual returns and \$2,000 on joint returns of interest received on a depository institution tax-exempt savings certificate ("All Savers Certificate"). Under the regulations governing All Savers Certificates (12 CFR 1204.116) the depository institution may credit or pay-out interest to the depositor periodically or at maturity.

For Massachusetts income tax purposes, interest on an All Savers Certificate is subject to taxation. (Technical Information Release 81-1).

You ask whether interest on an All Savers Certificate must be included in Massachusetts gross income prior to maturity.

Gross income includes all interest which a taxpayer actually or constructively receives. Interest is constructively received if it is credited to the taxpayer's account and subject to his withdrawal.

Where under the terms of the agreement with the depository institution, interest earned on an All Savers Certificate is paid out or subject to withdrawal prior to maturity, it is includible in Massachusetts gross income in the taxable year in which it is actually or constructively received. Interest which, under the terms of the agreement with the depository institution cannot be withdrawn until maturity, is includible in Massachusetts gross income in the taxable year in which the certificate matures.

Very truly yours

/s/L. Joyce Hampers

L. Joyce Hampers
Commissioner of Revenue

LJH:RSF:mf

LR 82-25

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