





## ***Financial Statements***

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# Fiscal Year 2022 Projected Financial Statement

Commonwealth of Massachusetts Projected Fiscal 2022 Financial Statement		0010	0103	1106	1150	1151	1153	2001	2003		0011	0090	0114	0116	2004	0015		
		Commonwealth Transportation			Local Capital Projects	Gaming Local Aid	Education	Gaming Economic Development	Marijuana Regulation	Underground Storage Tank Petroleum	Budgeted Non-CNS Funds	Commonwealth Stabilization		Public Safety Training	Inland Fisheries and Game	Marine Recreational Fisheries	Behavioral Health Outreach Access & Support Trust	Intragovernmental Services
		All Budgeted Funds	Budgeted CNS Funds	General Fund	Fund	Fund	Fund	Fund	Fund	Produ		Fund	Fund	Fund	Fund	Fund	Fund	Fund
<b>Revenue and Other Sources</b>																		
<i>Beginning Balances</i>																		
Reserved or Designated Balances	184.8	173.9	140.7	20.4	0.0	0.0	0.0	9.4	0.0	3.5	10.9	0.0	0.0	0.0	0.0	0.0	0.0	10.9
Stabilization Fund Balance	2,522.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	2,522.9	2,522.9	0.0	0.0	0.0	0.0	0.0	0.0
Undesignated Balance	25.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	25.2	0.0	0.5	6.8	3.4	14.6	0.0	0.0
<b>Subtotal, Beginning Balances</b>	<b>2,732.9</b>	<b>173.9</b>	<b>140.7</b>	<b>20.4</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>9.4</b>	<b>0.0</b>	<b>3.5</b>	<b>2,559.0</b>	<b>2,522.9</b>	<b>0.5</b>	<b>6.8</b>	<b>3.4</b>	<b>14.6</b>	<b>14.6</b>	<b>10.9</b>
<i>Current Year Revenues and Other Sources</i>																		
Total Tax Revenue	28,029.1	28,028.3	26,591.7	1,321.3	0.0	0.0	0.0	0.0	115.3	0.0	0.8	0.0	0.0	0.8	0.0	0.0	0.0	0.0
Annual Contribution to State Pension System	(3,415.2)	(3,415.2)	(3,415.2)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<i>Non-Tax Revenue</i>																		
Federal Reimbursements & Grants	12,563.6	12,555.6	12,555.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	8.0	0.0	0.0	8.0	0.0	0.0	0.0	0.0
Departmental Revenue	5,211.8	5,186.4	4,455.3	685.5	0.0	0.0	0.0	0.0	15.6	30.0	25.4	14.8	1.1	7.8	1.8	0.0	0.0	0.0
Consolidated Transfers, excl. Stabilization Fund	2,258.4	2,091.1	1,883.6	31.4	8.6	122.6	26.7	18.1	0.0	0.0	167.4	167.2	0.0	0.2	0.0	0.0	0.0	0.0
Stabilization Fund Transfer	0.0	1,600.0	1,600.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(1,600.0)	(1,600.0)	0.0	0.0	0.0	0.0	0.0	0.0
Intragovernmental Service Charges	660.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	660.2	0.0	0.0	0.0	0.0	0.0	0.0	660.2
Subtotal, Non-Tax Revenue	20,694.0	21,433.0	20,494.5	716.9	8.6	122.6	26.7	18.1	15.6	30.0	(739.0)	(1,418.1)	1.1	16.0	1.8	0.0	0.0	660.2
Subtotal, Current Year Revenues and Other Sources	45,308.0	46,046.2	43,671.1	2,038.2	8.6	122.6	26.7	18.1	131.0	30.0	(738.2)	(1,418.1)	1.1	16.8	1.8	0.0	0.0	660.2
<b>Subtotal, Revenue and Other Sources</b>	<b>48,040.9</b>	<b>46,220.1</b>	<b>43,811.7</b>	<b>2,058.5</b>	<b>8.6</b>	<b>122.6</b>	<b>26.7</b>	<b>27.5</b>	<b>131.0</b>	<b>33.5</b>	<b>1,820.8</b>	<b>1,104.9</b>	<b>1.5</b>	<b>23.6</b>	<b>5.2</b>	<b>14.6</b>	<b>14.6</b>	<b>671.1</b>
<b>Expenditures and Other Uses</b>																		
<i>Expenditures and Other Uses</i>																		
Total Spending	46,681.2	45,986.4	43,584.5	2,080.5	8.6	122.6	26.7	17.2	131.0	15.3	694.8	0.0	0.5	18.2	1.7	14.3	0.0	660.2
Interfund Transfers	155.8	151.6	148.3	3.3	0.0	0.0	0.0	0.0	0.0	0.0	4.2	0.0	0.5	3.5	0.2	0.0	0.0	0.0
Reversion Assumption	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Reserved Fund Balances	79.6	79.6	49.8	20.4	0.0	0.0	0.0	9.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	10.9
<b>Subtotal, Expenditures and Other Uses</b>	<b>46,927.5</b>	<b>46,217.5</b>	<b>43,782.6</b>	<b>2,104.2</b>	<b>8.6</b>	<b>122.6</b>	<b>26.7</b>	<b>26.6</b>	<b>131.0</b>	<b>15.3</b>	<b>709.9</b>	<b>0.0</b>	<b>1.0</b>	<b>21.6</b>	<b>1.9</b>	<b>14.3</b>	<b>0.0</b>	<b>671.1</b>
<b>Undesignated Fund Balances</b>	<b>1,113.5</b>	<b>2.6</b>	<b>29.1</b>	<b>(45.6)</b>	<b>(0.0)</b>	<b>(0.0)</b>	<b>(0.0)</b>	<b>0.9</b>	<b>0.0</b>	<b>18.2</b>	<b>1,110.9</b>	<b>1,104.9</b>	<b>0.5</b>	<b>2.0</b>	<b>3.3</b>	<b>0.3</b>	<b>0.0</b>	<b>0.0</b>
<i>Fund Balance Transfers</i>	0.0	0.0	(26.5)	45.6	0.0	0.0	0.0	(0.9)	(0.0)	(18.2)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<i>Pending Revenue and Spending Adjustments</i>	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Consolidated Net Surplus</b>	<b>1,113.5</b>	<b>2.6</b>	<b>2.6</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>1,110.9</b>	<b>1,104.9</b>	<b>0.5</b>	<b>2.0</b>	<b>3.3</b>	<b>0.3</b>	<b>0.0</b>	<b>0.0</b>
<i>Ending Balances</i>																		
Reserved or Designated Balances	90.5	79.6	49.8	20.4	0.0	0.0	0.0	9.4	0.0	0.0	10.9	0.0	0.0	0.0	0.0	0.0	0.0	10.9
Stabilization Fund Balance	1,104.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1,104.9	1,104.9	0.0	0.0	0.0	0.0	0.0	0.0
Undesignated Balance	8.6	2.6	2.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	6.0	0.0	0.5	2.0	3.3	0.3	0.0	0.0
<b>Subtotal, Ending Balances</b>	<b>1,203.9</b>	<b>82.2</b>	<b>52.4</b>	<b>20.4</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>9.4</b>	<b>0.0</b>	<b>0.0</b>	<b>1,121.8</b>	<b>1,104.9</b>	<b>0.5</b>	<b>2.0</b>	<b>3.3</b>	<b>0.3</b>	<b>0.0</b>	<b>10.9</b>

Notes:  
 Figures represent Executive Office for Administration and Finance revenue and spending projections as of January 27, 2021. All estimates are subject to change.  
 Budgeted Consolidated Net Surplus Funds with activity in this fiscal year include the General Fund, Commonwealth Transportation Fund, Local Capital Projects Fund, Gaming Local Aid Fund, Education Fund, Gaming Economic Development Fund, Marijuana Regulation Fund, and Underground Storage Tank Petroleum Products Cleanup Fund  
 Budgeted Non-Consolidated Net Surplus Funds with activity in this fiscal year include the Commonwealth Stabilization Fund, Public Safety Training Fund, Inland Fish and Game Fund, Marine Recreational Fisheries Development Fund, and Behavioral Health Outreach, Access and Support Trust Fund

## Fiscal Year 2021 Projected Financial Statement

Commonwealth of Massachusetts Projected Fiscal 2021 Financial Statement		0010	0103	1106	1150	1151	1153	2001	2003		0011	0090	0114	0116	2004	0015	
		All Budgeted Funds	Budgeted CNS Funds	Commonwealth Transportation Fund	Local Capital Projects Fund	Gaming Local Aid Fund	Gaming Economic Development	Marijuana Regulation Fund	Underground Storage Tank Petroleum Products	Budgeted Non-CNS Funds	Commonwealth Stabilization Fund	Public Safety Training Fund	Inland Fisheries and Game Fund	Marine Recreational Fisheries	Health Outreach Access & Support Trust	Intragovernmental Services Fund	
<b>Revenue and Other Sources</b>																	
<i>Beginning Balances</i>																	
Reserved or Designated Balances	776.6	765.6	724.8	20.4	0.0	0.0	0.0	6.6	2.7	11.3	11.0	0.0	0.0	0.0	0.1	0.0	10.9
Stabilization Fund Balance	3,501.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	3,501.2	0.0	0.0	0.0	0.0	0.0	0.0
Undesignated Balance	17.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	17.4	0.0	0.4	11.0	3.5	2.5	0.0
<b>Subtotal, Beginning Balances</b>	<b>4,295.3</b>	<b>765.6</b>	<b>724.8</b>	<b>20.4</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>6.6</b>	<b>2.7</b>	<b>11.3</b>	<b>3,529.6</b>	<b>3,501.2</b>	<b>0.4</b>	<b>11.0</b>	<b>3.6</b>	<b>2.5</b>	<b>10.9</b>
<i>Current Year Revenues and Other Sources</i>																	
Total Tax Revenue	26,924.9	26,924.2	25,657.1	1,184.1	0.0	0.0	0.0	0.0	82.9	0.0	0.8	0.0	0.0	0.8	0.0	0.0	0.0
Annual Contribution to State Pension System	(3,115.2)	(3,115.2)	(3,115.2)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<i>Non-Tax Revenue</i>																	
Federal Reimbursements & Grants	13,970.6	13,962.6	13,962.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	8.0	0.0	0.0	8.0	0.0	0.0	0.0
Departmental Revenue	4,939.2	4,913.8	4,202.7	665.5	0.0	0.0	0.0	0.0	15.7	30.0	25.4	14.8	1.1	7.8	1.8	0.0	0.0
Consolidated Transfers, excl. Stabilization Fund	2,165.9	2,042.9	1,887.1	28.4	7.7	79.4	23.9	16.3	0.0	0.0	123.0	105.0	0.0	0.2	0.0	17.9	0.0
Stabilization Fund Transfer	0.0	1,098.0	1,098.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(1,098.0)	(1,098.0)	0.0	0.0	0.0	0.0	0.0
Intragovernmental Service Charges	647.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	647.6	0.0	0.0	0.0	0.0	0.0	647.6
Subtotal, Non-Tax Revenue	21,723.3	22,017.3	21,150.4	693.9	7.7	79.4	23.9	16.3	15.7	30.0	(294.0)	(978.3)	1.1	16.0	1.8	17.9	647.6
Subtotal, Current Year Revenues and Other Sources	45,533.1	45,826.3	43,692.4	1,878.1	7.7	79.4	23.9	16.3	98.6	30.0	(293.2)	(978.3)	1.1	16.8	1.8	17.9	647.6
<b>Subtotal, Revenue and Other Sources</b>	<b>49,828.4</b>	<b>46,592.0</b>	<b>44,417.1</b>	<b>1,898.4</b>	<b>7.7</b>	<b>79.4</b>	<b>23.9</b>	<b>22.8</b>	<b>101.2</b>	<b>41.3</b>	<b>3,236.4</b>	<b>2,522.9</b>	<b>1.5</b>	<b>27.8</b>	<b>5.4</b>	<b>20.4</b>	<b>658.5</b>
<b>Expenditures and Other Uses</b>																	
<i>Expenditures and Other Uses</i>																	
Total Spending	47,191.2	46,518.0	44,271.4	1,998.9	7.6	114.4	24.0	18.1	70.6	13.0	673.2	0.0	0.5	17.5	1.8	5.8	647.6
Interfund Transfers	115.3	111.1	107.8	3.3	0.0	0.0	0.0	0.0	0.0	0.0	4.2	0.0	0.5	3.5	0.2	0.0	0.0
Reversion Assumption	(109.6)	(109.6)	(109.6)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Reserved Fund Balances	184.8	173.9	140.7	20.4	0.0	0.0	0.0	9.4	0.0	3.5	10.9	0.0	0.0	0.0	0.0	0.0	10.9
<b>Subtotal, Expenditures and Other Uses</b>	<b>47,381.7</b>	<b>46,693.4</b>	<b>44,410.2</b>	<b>2,022.6</b>	<b>7.6</b>	<b>114.4</b>	<b>24.0</b>	<b>27.5</b>	<b>70.6</b>	<b>16.5</b>	<b>688.3</b>	<b>0.0</b>	<b>1.0</b>	<b>21.0</b>	<b>2.0</b>	<b>5.8</b>	<b>658.5</b>
<b>Undesignated Fund Balances</b>	<b>2,446.7</b>	<b>(101.5)</b>	<b>6.9</b>	<b>(124.2)</b>	<b>0.1</b>	<b>(35.0)</b>	<b>(0.0)</b>	<b>(4.7)</b>	<b>30.7</b>	<b>24.8</b>	<b>2,548.1</b>	<b>2,522.9</b>	<b>0.5</b>	<b>6.8</b>	<b>3.4</b>	<b>14.6</b>	<b>0.0</b>
<i>Fund Balance Transfers</i>	0.0	0.0	(108.4)	124.2	(0.1)	35.0	0.0	4.7	(30.7)	(24.8)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<i>Pending Revenue and Spending Adjustments</i>	101.5	101.5	101.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Consolidated Net Surplus</b>	<b>2,548.1</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>2,548.1</b>	<b>2,522.9</b>	<b>0.5</b>	<b>6.8</b>	<b>3.4</b>	<b>14.6</b>	<b>0.0</b>
<i>Ending Balances</i>																	
Reserved or Designated Balances	184.8	173.9	140.7	20.4	0.0	0.0	0.0	9.4	0.0	3.5	10.9	0.0	0.0	0.0	0.0	0.0	10.9
Stabilization Fund Balance	2,522.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	2,522.9	2,522.9	0.0	0.0	0.0	0.0	0.0
Undesignated Balance	25.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	25.2	0.0	0.5	6.8	3.4	14.6	0.0
<b>Subtotal, Ending Balances</b>	<b>2,732.9</b>	<b>173.9</b>	<b>140.7</b>	<b>20.4</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>9.4</b>	<b>0.0</b>	<b>3.5</b>	<b>2,559.0</b>	<b>2,522.9</b>	<b>0.5</b>	<b>6.8</b>	<b>3.4</b>	<b>14.6</b>	<b>10.9</b>

**Notes:**

Figures represent Executive Office for Administration and Finance revenue and spending projections as of January 27, 2021. All estimates are subject to change.

Budgeted Consolidated Net Surplus Funds with activity in this fiscal year include the General Fund, Commonwealth Transportation Fund, Local Capital Projects Fund, Gaming Local Aid Fund, Education Fund, Gaming Economic Development Fund, Marijuana Regulation Fund, and Underground Storage Tank Petroleum Products Cleanup Fund

Budgeted Non-Consolidated Net Surplus Funds with activity in this fiscal year include the Commonwealth Stabilization Fund, Public Safety Training Fund, Inland Fish and Game Fund, Marine Recreational Fisheries Development Fund, and Behavioral Health Outreach, Access and Support Trust Fund

## Fiscal Year 2020 Financial Statement

Commonwealth of Massachusetts	All Budgeted Funds
Fiscal 2020 Financial Statement	
<b>Revenue and Other Sources</b>	
<i>Beginning Balances</i>	
Reserved or Designated Balances	521.3
Stabilization Fund Balance	3,424.4
Undesignated Balance	13.5
<b>Subtotal, Beginning Balances</b>	<b>3,959.2</b>
<i>Current Year Revenues and Other Sources</i>	
Total Tax Revenue	27,613.0
Annual Contribution to State Pension System	(2,841.5)
Non-Tax Revenue	
Federal Reimbursements & Grants	12,794.7
Departmental Revenue	4,920.2
Consolidated Transfers	2,560.3
Intragovernmental Service Charges	441.4
Subtotal, Non-Tax Revenue	20,716.6
Subtotal, Current Year Revenues and Other Sources	45,488.1
<b>Subtotal, Revenue and Other Sources</b>	<b>49,447.3</b>
<b>Expenditures and Other Uses</b>	
<i>Expenditures and Other Uses</i>	
Total Spending	44,580.1
Interfund Transfers	571.9
Reserved Fund Balances	776.6
<b>Subtotal, Expenditures and Other Uses</b>	<b>45,928.6</b>
<i>Ending Balances</i>	
Reserved or Designated Balances	776.6
Stabilization Fund Balance	3,501.2
Undesignated Balance	17.4
<b>Subtotal, Ending Balances</b>	<b>4,295.3</b>

**Notes:**

The Commonwealth of Massachusetts Statutory Basis Financial Report for Fiscal Year Ended June 30, 2020 represents the official financial statement of the Commonwealth of Massachusetts for fiscal 2020.

## Operating Transfers

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SECTION 2E. The sums set forth in this section are hereby appropriated from the General Fund to the trust funds named within each item unless specifically designated otherwise in this section, for the purposes and subject to the conditions specified in this section and subject to the laws regulating the disbursement of public funds for the fiscal year ending June 30, 2022. Items in this section shall not be subject to allotment under section 9B of chapter 29 of the General Laws or reduction under section 9C of said chapter 29, without express authorization from the general court. Notwithstanding section 19A of said chapter 29, any transfer under this section shall be made by the comptroller in accordance with a transfer schedule to be developed for each item by the comptroller, after consulting with the appropriate agency secretary, the secretary of administration and finance and the state treasurer. The schedule for each appropriation shall provide for transfers in increments considered appropriate to meet the cash flow needs of each fund and all transfers under the schedule shall be completed not later than June 30, 2022. Not later than 7 days after the schedules receive final approval by the comptroller, they shall be reported to the house and senate committees on ways and means.

### Fiscal Year 2022 Resource Summary (\$000)

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Government Area	FY2022 Budgetary Recommendation
Independents	94,069
Administration and Finance	500,000
Health and Human Services	644,520
Transportation	630,355
Labor & Workforce Development	7,000
Education	3,000
<b>Total</b>	<b>1,878,943</b>

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### Independents

Office of the Comptroller	94,068,536
1595-5819 COMMONWEALTH CARE TRUST FUND	94,068,536
For an operating transfer to the Commonwealth Care Trust Fund, established under section 2000 of chapter 29 of the General Laws	

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### Administration and Finance

Group Insurance Commission	500,000,000
1599-6152 STATE RETIREE BENEFITS TRUST FUND	500,000,000
For an operating transfer to the State Retiree Benefits Trust Fund, established pursuant to section 24 of chapter 32A of the General Laws	

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### Health and Human Services

Department of Public Health	2,700,000
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1595-4506	CHILDHOOD LEAD POISONING PREVENTION TRUST FUND For an operating transfer to the Childhood Lead Poisoning Prevention Trust Fund established in section 35000 of chapter 10 of the General Laws	2,700,000
Office of the Secretary of Health and Human Services		641,819,950
1595-1068	MEDICAL ASSISTANCE TRUST FUND For an operating transfer to the MassHealth provider payment account in the Medical Assistance Trust Fund established in section 2QQQ of chapter 29 of the General Laws; provided, that these funds shall be expended for services provided during state or federal fiscal year 2021 or 2022 or for public hospital transformation and incentive initiative payments for state fiscal year 2021 or 2022 or for Medicaid care organization payments under 42 CFR 438.6(c) for rate year 2020, 2021, or 2022; provided further, that all payments from the Medical Assistance Trust Fund shall be: (i) subject to the availability of federal financial participation; (ii) made only under federally-approved payment methods; (iii) consistent with federal funding requirements and all federal payment limits as determined by the secretary of health and human services; and (iv) subject to the terms and conditions of an agreement with the executive office of health and human services; and provided further, that the secretary of health and human services shall utilize funds from the Medical Assistance Trust Fund to make payments of up to \$437,750,000 to the Cambridge public health commission or to Medicaid care organizations for payment to the Cambridge public health commission if the Cambridge public health commission, in anticipation of receiving such payments, first voluntarily transfers an amount equal to the non-federal share of such payments to the Medical Assistance Trust Fund using a federally-permissible source of funds	456,471,300
1595-1069	HEALTH INFORMATION TECHNOLOGY TRUST FUND For an operating transfer to the Health Information Technology Trust Fund under section 35RR of chapter 10 of the General Laws; provided, that these funds shall be expended for operating costs for the health information exchange; and provided further, that these funds shall be expended for operating costs for the health insurance exchange and integrated eligibility system	14,177,900
1595-1070	SAFETY NET PROVIDER TRUST FUND For an operating transfer to the Safety Net Provider Trust Fund established under section 2AAAAA of chapter 29 of the General Laws; provided, that these funds shall be expended pursuant to the Safety Net Provider eligibility criteria and payment methodology approved in the MassHealth demonstration waiver under section 1115 of the Social Security Act, as codified at 42 U.S.C. section 1315 for state fiscal year 2020 or 2021; and provided further, that all payments from the fund shall be: (i) subject to the availability of federal financial participation; (ii) made only under federally-approved payment methods; (iii) consistent	171,170,750

with federal funding requirements and all federal payment limits as determined by the secretary of health and human services; and (iv) subject to the terms and conditions of an agreement with the executive office of health and human services

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**Transportation**

Department of Transportation		630,354,988
1595-6368	<p><b>MASSACHUSETTS TRANSPORTATION TRUST FUND</b>                  For an operating transfer to the Massachusetts Transportation Trust Fund, established under section 4 of chapter 6C of the General Laws                  Commonwealth Transportation Fund..... 100%</p>	401,587,919
1595-6369	<p><b>COMMONWEALTH TRANSPORTATION FUND TRANSFER TO THE MBTA</b>                  For an operating transfer to the Massachusetts Bay Transportation Authority pursuant to clause (1) of subsection (d) of section 2ZZZ of chapter 29 of the General Laws                  Commonwealth Transportation Fund..... 100%</p>	127,000,000
1595-6370	<p><b>COMMONWEALTH TRANSPORTATION FUND TRANSFER TO RTAS</b>                  For an operating transfer to the regional transit authorities organized pursuant to chapter 161B of the General Laws or predecessor statutes pursuant to clause (2) of subsection (d) of section 2ZZZ of chapter 29 of the General Laws; provided, that each regional transit authority receiving assistance under this item shall deliver, not later than October 1, 2021, a copy of its most recent audited financial statement to the chief financial officer of the department of transportation, the secretary of administration and finance, the state treasurer, the state comptroller, the house and senate committees on ways and means and the joint committee on transportation                  Commonwealth Transportation Fund..... 100%</p>	90,500,000
1595-6379	<p><b>MERIT RATING BOARD</b>                  For the operation of the motor vehicle insurance merit rating board, including the rent, related parking and utility expenses of the board; provided, that the amount appropriated in this item, and the associated fringe benefits, shall be borne by insurance companies doing motor vehicle insurance business within the commonwealth, under section 57A of chapter 6C of the General Laws; and provided further, that notwithstanding any general or special law to the contrary, no safe driver insurance plan shall require the payment of an unsafe driver point surcharge for the first offense for non-criminal motor vehicle traffic violations as described in chapter 90C of the General Laws                  Commonwealth Transportation Fund..... 100%</p>	11,267,069

**Labor & Workforce Development**

Executive Office of Labor and Workforce Development	7,000,000
1595-1075 TRANSFER TO WORKFORCE COMPETITIVENESS TRUST FUND	7,000,000
For an operating transfer to the Workforce Competitiveness Trust Fund established in section 2WWW of chapter 29 of the General Laws	
Gaming Economic Development Fund ..... 100%	

**Education**

Department of Elementary and Secondary Education	1,500,000
1595-0115 CIVICS EDUCATION TRUST FUND	1,500,000
For the Civics Project Trust Fund; provided, that funds shall be appropriated for the Civics Project Trust Fund to promote civics education in the Commonwealth of Massachusetts	
Office of the Secretary of Education	1,500,000
1595-7066 STEM PIPELINE FUND	1,500,000
For the support of the Massachusetts Science, Technology Engineering, and Mathematics Grant Fund, established pursuant to section 2MMM of chapter 29 of the General Laws	

## ***Tax Expenditure Budget***

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## ***Tax Expenditure Budget - Introduction***

While taxes are an essential source of revenue for all state governments, the manner in which they are imposed varies widely from state to state. In its simplest form, a tax is an across-the-board levy on a base, such as income, to which a specific rate applies and for which no modifications exist. Taxes are rarely levied in this manner, however. Instead, most state tax codes incorporate a number of exemptions, deductions, credits, and deferrals designed to encourage certain taxpayer activities or to limit the tax burden on certain types of individuals or endeavors. Known as "tax expenditures", these provisions can have a significant impact on state tax revenues.

This document offers a summary of the tax expenditures affecting the taxes from which Massachusetts derives the bulk of its revenues: the personal income tax, the corporate excise and other business excises, and the sales and use tax. It also provides revenue estimate for each tax expenditure, as mandated by Massachusetts state law. Organized into five separate sections, this study analyzes all aspects of Massachusetts tax expenditures. Part I contains a detailed explanation of how we identify and estimate the costs of tax expenditure provisions in the tax code. In the next sections (Parts II - IV), we have provided detailed information about each of the three major tax types, including an explanation of how each tax is calculated and the ways in which that tax's basic structure is modified to produce the various types of tax expenditures. The tax expenditures for each tax are listed after the description of the tax.

Following the expenditure listings, Part V provides four appendices. The first lists recent law changes which affect this year's tax expenditure budget; the second is a glossary that defines terms used throughout the text; the third gives five-year tax expenditure estimates that are consistent with our most recent estimation methodology; and the fourth appendix is used for items that no longer qualify as tax expenditures due to legislative changes but are estimated for the purpose of comparisons to prior reports. In reviewing this document it is important to remember that although a tax expenditure represents a deviation from the generally agreed-upon, or basic, structure of a given tax, determining whether a provision is a tax expenditure is not the same as making a judgment about its desirability. An element of the basic structure of a tax can be inequitable or have undesirable economic effects, just as a tax expenditure can. If so, it can be changed by legislative action just as a tax expenditure can.

The estimates of the costs of tax expenditures included in this volume are revised annually. As improved methodologies and data become available over the course of the year, some estimates may be reexamined and occasionally revised.

### **What Are Tax Expenditures?**

Tax expenditures are provisions in the tax code, such as exclusions, deductions, credits, and deferrals, which are designed to encourage certain kinds of activities or to aid taxpayers in special circumstances. When such provisions are enacted into the tax code, they reduce the amount of tax revenues that may be collected. Massachusetts General Laws (MGL), Ch 29, Sec 1 as modified by the Ch. 165 of the Acts of 2012 (section 112) defines *tax expenditures* as

*“state tax revenue foregone as a direct result of any general or special law which allows exemptions, deferrals, deductions from or credits against taxes imposed on income, businesses and corporations, financial institutions, insurance and sales but excluding revenue foregone as a direct result of any general or special law which allows a personal income tax exemption. Sales that do not involve tangible personal property shall not result in tax expenditures under this definition.”*

In this sense, the fiscal effects of a tax expenditure are just like those of a direct government expenditure. Some tax expenditures involve a permanent loss of revenue, and thus are comparable to a payment by the government; others cause a deferral of revenue to the future, and thus are

comparable to an interest-free loan to the taxpayer. Since tax expenditures are designed to accomplish certain public goals that otherwise might be met through direct expenditures, it seems reasonable to apply to tax expenditures the same kind of analysis and review that the appropriations budget receives.

It is essential to distinguish between those provisions of the tax code that represent tax expenditures and those that are part of the "basic structure" of a given tax. The basic structure is the set of rules that defines the tax; a tax expenditure is an exception to those rules. In general, most taxes have a series of features that define their basic structure. These features are:

1. A base, on which the tax is levied, such as net income, or a particular class of transactions;
2. A taxable unit, such as a person or a corporation;
3. A rate, to be applied to the base;
4. A definition of the geographic limits of the state's exercise of its tax jurisdiction; and
5. Provisions for the administration of the tax.

### **Defining the Basic Tax Structure**

A tax expenditure is a deviation from the generally agreed-upon, or basic, structure of a given tax. For example, the base of the sales tax includes all retail sales to final consumers. The exemption for sales of energy conservation equipment is an exception, created to encourage purchases of such equipment. The sales tax that is not collected because of the existence of this exemption is tax expenditure.

While this general definition seems straightforward enough, the task of compiling a comprehensive list of tax expenditures presents many conceptual problems. For example, some of the deductions and exemptions allowed under the tax statutes are not tax expenditures. The broad category of income tax deductions allowed for business expenses is not listed as tax expenditure. Since the income tax is generally considered to be a tax on income net of the costs of producing that income, deductions for business expenses are taken against gross income and therefore occur prior to calculation of the tax base. In addition, tax provisions reflecting constitutional prohibitions, such as the prohibition on taxation of sales to the federal government, are considered parts of the basic tax structure and therefore are not properly considered tax expenditures. These distinctions are fairly simple, but more complex analytical questions quickly arise.

For example, deductions for the depreciation of property and equipment used in a trade or business are considered part of the basic tax structure because the use of productive assets is a legitimate cost of doing business. However, federal depreciation rules allow larger depreciation deductions in the early years of a property's useful life. These accelerated depreciation rules could be viewed as properly reflecting changing notions of obsolescence and thus as part of the basic tax structure; or the faster rates of depreciation could be considered a special adjustment in the tax base designed to provide an incentive for investment, and therefore a tax expenditure. Past federal tax expenditure budgets prepared by the Congressional Budget Office and versions prepared by the Treasury Department have disagreed on exactly this issue.

We have adopted the point of view that accelerated depreciation is tax expenditure. Although accelerated depreciation still allows the same total deduction for a piece of property; the rate of depreciation allowed in the early years is faster than would be permitted under traditional accounting principles. Generally, revenue cost estimates in this document for tax expenditures associated with accelerated depreciation rely on assumptions used in congressional federal tax expenditure analysis concerning ordinary depreciation rates.

We have chosen to view the rules for personal exemptions and for no tax status in the Commonwealth's personal income tax as provisions which help to define the income tax base, and thus as a part of the basic structure of the tax (much as the progressive rate structure of the federal income tax, which similarly reduces the tax burden on low-income people, is a part of its basic structure). The base of the tax is defined as net income above what is required for subsistence. Since personal

exemptions help define the amount of income needed for subsistence, and therefore the base, they should not be classified as tax expenditures. According to this reasoning, exemptions allowed for dependents would also be considered part of the basic tax structure, since subsistence requirements increase with the size of the taxpayer's household. However, we note that this view of the tax structure does not always lead to easy conclusions. First, taxpayers are allowed exemptions for dependents even if those dependents have their own income and take personal exemptions for themselves. We have treated the use of the dependents' exemption as tax expenditure. Second, the fact that the no tax status amount is greater than the personal exemption suggests that the intent behind the no tax status and personal exemptions goes beyond simple definition of an income base. Although personal exemptions and the no tax status are not listed in this document as tax expenditures, estimates for the revenue losses associated with these provisions are provided in an endnote.

Many Massachusetts tax expenditures in the personal income tax and corporate tax derive from federal income tax rules and thus piggyback on many but not all, federal tax expenditures. We have chosen to include such tax expenditures in this tax expenditure budget, as Massachusetts generally has the ability legally to “decouple” from federal tax expenditures, and has done so in certain cases (e.g., bonus depreciation) from time to time. However, one can question whether federal tax expenditures should generally be included in the Massachusetts tax expenditure budget, because for the most part they simply reflect the fact that Massachusetts has generally chosen to incorporate much of the federal tax laws into the determination of Massachusetts taxable income for personal and corporate income tax purposes.

The sales tax presents the most difficult case. The sales tax statute and its legislative history indicate that the established base of the tax is all “retail” sales. At a minimum, the sales tax exemptions for business purchases of component parts and of products to be resold appear to be provisions that help define which sales are considered non-retail sales, and therefore should not be classified as tax expenditures. However, it is difficult if not impossible to decide which other sales tax exemptions might also cover non-retail sales. For example, manufacturing companies are allowed an exemption from the sales tax for purchases of machinery used in the production process. Since this machinery is not a direct component part of any product being manufactured and is not purchased simply to be resold, it could be argued that the machinery purchase is a retail sale and that the machinery exemption is a tax expenditure. Others would argue that because these purchases are not made by the final consumers of an end product, and because they represent legitimate business expenses, these sales tax exemptions should not be considered tax expenditures.

The largest proportion of Massachusetts tax expenditure dollars used to be sales and use tax expenditures. This was largely because of the exclusion (or non-taxation) of certain property and services (other than telecom) from sales and use taxation. The Center on Budget and Policy Priorities' tax expenditure survey report indicates that items such as non-taxation of services, which are so-called “implicit tax expenditures”, should be included in the tax expenditure budget. They also report that about 16 states have such items in their annual tax expenditure reports (<http://www.cbpp.org/files/4-9-09sfp.pdf>). This provides a means of quantifying the cost of not taxing most services, and allows for comparison with other states that do apply their sales and use tax to various types of specified services. However, in July 2012 legislation was enacted stating explicitly that “sales that do not involve tangible personal property shall not result in tax expenditures”. See St 2012, c.165, §112. Pursuant to this legislation, from fiscal year 2014 on, we remove some items, including non-taxation of services, from our tax expenditure estimates, which we regularly reported in prior years. But to facilitate comparison to tax expenditure estimates in prior years, we list these items in Appendix D.

As stated in the introduction, the most important thing to remember is that making a judgment about whether a provision is tax expenditure is not the same as making a judgment about its desirability. With this in mind, we have attempted to provide more rather than fewer tax expenditure estimates, so that necessary information is available for those charged with making policy judgments.

### **Description of the Data**



This budget should be considered part of an ongoing effort to list tax expenditures, describe their characteristics, and estimate their revenue costs. Each year, we attempt to improve upon the analysis presented in the prior year's tax expenditure budget. For purposes of comparison, we have provided an appendix containing updated tax expenditure estimates for the past four years as well as for Fiscal Year 2022.

Information collected by the Department of Revenue (DOR) from Massachusetts tax returns was an important source of data in this budget. Estimates made from these data tend to be the most reliable. Unfortunately, many tax expenditures cannot be estimated from DOR records. When a particular category of income is excluded from taxation, amounts often do not appear on tax records. This is especially likely to be the case for those tax expenditures brought about by "coupling" the state tax code to the federal code, since exclusions and some deductions are not reported explicitly, but are simply carried over to state tax calculations as part of the reporting of federal income. In such cases we have had to estimate a Massachusetts figure using national tax data, census information, sales statistics, and other information.

You will note that in several cases, this year's tax expenditure estimates are very different from last year's. Revisions to the estimates occur for four reasons: we have new data sources; federal tax expenditure estimates on which we rely have changed; we have refined our estimation methodologies; or changes in Massachusetts tax law have modified existing estimates. In a few instances, more than one of these factors operates to explain the difference. All estimates are projections forward from a base year (which varies depending on the availability of data) to Fiscal Year 2022.

### **Data Limitations**

There are some additional caveats that the reader should keep in mind when reading this budget. First, most revenue loss estimates have been made without taking into account how repeal of a provision might change taxpayer behavior. For example, if the sales tax exemption for a particular item were repealed, the item would become more expensive to consumers, so one would expect sales of that item to decline. The revenue gain from repealing the provision would be, therefore, somewhat less than if the level of sales for the affected items remained the same. On the other hand, some of the income not spent on that item might be spent on other taxable items. To the extent that consumers and businesses pay more taxes and have less income available for other purposes, the repeal of a tax expenditure might have much broader economic and revenue effects. Clearly, the full estimation of these effects demands extensive data which are not easily available.

Second, interactions among different taxes and tax expenditures may be quite complex. Repealing some tax expenditures may increase or decrease the value of others. For example, increasing the no tax status amount would mean that fewer people would pay taxes, and thus fewer people would claim other exemptions. This would reduce the revenues lost through other exemptions. Therefore the combined cost of several tax expenditure items may be different from the total of the cost of the separate tax expenditure items.

Third, the revenue cost estimates do not generally reflect compliance factors that may significantly reduce revenues available from tax expenditure repeal. In particular, where Massachusetts tax provisions are "coupled" with federal tax rules, audits of Massachusetts taxpayers generally compare state and federal returns. If Massachusetts tax provisions were "decoupled", taxpayers would have to make separate calculations for Massachusetts tax purposes, and these provisions would require special audit procedures. Compliance difficulties would certainly result.

And fourth, particular caution is appropriate with respect to the tax expenditure budget's totals for expenditures for particular taxes. Not only do these totals reflect the imprecision of the specific estimates, but they also omit those items for which no estimates were available. In consequence, particular totals may be substantially understated. At the same time, included in the totals, particularly

with regard to the sales tax, are a number of substantial items that many analysts would not regard as tax expenditures, but rather as features of the underlying tax itself. The general approach in preparing the tax expenditure budget has been to count questionable items as tax expenditures, so that information concerning them would be available for analysis. The result is that the totals are higher than they would be under a more restrained analytic approach.

## **Reading the Budget**

In this document, tax expenditures and cost estimates are listed according to the taxes to which they pertain: personal income, corporate excise, and sales and use. Note that the corporate section of the Tax Expenditure Budget includes other business excises along with the corporate excise. These additional business excise taxes are the financial institution excise, the public utility excise, which was repealed effective January 1, 2014, the excises on insurance companies, and the excise on security corporations. Each of the three major taxes includes an introductory section with a description of the tax, followed by a listing of the tax expenditures for that tax. Each tax expenditure item includes a brief description, the cost estimate, a statutory citation, and an indication of the tax expenditure's type. The various special excises on motor fuels, cigarettes, and alcoholic beverages are not covered in this budget.

## **Note on the impact of Federal Law changes**

Recent federal law changes have impacted tax expenditures. On December 22, 2017, Public Law 115-97, commonly known as the Tax Cuts and Jobs Act (TCJA) was signed into law. On March 27, 2020, Public Law No. 116-136, the federal "Coronavirus Aid, Relief and Economic Security Act," also known as the CARES Act was signed into law. The TCJA and CARES Act provide for federal changes to a variety of provisions in the Internal Revenue Code ("Code") that affect the personal income tax and corporate excise.

For income tax regulations, as a general rule, Massachusetts does not adopt any federal personal income tax law changes incorporated into the IRC after January 1, 2005. However, certain specific Massachusetts personal income tax provisions, as set forth in MGL ch 62, § 1(c), automatically conform to the current IRC. See Appendix A.

For corporate and business tax regulations, in general, Massachusetts adopts federal tax expenditure items. For tax expenditure that are newly created or significantly altered, these changes are discussed in detail in Appendix A. Note that where Massachusetts automatically conforms to federal changes, existing tax expenditures in the state's Tax Expenditure Budget (TEB) that are calculated based on federal estimates will reflect the impact of those changes.

The TCJA contained several changes that limited certain business deductions. We have not included these in the current TEB. As noted in the introduction "Defining the Basic Tax Structure" above, items found in the broad category of income tax deductions allowed for business expenses are not listed as tax expenditures. This is because deductions for business expenses are taken against gross income and, as a cost of producing taxable income, are generally not considered tax expenditures. The federal tax expenditure budget prepared by the Joint Committee on Taxation (JCT) has included some of these limits as "negative tax losses" (revenue gains) in their most recent federal TEB. DOR will continue to review the impact of tax law changes at the federal level and will incorporate those impacts into future TEBs as necessary.



## ***Introduction - Personal Income Tax***

Although income from professions, trades or employment was taxed throughout the nineteenth century under the local property tax, it was not until 1916, under the authority of Article 44 of the Amendments to the Massachusetts Constitution, that the Massachusetts personal income tax was enacted as a separate tax. Because Article 44 requires that all income of the same class be taxed at the same rate, Massachusetts applies a flat tax rate regardless of total income; the federal tax structure (and that used in most states) uses graduated rates.

Generally, the Massachusetts personal income tax ties into the federal Internal Revenue Code as it was on January 1, 2005. To the extent that the Massachusetts tax takes federal law as its starting point, it adopts many federal tax expenditures (see Appendix A for more details).

The personal income tax is the state's largest revenue source, accounting for 58.9% of Department of Revenue tax collections in Fiscal Year 2020.

### **Personal Income Tax: Basic Structure**

**Tax Base:** The personal income tax base is gross income minus the costs of producing the gross income (trade or business expenses). Massachusetts gross income is defined as federal gross income with certain modifications. Effective January 1, 1996 it was divided into three classes: interest, dividends, and short-term capital gains ("Part A" income); long-term capital gains ("Part C" income); and all other income ("Part B" income). Massachusetts taxpayers are entitled to a basic personal exemption, which varies according to taxpayer status. The exempted amounts are considered to be outside the generally accepted tax base. They reflect the notion that income needed for bare subsistence should be free from tax. Thus, for the purposes of this document, these exemptions are not listed as tax expenditures. In addition, taxpayers whose income is below a specified level are entitled to "no tax status." For the same reason, this status is not listed as tax expenditure. On the other hand, because policy makers are often interested in the effects of adjusting the dollar amounts for the personal exemptions and the no tax status, estimates are provided for them in endnote 3 to item 1.405 in the list of personal income tax expenditures.

**Taxable Unit:** Individuals are taxed separately, with the exception of married couples, who may file a joint return. The income of children is not aggregated with that of their parents. The income of trusts, estates, and unincorporated associations is also subject to the personal income tax.

**Rate Structure:** The rate structure has been evolving to a system where most income is taxed at the Part B rate. Also, the Part B rate has been rolling back during years in which certain trigger levels of collections are met. The rate was 5.10% for tax years 2017 and 2018 but decreased to 5.05% for tax year 2019. It decreased further to 5.00% for tax year 2020 and will remain at that level for 2021 and subsequent years. Currently, only short-term capital gains and long-term capital gains on collectibles are taxed at a different rate. The vast majority of income is linked to the Part B rate.

### **Historical Notes**

Prior to tax year 1999, the tax rate on interest and dividend income (one component of Part A income) was 12% compared with the Part B "earned" taxable income rate of 5.95%. Effective January 1, 2000, the rate on both Part B and the linked Part A income (Interest and Dividends) dropped to 5.85%, then to 5.60% on January 1, 2001, and to 5.30% on January 1, 2002. The rate was scheduled to decline to 5.00% on January 1, 2003; however, Chapter 186 of the Acts of 2002 ("An Act Enhancing State Revenues") delayed the final phase of the rate reduction. The tax rates on interest and dividend income and Part B income, declined to 5.25% for tax year 2012 and 2013, to 5.20% for tax year 2014, to 5.15% for tax year 2015, and to 5.10% for tax years 2016, 2017, and 2018. The rate was 5.05% for tax year 2019 and 5.00% for tax year 2020 and beyond. All other things being equal, a reduction in tax rates -- which are part of the basic tax structure -- has the effect of reducing the value of tax

expenditures, because when tax rates decline, so does the value of any exceptions to that basic structure.

Of historical interest, between January 1, 1996 and January 1, 2003, Part C income (long-term capital gains), was subject to the following tax rates based on how long the assets were held:

<b><u>Holding Period</u></b>	<b><u>Tax Rate</u></b>
more than one, but less than two years	5%
more than two, but less than three years	4%
more than three, but less than four years	3%
more than four, but less than five years	2%
more than five, but less than six years	1%
more than six years	0%

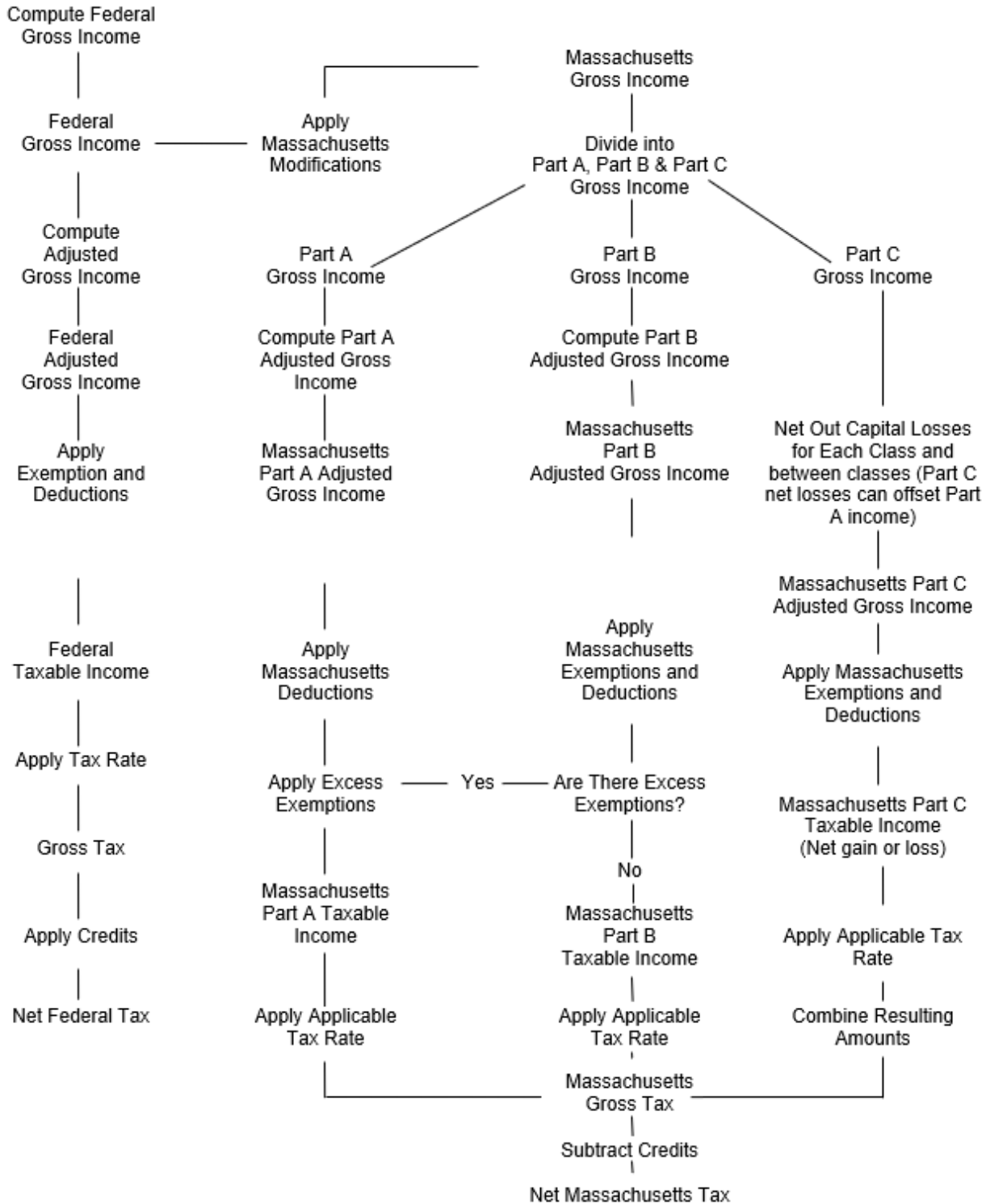
Assets acquired prior to January 1, 1996 were deemed to have been acquired on the later of January 1, 1995 or the actual date of acquisition. Note that capital assets held less than one year are considered Part A income; these short term realizations are taxed at 12%.

Chapter 186 of the Acts of 2002 eliminated the “sliding scale” treatment of capital gains on assets held for more than one year. This was originally effective May 1, 2002; subsequent legislation changed the effective date of the tax change to apply to assets sold on or after January 1, 2003. Gains on such transactions are now taxed at the Part B rate of 5.00% for tax year 2020 and beyond.

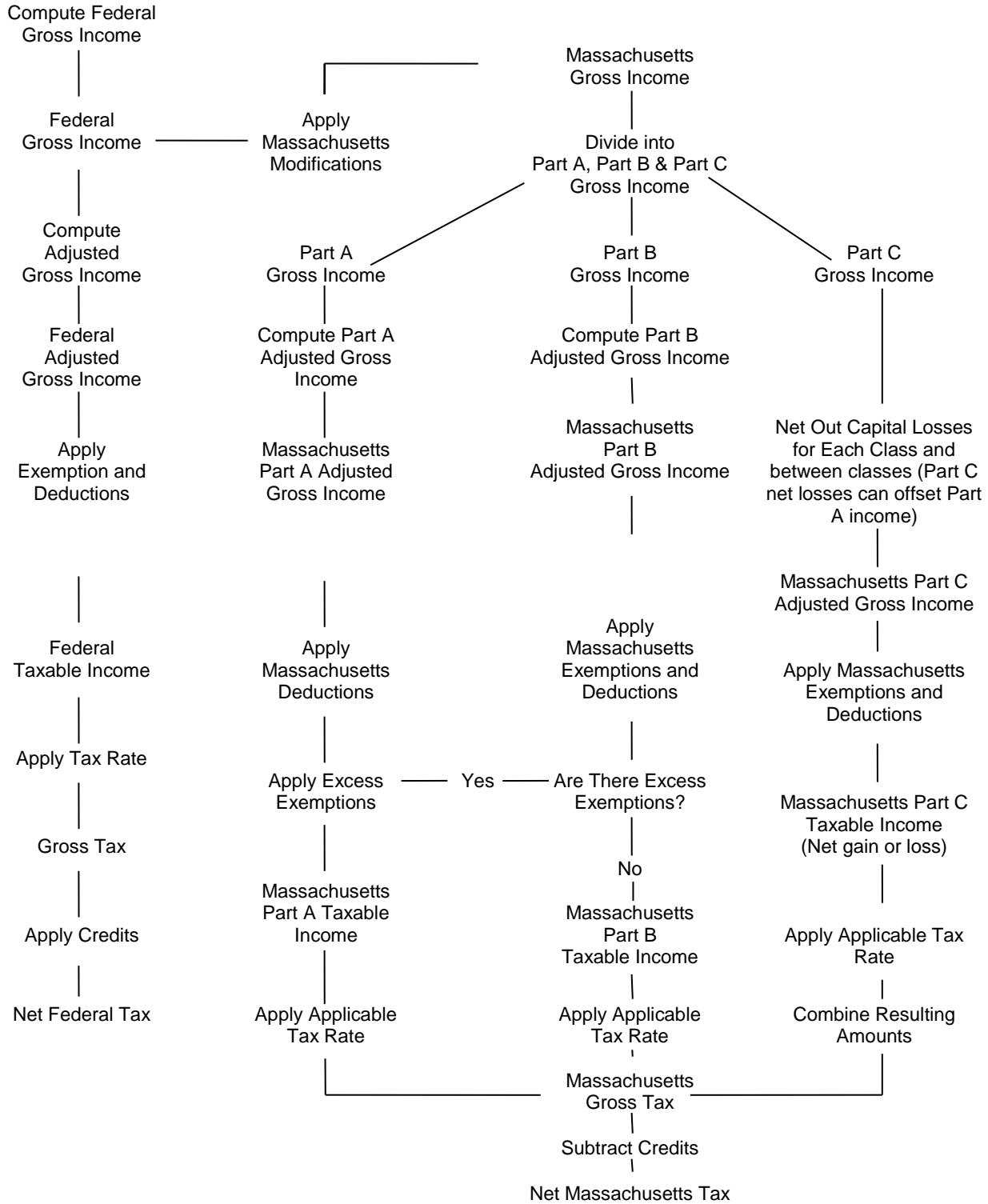
**Taxable Period:** The taxable period is one year (or less), usually the calendar year. Income may be reported according to the cash or accrual method. Where property is sold on a deferred payment basis, gains may be reported in the years the payments are received. There is no Massachusetts provision for income averaging. Net capital losses may be carried forward to future years. Ordinary losses may not be carried forward.

**Interstate and International Aspects:** Residents are taxed upon their entire income, whether derived from Massachusetts sources or elsewhere, without allocation or apportionment. Nonresidents are taxed only on income from sources within Massachusetts. A resident may take a limited credit against the Massachusetts income tax for income taxes due to other states, the District of Columbia, any territory or possession of the United States, or Canada or its provinces on any item of Massachusetts gross income.

**Computation of the Personal Income Tax**



Computation of the Personal Income Tax



## Types of Tax Expenditures under the Personal Income Tax

The basic structure of the personal income tax can be modified in a number of different ways to produce tax expenditures. Brief explanations of the various types of tax expenditures follow:

**Exclusions from Gross Income:** Gross income is the starting point in the calculation of income tax liability and, in the absence of tax expenditures, would include all income received from all sources. Typically, the taxpayer does not report items of income that are excluded from gross income on his or her tax return. Thus, they escape taxation permanently.

**Deferrals of Gross Income:** Where an item of income is not included in gross income in the year when it is actually received, but is instead included in a later year, the result is tax expenditure in the form of an interest-free loan from the state to the taxpayer in the amount of the tax payment that is postponed.

**Deductions from Gross Income:** Certain amounts are subtracted from gross income to arrive at adjusted gross income (AGI). Many of these deducted amounts reflect the costs of producing income (business expenses), and are not properly part of the income tax base. Such deductions are not tax expenditures. Other deductions that do not reflect business expenses constitute tax expenditures, which permit corresponding amounts of income to escape taxation permanently.

**Accelerated Deductions from Gross Income:** In a number of cases, taxpayers are allowed to deduct business expenses from gross income at a time earlier than such expenses would ordinarily be recognized under Generally Accepted Accounting Principles. The total amount of the permissible deduction is not increased, but it can be utilized more quickly to reduce taxable income. The result is to defer taxes, thus in effect occasioning an interest-free loan from the state to the taxpayer.

**Deductions from Adjusted Gross Income (AGI):** Taxable income results from the subtraction of certain deductions and exemptions from AGI. Certain of these subtracted items represent amounts of income necessary for subsistence; their exclusion is part of the basic structure of the income tax. Other subtracted items represent tax expenditures, which permit corresponding amounts of income to escape taxation permanently.

**Credits against Tax:** After a taxpayer's basic tax liability has been calculated by applying the tax rates to taxable income, the taxpayer may subtract certain credit amounts from this initial liability in determining the actual amount of taxes that must be paid. It is important to note that, whereas a one-dollar exclusion or deduction results in a tax savings of only a few cents (one dollar times the applicable tax rate), a one-dollar credit results in a one-dollar tax savings.

### ***Note on Personal Exemptions, Dependent Exemptions, No Tax Status, and Limited Income***

***Credit:*** *These exempted amounts are considered to be outside the generally accepted tax base, and thus, for the purposes of this document, these exemptions are not listed as tax expenditures. However, because policy makers are often interested in the impact of adjusting their dollar amounts, estimates are provided for them in a footnote following the "Credits against Tax" section.*





## List of Personal Income Tax Expenditures

### 1.000 EXCLUSIONS FROM GROSS INCOME

#### 1.001 Exemption of Premiums on Accident and Accidental Death Insurance<sup>1</sup>

Employer contributions for premiums on accident and accidental death insurance are not included in the income of the employee and are deductible by the employer

Origin: IRC § 106

Estimate: \$31.4

#### 1.002 Exemption of Premiums on Group-Term Life Insurance<sup>1</sup>

Employer payments of employee group-term life insurance premiums for coverage up to \$50,000 per employee are not included in income by the employee and are deductible by the employer.

Origin: IRC § 79

Estimate: \$25.7

#### 1.003 Exemption of Interest on Life Insurance Policy and Annuity Cash Value

Interest, which is credited annually on the cash value of a life insurance policy or annuity contract, is not included in the income of the policyholder or annuitant. Only when a life insurance policy is surrendered before death or when annuity payments commence does the interest become subject to tax. (Interest on dividends left on deposit is taxable.)

Origin: IRC § 101

Estimate: \$261.9

#### 1.004 Exemption of Employer Contributions for Medical Insurance Premiums and Medical Care<sup>1</sup>

Employer contributions for medical insurance premiums and reimbursements for medical care are not included in the income of the employee and are deductible by the employer.

Origin: IRC §§ 105 and 106

Estimate: \$1,355.3

#### 1.005 Exemption of Annuity or Pension Payments to Fire and Police Personnel

Income from noncontributory annuities or pensions to certain retired fire and police personnel or their survivors are tax-exempt.

Origin: M.G.L. c. 32

Estimate: N.A.

#### 1.006 Exemption of Distributions from Certain Contributory Pension and Annuity Plans<sup>2</sup>

Certain pensions and annuity distributions are tax-exempt under Massachusetts law. They are payments from contributory plans of the U.S. government, Massachusetts and its subdivisions, and other states that do not tax such income from Massachusetts. Any benefits in excess of contributions not taxed by Massachusetts constitute this tax expenditure.

Origin: M.G.L. c. 62, §§ 2(a)(2)(E)

Estimate: \$344.6

1.007 Exemption of Railroad Retirement Benefits

Railroad retirement benefits are not taxed. (Massachusetts has not adopted Internal Revenue Code section 86, which taxes some of these benefits if a taxpayer's income is above a certain level.)

Comment: No adjustment is made for any prior payments taxpayers may have made to fund this system since employee payments to this system are taxes rather than contributions.

Origin: M.G.L. c. 62, § 2(a)(2)(H)

Estimate: \$5.1

1.008 Exemption of Public Assistance Benefits

Public assistance or welfare benefits are not taxed. These include Temporary Assistance for Needy Families (TANF), Supplemental Security Income (SSI) benefits, and the like.

Origin: IRC § 61(a)(1); Rev. Rul. 71-425, 1971-2 C.B. 76

Estimate: \$207.2

1.009 Exemption of Social Security Benefits

Social Security benefits paid to people age 65 or older and their dependents, to persons under 65 who are survivors of deceased workers, and to disabled workers and their dependents are not taxed. Massachusetts has not adopted Internal Revenue Code section 86, which taxes a portion of these payments where a taxpayer's income is above a certain level.

Comment: The comment under item 1.007 applies to this item as well.

Origin: M.G.L. c. 62, § 2 (a)(2)(H)

Estimate: \$1,181.6

1.010 Exemption of Workers' Compensation Benefits

Workers' compensation benefits are not taxed. These are benefits paid to disabled employees or their survivors for employment-related injuries or diseases.

Origin: IRC § 104 (a)(1)

Estimate: \$6.6

1.011 Exemption for Dependent Care Expenses<sup>1</sup>

Day care paid for or provided by an employer to an employee, the value of which does not exceed the employee's or employee's spouse's "earned" income, and does not exceed the amount of \$5,000, is not included in the income of the employee and is deductible by the employer.

Origin: IRC § 129

Estimate: \$14.5

1.012 Exemption of Certain Foster Care Payments

Qualified foster care payments are not includible in the income of a foster parent.

Origin: IRC § 131(a)

Estimate: \$4.0

1.013 Exemption of Payments Made to Coal Miners

Coal miners or their survivors may exclude from income payments for disability or death from black lung disease.

Origin: IRC § 104(a)(1); Rev. Rul. 72-400

Estimate: Negligible

1.014 Exemption of Rental Value of Parsonages<sup>1</sup>

A minister may exclude from gross income a rental allowance or the rental value of a parsonage furnished to him or her.

Origin: IRC § 107

Estimate: \$3.2

1.015 Exemption of Scholarships and Fellowships

Degree candidates can exclude scholarships and fellowship income if the amounts are not compensation for services or for the payment of room, board or travel expenses.

Origin: IRC § 117(a)

Estimate: \$32.0

1.016 Exemption of Certain Prizes and Awards

Prizes and awards are generally required to be included in income. The exemption of certain prizes and awards is generally limited to taxpayers who donate the proceeds to a charitable organization. Certain employee achievement awards are also excluded from gross income.

Origin: IRC § 74

Estimate: N.A.

1.017 Exemption of Cost-Sharing Payments

Portions of government cost-sharing payments to assist in water and soil conservation projects are not includible in the recipient's income.

Origin: IRC § 126

Estimate: Negligible

1.018 Exemption of Meals and Lodging Provided at Work<sup>1</sup>

The value of meals and lodging furnished to the employee by the employer on the business premises for the employer's convenience is not included in the income of the employee. The employer's expenses are deductible.

Origin: IRC § 119

Estimate: \$23.5

1.019 Treatment of Business-Related Entertainment Expenses<sup>1</sup>

Prior to passage of the TCJA, a business was allowed to take a deduction of up to 50% of the cost of business-related entertainment expenses. With the passage of TCJA, an employer's cost of entertainment expenses are no longer allowed as a federal deduction. Massachusetts adopted this change as Massachusetts follows the current IRC in effect for trade or business expenses under IRC § 62(a)(1). Note however that this does not change the exclusion of these benefits from employees' income. Generally, the value of the entertainment is not taxed as income to the persons who benefit from the expenditures. The effect provides a nontaxable fringe benefit.

Origin: IRC § 162, 274; Notice 2018-76

Estimate: \$28.1

1.020 Exemption of Income from the Sale, Lease, or Transfer of Certain Patents

Income from the sale, lease or other transfer of approved patents for energy conservation, and income from property subject to such patents, is excluded from gross income for a period of five years.

Origin: M.G.L. c. 62, § 2(a)(2)(G)

Estimate: N.A.

1.021 Exemption of Capital Gains on Home Sales

Taxpayers may exclude up to \$250,000 of capital gain (or \$500,000 if filing jointly) on the sale of a principle residence. This exclusion from gross income may be taken any number of times, provided the home was the filer's primary residence for an aggregate of at least 2 of the previous 5 years.

Comment: Massachusetts does not adopt the cancellation of Indebtedness on Principal Residence; for federal tax purposes, the exclusion from gross income for qualified principal

residence indebtedness that was discharged has been extended until December 31, 2020. Massachusetts does not adopt the extension of the exclusion because it was enacted after January 1, 2005.

Origin: IRC § 121

Estimate: \$488.8

1.022 Nontaxation of Capital Gains at Death

Ordinarily, capital gains are taxed at the time appreciated property is transferred. However, no tax is imposed on a capital gain when appreciated property is transferred at death. The appreciation that accrued during the lifetime of the transferor is never taxed as income.

Comment: See also item 1.106

Origin: IRC §§ 1001 and 1014

Estimate: \$870.1

1.023 Exemption of Interest from Massachusetts Obligations

Interest earned on Massachusetts bonds is exempt. The exclusion applies to bonds of Massachusetts agencies, and local subdivisions (cities and towns) as well.

Origin: M.G.L. c. 62, § 2 (a)(1)(A)

Estimate: \$52.5

1.024 Exemption of Benefits and Allowances to Armed Forces Personnel<sup>1</sup>

Under the January 1, 1998 Code, Massachusetts allowed the federal exclusion for certain military fringe benefits including combat zone compensation, veterans' and medical benefits, disability benefits, moving allowances and a death gratuity benefit of \$3,000. As a result of legislation under which the Commonwealth incorporated into Massachusetts personal income tax law the Code as amended and in effect on January 1, 2005 (hereinafter referred to as the "Code Update"). This exclusion was extended to include dependent care assistance under a dependent care assistance program, travel benefits received under the Operation Hero Miles program and an increased death benefit gratuity of \$12,000.

Origin: IRC §§ 112

Estimate: \$33.7

1.025 Exemption of Veterans' Pensions, Disability Compensation and G.I. Benefits

These veterans' benefits are not taxed.

Origin: 38 U.S.C. § 5301

Estimate: \$53.3

1.026 Exemption of Military Disability Pensions

Disability pensions paid to service personnel are fully excluded from gross income. The

portion of a regular pension that is paid on the basis of disability may also be excluded.

Origin: IRC § 104(a)(4)

Estimate: \$0.8

1.027 Exemption of Compensation to Massachusetts-Based Nonresident Military Personnel

Compensation paid by the U.S. to nonresident uniformed military personnel on duty at bases within Massachusetts for services rendered while on active duty is defined as compensation from sources outside Massachusetts. It is therefore not taxed.

Comment: This tax treatment follows U.S. statutory law.

Origin: 50 U.S.C. App. 574; M.G.L. c. 62, § 5A(c)

Estimate: \$11.3

1.028 Exemption for Taxpayers Killed in Military Action or by Terrorist Activity

Massachusetts residents who die in combat while in active military service, or who die as a result of terrorist or military action outside of the U.S. while serving as military or civilian employees of the U.S. are exempt from income taxation.

Origin: M.G.L. c. 62, § 25

Estimate: N.A.

1.029 Exemption for Retirement Pay of the Uniformed Services

Effective January 1, 1997, income received from the United States government as retirement pay and survivorship benefits for a retired member of the Uniformed Services of the United States is exempt from the personal income tax. The Uniformed Services of the United States are: the Army, Navy, Air Force, Marine Corps, Coast Guard, and the Commissioned Corps of the Public Health Service and National Oceanic and Atmospheric Administration.

Origin: M.G.L. c. 62, § 2(a)(2)(E)

Estimate: \$25.0

1.030 Parking, T-Pass and Vanpool Fringe Benefits

A federal and Massachusetts exclusion is allowed for employer-provided parking, transit passes and vanpool benefits (i.e. "qualified transportation benefits"), subject to monthly maximums. Massachusetts adopts the federal exclusion as it appeared in the Code on January 1, 2005. Although the Tax Relief Act of 2010 temporarily increased this amount at the federal level, Massachusetts did not conform. For taxable years beginning in 2021, the Massachusetts monthly exclusion amounts are \$275 for employer-provided parking and \$145 for combined transit pass and commuter highway vehicle transportation benefits. Under Massachusetts law, these numbers reflect an inflation adjustment but do not include the increase in the federal monthly exclusion amount for the combined transit pass and commuter highway vehicle transportation benefits that was signed into law on December 18, 2015. Massachusetts adopts monthly exclusion amounts based on the January 1, 2005 Code. For further discussion, see TIR 20-16.

Origin: IRC § 132(f)

Estimate: \$43.1

1.031 Health Savings Accounts

For federal income tax purposes, the earnings in a Health Savings Account (HSA) accrue on a tax-free basis, and qualified distributions from a HSA are excluded from gross income. Prior to the most recent Code update, Massachusetts taxed earnings in a HSA and also taxed distributions to the extent such amounts were not previously taxed by Massachusetts. As a result of the Code update, Massachusetts adopts the federal exclusion for earnings in, and qualified distributions from, a HSA.

Origin: IRC § 223

Estimate: Included in 1.422

1.032 Employer-Provided Adoption Assistance

Massachusetts adopted the federal exclusion for employer-provided adoption expenses paid (or treated as paid under IRC sec. 137). However, as Massachusetts follows the 2005 Code, the exclusion sunset after 2010. If Massachusetts were to update to the current code, this expenditure would be restored.

Origin: IRC § 137

Estimate: Not Active

1.033 Employer-Provided Educational Assistance

Massachusetts adopts the federal exclusion for qualified educational expenses reimbursed to an employee under an employer-provided education assistance program in effect as of the 2005 Code Update. Massachusetts adopts the federal exclusion for qualified educational expenses for undergraduate and graduate education expenses up to the federal annual maximum of \$5,250 per calendar year.

Origin: IRC § 127 and 132(j)(8)

Estimate: \$13.2

1.035 Department of Defense Homeowners Assistance Plan

Massachusetts adopts the federal exclusion for the employee fringe benefit of payments received under the Homeowners Assistance Plan. Such payments are intended to compensate military personnel and certain civilian employees for a reduction in the fair market value of their homes resulting from military or Coast Guard base closure or realignment.

Origin: IRC § 132(n)

Estimate: N.A.

1.036 Survivor Annuities of Fallen Public Safety Officers



For both Massachusetts and federal tax purposes, an exclusion from income is allowed for amounts paid under a governmental plan as an annuity to the survivor of a public safety officer killed in the line of duty. Massachusetts adopts the federal exclusion as amended and in effect on January 1, 2005, that excludes these annuities.

Origin: IRC § 101(h)

Estimate: N.A.

1.037 Survivor Annuities of Fallen Astronauts

Massachusetts adopts the federal exclusion for death benefits paid by the U.S. government to the survivors of astronauts who die in the line of duty. The Massachusetts exclusion is effective for payments made on or after January 1, 2005.

Origin: IRC § 101(i)

Estimate: N.A.

1.039 Discharge of Indebtedness for Health Care Professionals

Massachusetts adopts the federal exclusion for National Health Service Corps Loan Program repayments made to health care professionals. Loan repayments received under similar state programs eligible for funds under the Public Health Service Act are also excluded from income.

Origin: IRC § 108(f)(4)

Estimate: \$1.4

1.040 Archer Medical Savings Accounts

For federal income tax purposes, the earnings in an Archer Medical Savings Account (MSA) accrue on a tax-free basis, and qualified distributions from an Archer MSA are excluded from gross income. Prior to the 2005 Code update, Massachusetts taxed earnings in an Archer MSA for individuals who became active participants on or after January 1, 2001 and also taxed distributions for such individuals to the extent such amounts were not previously taxed by Massachusetts. As a result of the Code update, Massachusetts adopts the federal exclusion for earnings in, and qualified distributions from, an Archer MSA for all federally qualified individuals.

Origin: IRC § 220

Estimate: Included in 1.420

1.041 Earnings of Pre-paid and Tuition Savings ("529" plans)

For both Massachusetts and federal tax purposes, an exclusion from income is allowed for the earnings of pre-paid tuition programs and tuition savings accounts. Massachusetts has available the U.Fund College Investing Plan, a direct-sold 529 college savings plan managed by Fidelity Investments using Fidelity mutual funds. The plans are opened for a student beneficiary, and contributions are accepted until all account balances in Massachusetts' 529 plans for the same beneficiary reach \$375,000. Qualified distributions from Massachusetts are exempt from state taxation. Note that Massachusetts also has the "U.Plan Prepaid Tuition Program", offered by the Massachusetts Education Financing

Authority (MEFA). The U.Plan is not a qualifying 529 plan but is nevertheless tax-free for federal and Massachusetts income tax purposes because participants are purchasing Massachusetts general obligation bonds (see Item 1.023). The bonds are redeemable to pay specified percentages of tuition and mandatory fees at 80 participating private and public Massachusetts colleges and universities. New provisions that began in 2018 also allow 529 plan account funds to be used for elementary or secondary school expenses, up to \$10,000 per year. Massachusetts adopts this change as Massachusetts follows the current IRC with respect to IRC § 529. See TIR 18-14 for more information.

Origin: IRC § 529

Estimate: \$9.4

**1.100 DEFERRALS OF GROSS INCOME**

**1.101 Net Exemption of Employer Contributions and Earnings of Private Pension Plans<sup>2</sup>**

Employer contributions to private, qualified employee pension plans are deductible by the employer up to certain amounts and are not included in the income of the employees. Income earned by the invested funds is not currently taxable to the employees. Benefits in excess of any employee contributions previously taxed by Massachusetts are taxable when paid out. The value of the tax deferral on contributions and on the investment income is a tax expenditure.

Origin: IRC §§ 401-415 in effect January 1, 1985 and M.G.L. c. 62 §§ 2(a)(2)(F)

Estimate: \$2,901.5

**1.102 Treatment of Incentive Stock Options**

Massachusetts has adopted the federal rules for employee stock options. Generally, employers may offer employees options to purchase company stock at a later date at a price equal to the fair market value of the stock when the option was granted. At the time employees exercise the option, they do not include in income the difference between the fair market value and the price they pay. If they later sell the stock, they are taxed on the amount by which the price they receive for the stock exceeds the price they paid. Thus, income is deferred and is taxed as a capital gain instead of as compensation.

Origin: IRC §§ 421-424

Estimate: N.A.

**1.103 Exemption of Earnings on Stock Bonus Plans or Profit Sharing Trusts**

Investment income earned by stock bonus plans or profit sharing trusts is not taxed currently for employees.

Origin: M.G.L. c. 62, § 5(b)

Estimate: N.A.

**1.104 Exemption of Earnings on IRA and Keogh Plans<sup>2</sup>**

This includes exclusions from income for gains on retirement contributions; these earnings

are taxed upon distribution. The deferral of tax on the investment income is a tax expenditure.

Origin: M.G.L. c. 62, §§ 2(a)(2)(F)

Estimate: \$293.1

1.106 Non-taxation of Capital Gains at the Time of Gift

Ordinarily, capital gains are taxed at the time appreciated property is transferred. However, no tax is imposed on a capital gain when appreciated property is transferred by gift. The taxation of appreciation is deferred until the recipient transfers the property.

Comment: See also item 1.022 above.

Origin: IRC §§ 1001, 1015

Estimate: \$84.7

**1.200 DEDUCTIONS FROM GROSS INCOME**

1.201 Capital Gains Deduction

Long-term capital gains realized from the sale of collectibles (as defined by sec. 408 (m) of the IRC) are eligible for a 50% deduction from the 12% capital gains tax.

Origin: M.G.L. c. 62, § 2(c)(3)

Estimate: \$2.2

1.202 Deduction of Capital Losses Against Interest and Dividend Income

Taxpayers may deduct up to \$2,000 of net capital loss against interest and dividend income. This limit was reestablished in 2002.

Origin: M.G.L. c. 62, § 2(c)(2)

Estimate: N.A.

1.203 Excess Natural Resource Depletion Allowance

Individuals or investors in extractive industries (mining or drilling natural resources) may deduct a percentage of gross mining income as a depletion allowance. The allowance may exceed the actual cost of the resource property. For a more detailed description of this tax expenditure, see corporate excise item 2.204.

Origin: IRC §§ 611, 613, and 613A

Estimate: \$0.2

1.204 Abandoned Building Renovation Deduction

Businesses renovating eligible buildings in Economic Opportunity Areas may deduct 10% of the cost of renovation from gross income. This deduction may be in addition to any other

deduction for which the cost of renovation may qualify. To be eligible for this deduction, renovation costs must relate to buildings designated as abandoned by the Economic Assistance Coordinating Council.

Previously, the deduction was available only for improvements to abandoned buildings located in Economic Opportunity Areas ("EOA"), as designated by the EACC. However, in 2016, the legislature enacted An Act Relative To Job Creation And Workforce Development, which eliminated the EOA requirement, and inserted the requirement that the EACC need only "certify" a project. These changes are effective for tax years beginning on or after January 1, 2019.

Origin: M.G.L. c. 62, § 3(B)(a)(10)

Estimate: \$0.1

**1.300 ACCELERATED DEDUCTIONS FROM GROSS INCOME**

**1.301 Modified Accelerated Depreciation on Rental Housing**

Landlords and investors in rental housing may use accelerated methods of depreciation for new and used rental housing. Rental housing placed in service after 1988 is depreciated on a straight-line basis over a 27.5-year period. Rental housing placed in service before 1988 was depreciable over shorter periods (generally 19 or 20 years), and, instead of straight-line depreciation, the 175% declining balance method was permitted. Straight-line depreciation over the property's expected useful life is the generally accepted method for recovering the cost of building structures. The excess of allowable depreciation over such generally accepted depreciation is a tax expenditure, resulting in a deferral of tax or an interest-free loan.

Origin: IRC § 168(b)

Estimate: \$24.0

**1.303 Modified Accelerated Depreciation on Buildings (other than Rental Housing)**

Individuals or investors in a trade or business may use accelerated methods of depreciation for buildings. Construction may be depreciated under methods that produce faster depreciation than economic depreciation. The precise rates have been changed repeatedly in recent years as the result of revisions in the federal tax code. Structures (other than rental housing) placed in service after 1987 are depreciated on a straight-line basis over a 31.5-year life. The excess of accelerated depreciation over economic depreciation is a tax expenditure, resulting in a deferral of tax or an interest-free loan.

Origin: IRC § 168(b)

Estimate: \$12.7

**1.304 Modified Accelerated Cost Recovery System (MACRS) for Equipment**

For depreciable tangible personal property placed in service after 1980, capital costs may be recovered using the Accelerated Cost Recovery System (ACRS), which applies accelerated methods of depreciation over set recovery periods. For property placed in service after 1987, Massachusetts has adopted the Modified Accelerated Cost Recovery System (MACRS), which generally uses double declining balance depreciation over

specified periods that are substantially shorter than actual useful lives (200% declining balance for 3-, 5-, 7- and 10-year recovery property and 150% declining balance for 15- and 20-year property). The excess of accelerated depreciation over economic depreciation is a tax expenditure, resulting in a deferral of tax or an interest-free loan.

Origin: IRC § 168

Estimate: \$83.0

1.305 Deduction for Excess First-Year Depreciation

A taxpayer may elect to expense the cost of any section 179 property and deduct it in the year the property is placed in service. The "Tax Cuts and Jobs Act" increased the maximum deduction from \$500,000 to \$1 million. It also increased the phase-out threshold from \$2 million to \$2.5 million. For taxable years beginning after 2018, these amounts of \$1 million and \$2.5 million will be adjusted for inflation. Any remaining cost may be depreciated according to MACRS as described in item 2.305. The immediate deduction constitutes a tax expenditure, resulting in a deferral of tax or an interest-free loan.

Origin: IRC § 179

Estimate: \$106.8

1.306 Election to Deduct and Amortize Business Start-up Costs

Individuals or investors in a trade or business may elect to treat business start-up expenditures as deferred expenses and amortize them over a period of not less than 180 months, starting with the month in which the business begins. For a more detailed description of this tax expenditure, see corporate excise item 2.304.

Origin: IRC § 195

Estimate: \$0.8

1.308 Expensing Exploration and Development Costs

Individuals or investors in extractive industries (mining or drilling natural resources) may take an immediate deduction for certain exploration and development costs. For a more detailed description of this tax expenditure, see corporate excise item 2.309; the provisions for individual taxpayers are somewhat more liberal than those that apply to corporations.

Origin: IRC §§ 263(c), 616 and 617 in effect January 1, 1985

Estimate: Negligible

1.309 Expensing Research and Experimental Expenditures in One Year

Individuals or investors in a trade or business may take an immediate deduction for research and Experimental expenditures. For a more detailed description of this tax expenditure, see corporate excise item 2.308.

Origin: IRC § 174

Estimate: \$0.3

1.310 Five-Year Amortization of Pollution Control Facilities

Individuals or investors in a trade or business may elect to amortize the cost of a certified pollution control facility over a five-year period. For a more detailed description of this tax expenditure, see corporate excise item 2.311.

Origin: IRC § 169

Estimate: N.A.

1.311 Seven-Year Amortization for Reforestation

Individuals or investors in the forestry business may amortize the costs of reforestation over a seven-year period. For a more detailed description of this tax expenditure, see corporate excise item 2.313.

Origin: IRC § 194

Estimate: N.A.

1.312 Expensing Certain Capital Outlays of Farmers

Farmers may use certain favorable accounting rules. For instance, they may use the cash basis method of accounting and may deduct up to 50% of non-paid farming expenses as current expenses even though these expenditures are for inventories on hand at the end of the year. They also may deduct certain capital outlays, such as expenses for fertilizers and soil and water conservation if they are consistent with a federal- or state-approved plan. Generally, these special rules are not available to farming corporations and syndicates.

Origin: IRC §§ 175 and 180, and Reg. §§ 1.61-4, 1.162-12 and 1.471-6

Estimate: \$0.5

**1.400 DEDUCTIONS FROM ADJUSTED GROSS INCOME**

1.401 Deduction for Employee Social Security and Railroad Retirement Payments

Taxes paid by employees to fund the Social Security and Railroad Retirement systems are deductible against "earned" income up to a maximum of \$2,000 per individual.

Comment: The estimate also covers item 1.402 below.

Origin: M.G.L. c. 62, § 3B(a)(3)

Estimate: \$342.5

1.402 Deduction for Employee Contributions to Public Pension Plans<sup>2</sup>

Employee contributions to federal and state contributory pension plans are deductible against "earned" income up to a maximum of \$2,000 per individual.

Origin: M.G.L. c. 62, § 3B(a)(4)

Estimate: Included in 1.401

1.403 Additional Exemption for the Elderly

A taxpayer age 65 or over is entitled to an additional exemption against "earned" income of \$700 (\$1,400 for a married couple filing jointly if both spouses are age 65 or over).

Origin: M.G.L. c. 62, §§ 3B(b)(1)(C), (1A)(C), and (2)(C)

Estimate: \$27.4

1.404 Additional Exemption for the Blind

A blind taxpayer is allowed an additional exemption against "earned" income of \$2,200 (\$4,400 for a married couple filing jointly if both spouses are blind).

Origin: M.G.L. c. 62, §§ 3B(b)(1)(B), (1A)(B), and (2)(B)

Estimate: \$0.6

1.405 Dependents Exemption Where the Child Earns Income<sup>3</sup>

Taxpayers are allowed an additional exemption of \$1,000 for a dependent child even when the child earns income against which a personal exemption can be taken.

Comment: The estimate cannot be separated from the figure for the dependents exemption in endnote 3.

Origin: IRC § 151(c) in effect January 1, 1988 and M.G.L. c. 62 § 3B(b)(3)

Estimate: N.A.

1.406 Deduction for Dependents Under 12

Individual taxpayers and married taxpayers filing jointly with one or more dependents under age 12, who do not claim the deduction for child care described in item 1.409 below, may claim this deduction. Filers with one dependent under 12 may deduct \$3,600, while filers with two or more dependents under 12 may deduct \$7,200.

Origin: M.G.L. c. 62, § 3B(a)(8)

Estimate: \$129.5

1.407 Personal Exemption for Students Age 19 or Over

A taxpayer may claim a dependent exemption of \$1,000 for a child who is a full-time student even if he or she is 19 or over.

Origin: IRC §§ 151-152; M.G.L. c. 62 § 3B(b)(3)

Estimate: \$10.5

1.408 Deduction for Adoption Fees

Adoption fees paid to a registered adoption agency are deductible against Part B income.

Origin: M.G.L. c. 62, § 3B(b)(5)

Estimate: \$0.4

1.409 Deduction for Business-Related Child Care Expenses

Taxpayers qualifying for the credit for employment-related childcare expenses in the Internal Revenue Code are allowed a deduction against "earned" income for the amount of the expenses that qualify for the credit. Beginning in tax year 2001, the cap on this deduction was increased, and the coverage expanded to include elderly and disabled dependents. The cap increased from \$2,400 to \$3,600 for filers with one dependent, and from \$2,400 to \$4,800 for filers with two or more dependents. Beginning in tax year 2002, the cap was further increased to \$4,800 for qualifying filers with one dependent and to \$9,600 for filers with two or more dependents.

Comment: For federal tax purposes, the requirement that employment-related child care expenses relate only to children under age 15 was further restricted to children under age 13. In addition, a federal change now requires a taxpayer to include employer-provided dependent care expenses when calculating the limitation amount of qualifying expenses.

Origin: IRC § 21, and M.G.L. c. 62, § 3B(a)(7)

Estimate: \$23.2

1.410 Exemption of Medical Expenses

Medical and dental expenses in excess of 7.5% of federal adjusted gross income are deductible against "earned" income for taxpayers who itemize deductions on their federal returns.

Origin: IRC § 213 and M.G.L. c. 62, § 3B(b)(4)

Estimate: \$164.5

1.411 Rent Deduction

Renters are able to deduct against Part B income one-half of the rent paid for a principal residence located in Massachusetts up to a maximum deduction of \$3,000 per year. This maximum was last raised in tax year 2001.

Origin: M.G.L. c. 62, § 3B(a)(9)

Estimate: \$154.6

1.412 Nontaxation of Charitable Purpose Income of Trustees, Executors or Administrators

The adjusted gross income of trustees, executors or administrators, which is currently payable to or irrevocably set aside for public charitable purposes, is tax-exempt.

Origin: M.G.L. c. 62, §§ 3A(a)(2) and 3B(a)(2)

Estimate: N.A.

1.413 Exemption of Interest on Savings in Massachusetts Banks



Up to \$100 (\$200 on a joint return) of interest from savings deposits or savings accounts in Massachusetts banks is excluded from "earned" income.

Origin: M.G.L. c. 62, § 3B(a)(6)

Estimate: \$4.5

1.414 Tuition Deduction (Over 25% of Income)

A deduction is allowed for tuition payments paid, on behalf of a filer or their dependent, to a two- or four-year college leading to a degree or certificate. The deduction is equal to the amount by which the net tuition payments exceed 25% of the filer's Massachusetts AGI. See TIR 97-13 for more information. Non-residents and part year residents are ineligible for the deduction, effective for tax years beginning on or after January 1, 2017.

Origin: IRC § 222; M.G.L. c. 62, § 3B(a)(11),(12)

Estimate: \$34.1

1.415 Charitable Contributions Tax Deduction

For tax year 2001, a deduction was allowed for charitable contributions in determining Part B taxable income. The deduction amount was equal to the taxpayer's charitable contributions for the year, as defined under the Federal Internal Revenue Code and without regard to whether the taxpayer elected to itemize deductions on his or her federal income tax return. Chapter 186 of the Acts of 2002 suspended this deduction until the year following the tax year the Part B rate declined to 5.00%. The Part B rate rolled back to 5.00% for tax year 2020, however the start date was rolled back one year, delaying the reinstatement of this deduction until tax year 2022 and thereafter. The tax loss in FY22 results from filers adjusting their estimated payment during that fiscal year.

Origin: IRC § 170; M.G.L. c. 62, §3B (a)(13)

Estimate: \$66.3

1.418 Deduction for Costs Involved in Unlawful Discrimination Suits

Massachusetts adopts the federal deduction for attorney fees and court costs paid to recover a judgment or settlement for a claim of unlawful discrimination, up to the amount included in gross income for the tax year from such claim.

Origin: IRC §§ 62(a)(20) and 62(e)

Estimate: N.A.

1.419 Business Expenses of National Guard and Reserve Members

Massachusetts adopts the deduction for unreimbursed overnight travel, meals and lodging expenses of National Guard and Reserve Members who must travel more than 100 miles from home to perform services as a National Guard or reserve member.

Origin: IRC §§ 62(a)(2)(E) and 162(p)

Estimate: Negligible

1.420 Archer Medical Savings Accounts

Under the January 1, 1998 Code, Massachusetts allowed a deduction for an Archer Medical Savings Account (MSA) contribution only for individuals who were active MSA participants before January 1, 2001. As a result of legislation that aligned the Massachusetts tax code with the Internal Revenue Code as of January 1, 2005, Massachusetts adopts the federal deduction for Archer MSA contributions made on or after January 1, 2005 for all federally qualified individuals.

Origin: IRC § 220

Estimate: Negligible

1.421 Deduction for Clean-Fuel Vehicles and Certain Refueling Property

A federal and Massachusetts deduction is allowed for a portion of the cost of qualifying motor vehicles that use clean-burning fuel. Under the January 1, 1998 Code, this deduction was due to expire for vehicles placed in service after December 31, 2004. As a result of recently enacted legislation that aligned the Massachusetts tax code with the Internal Revenue Code as of January 1, 2005, Massachusetts adopted the new federal provision allowing the deduction for vehicles placed in service on or before December 31, 2006.

Origin: IRC §§ 62(a)(14) and 179A

Estimate: Negligible

1.422 Health Savings Accounts

Massachusetts adopted the federal deduction allowed to individuals for contributions to a Health Savings Account, subject to federal limitations, which are adjusted annually for inflation. For calendar year 2021, the maximum deduction limit is \$3,600 for an individual plan and \$7,200 for a family plan. Filers age 55 or older may increase the maximum deduction by \$1,000.

Origin: IRC §§ 62(a)(19) and 223

Estimate: \$12.3

1.423 Commuter Deduction

(Note: item 1.423 was formerly the temporary Tuition and Fees Deduction)

For tax years beginning on or after January 1, 2006, individuals may deduct certain commuting costs paid in excess of \$150 for:

- Tolls paid through the Massachusetts FastLane account; and
- The cost of weekly or monthly passes for MBTA transit, bus, commuter rail, or commuter boat.

The total amount deducted may not exceed \$750 per individual. Amounts paid must be reduced by any amounts reimbursed or otherwise deductible.

Origin: M.G.L. Chapter 62, § 3 (B) (a) (15)

Estimate: \$11.8

1.424 Self-Employed Health Insurance Deduction

Massachusetts adopts the federal deduction allowed to self-employed individuals for premiums on health insurance. Insurance may be for the individual, spouse, or family member. The insurance must be established under the self-employed individual's business.

Origin: IRC § 162(I)

Estimate: \$50.8

1.425 Student Loan Interest Deduction (allowed Federally or by Massachusetts)

Massachusetts allows as an option the federal "interest on education loans" deduction. The federal deduction phases out based on modified AGI. As a result of the 2005 Code update, Massachusetts adopted the federal provision that temporarily repealed the 60-month limitation raised taxpayer income limitations through the end of 2010.

Alternatively, Massachusetts allows a deduction of undergraduate student loan interest. Filers may only choose one of these deductions.

Origin: M.G.L. c. 62, § 2(d)(1) and I.R.C. §§ 62(a)(17), 221.

Estimate: \$53.5

1.426 Expenses of Human Organ Transplant

Massachusetts allows the expenses incurred in the donation of a human organ to be deducted from taxable income.

Origin: M.G.L. c. 62, § 3B(a) (16)

Estimate: Negligible

1.427 Prepaid Tuition or College Savings Plan Deduction

A deduction against Part B income is allowed in an amount equal to 1) purchases of or 2) contributions made in a taxable year to an account in a pre-paid tuition program or a college savings program established by the Commonwealth or an instrumentality or authority of the Commonwealth. The deduction is capped at \$1,000 for a single person or head of household and \$2,000 for a married couple filing a joint return.

The deduction applies to tax years beginning on or after January 1, 2017 through the tax year beginning on January 1, 2021.

Origin: G.L. c. 62, § 3.B(a) paragraph (19)

Estimate: \$5.2

1.428 Gambling Loss Deduction

For tax years beginning on or after January 1, 2015 a deduction is allowed from Part B income for gambling losses incurred at certain licensed gaming establishments or "racing meeting licensee or simulcasting licensee" establishments but only to the extent of

winnings from such establishments included in gross income for the calendar year. See TIR 15-14 and Schedule Y, line 17 for more information. The new gambling loss deduction is the only deduction for gambling losses allowed for a Massachusetts taxpayer, unless the gambling activities constitute a trade or business. See DD 03-3. Note that Massachusetts does not adopt the federal deduction under IRC § 165(d) for gambling losses.

Origin: Origin: G.L. c. 62, § 3.B(a) paragraph (18)

Estimate: \$2.0

**1.429 Moving Deduction**

Filers who moved due to a change in their job or business location or to start a new job or business can deduct reasonable unreimbursed moving expenses if all of the following requirements are met: 1) The move was closely related to the start of work; 2) It meets a distance test; and 3) It meets a time test.

Under the TCJA, a deduction for moving expenses is no longer allowed except for certain members of the Armed Forces; However, Massachusetts does not adopt this change. A deduction for moving expenses continues to be allowed if the above requirements are met as Massachusetts follows the Code as in effect as of January 1, 2005.

Origin: Origin: IRC § 217

Estimate: \$3.0

**1.500 PREFERENTIAL RATE OF TAXATION**

**1.501 Small Business Stock, Capital Gains Tax Rate**

Gains derived from the sale of investments which meet certain requirements are taxed at a rate of 3% instead of regular Part B rate. In order to qualify for the 3% rate, investments must have been made within five years of the corporation's date of incorporation and must be in stock that generally satisfies the definition of "qualified small business stock" under I.R.C. § 1202 (c), other than the requirement that the stock be stock of a C corporation. In addition, the stock must be held for three years or more and the investments must be in a corporation which (a) is domiciled in Massachusetts, (b) is incorporated on or after January 1, 2011, (c) has less than \$50 million in assets at the time of investment, and (d) complies with certain of the "active business" requirements of I.R.C. § 1202 of the Internal Revenue.

Origin: IRC § 1202; M.G.L. c. 62, § 4(c)

Estimate: \$13.5

**1.600 CREDITS AGAINST TAX**

**1.601 Renewable Energy Source Credit**

Owners and tenants of residential property located within Massachusetts who are not dependents and who occupy the property as a principal residence are allowed a credit up to \$1,000, or an amount equal to 15% of the cost of a renewable energy source. Unused credits may be carried forward for three years. Credit is neither transferable nor refundable.

Origin: M.G.L. c. 62, § 6(d)

Estimate: \$5.2

1.602 Credit for Removal of Lead Paint

A tax credit is provided in the amount of the cost of removing or covering lead paint on each residential unit up to \$1,500. A seven-year carryover of any unused credit is permitted. Credit is neither transferable nor refundable.

Origin: M.G.L. c. 62, § 6(e)

Estimate: \$2.4

1.603 Economic Development Incentive Program Credit

Under the provisions of the Economic Development Incentive Program (EDIP) established pursuant to M.G.L. Ch. 23A, the Economic Assistance Coordination Council (EACC) may authorize taxpayers participating in certified projects to claim tax credits. To be certified, the Economic Assistance Coordinating Council must approve a project, subject to a cap. Credit is not transferable, but is refundable for specified project types. See item # 2.605 for more details.

Origin: M.G.L. c. 62, § 6(g)

Estimate: \$4.2

1.604 Credit for Employing Former Full-Employment Program Participants

Employers who continue to employ former participants of the §110(1) full employment program in non-subsidized positions are eligible to receive a tax credit equal to \$100 per month for each month of non-subsidized employment, up to a maximum of \$1,200 per employee, per year. Credit is neither transferable nor refundable.

Origin: St. 1995, c. 5, § 110(m)

Estimate: Not Active

1.605 Earned Income Credit

Effective January 1, 1997, taxpayers were allowed a refundable credit against Massachusetts tax equal to 10% of the amount of the earned income credit claimed on their federal individual income tax returns. Effective January 1, 2001, the allowed percentage was increased to 15%. The credit was raised as of January 1, 2016 to 23% of the federally allowed amount, and increased to 30% as of January 1, 2019. Note that, since the state credit amount is based on the federal, any changes, temporary or permanent, to the calculation of the federal credit will be automatically reflected in credit claims made against state tax. Note that while credit is refundable, it is not transferable.

Origin: M.G.L. c. 62, § 6(h)

Estimate: \$263.1

1.606 Septic System Repair Credit

Taxpayers required to repair or replace a failed cesspool or septic system pursuant to the provisions of Title V, as promulgated by the Department of Environmental Protection in 1995, are allowed a credit equal to 40% of the design and construction costs incurred (less any subsidy or grant from the Commonwealth), up to a maximum of \$1,500 per tax year and \$6,000 in total. Unused credits may be carried forward for up to five years. Credit is neither transferable nor refundable.

Origin: M.G.L. c. 62, § 6(i)

Estimate: \$7.9

1.607 Low Income Housing Credit

The Low-Income Housing Tax Credit (LIHTC) is administered through the Massachusetts Department of Housing and Community Development (DHCD). The LIHTC is a five- year, non-refundable credit available to corporate excise and personal income taxpayers for (i) the construction or development of new low income housing, (ii) the preservation and improvement of existing state or federally-assisted housing or (iii) the donation of real or personal property to certain non-profit entities for use in purchasing, constructing or rehabilitating a project otherwise eligible for the LIHTC. The amount of credit that Massachusetts taxpayers may claim for a qualified Massachusetts project is allocated by the DHCD and is subject to an annual cap of \$125 million through 2024, and \$50 million thereafter (unless otherwise authorized by DHCD). The LIHTC is not subject to the 50% limitation rule for corporate taxpayers. If the taxpayer disposes of the property generating the LIHTC, a portion of the credit is subject to recapture.

The LIHTC is a transferable, non-refundable, five year credit, which may be carried forward for up to 5 years.

The credit for the donation of property is a non-refundable, single year tax credit for corporate excise and personal income. This credit is generally limited to 50% but may be increased to 65% of the amount of the donation. The credit must be claimed in the year that the qualifying donation is made and credit amounts that exceed the tax due may be carried forward for up to five years. For further information, see TIR 16-15.

See also Corporate item 2.609.

Origin: M.G.L. c. 62, § 6I (a)

Estimate: \$3.5

1.608 Brownfields Credit

Taxpayers are allowed to take a credit for amounts expended to rehabilitate contaminated property owned or leased for business purposes and located within an economically distressed area. The eligibility period for the Brownfields Credit has been lengthened.

Recent legislation extended the Brownfields credit to nonprofit organizations, extended the deadline for incurring eligible costs, and permitted the credit to be transferred, sold, or assigned. As a result of the recent legislation, the environmental response action commencement cut-off date has been extended to August 5, 2018, and the time for incurring eligible costs that qualify for the credit to January 1, 2019. See TIR 13-15 for more information. Most recently, Chapter 99 of the Acts of 2018 extended the deadline for "commencement" to August 5, 2013 and set the period for incurring costs to between

August 1, 1998 and January 1, 2024.

The amount of the credit varies according to the extent of the environmental remedy. If the taxpayer's permanent solution or remedy operation status includes an activity and use limitation, then the amount of the credit is 25% of the net response and removal costs incurred by the taxpayer. However, if there is no activity and use limitation, then the amount of the credit is 50% of the net response and removal costs. Note that although recent legislation made these credits transferable to another taxpayer, they are not refundable. The credit may be carried forward for up to 5 years.

Origin: M.G.L. c. 62, §6 (j)

Estimate: \$5.2

1.609 Refundable State Tax Credit Against Property Taxes for Seniors ("Circuit Breaker")

Seniors are eligible for a tax credit to the extent that their property taxes - or 25% of rent - exceed 10% of their income. Income limits and a cap on the maximum assessed value of the filer's primary residence apply. The maximum credit is also adjusted annually for inflation, see Appendix A.

Income limits and the maximum credit are adjusted for inflation over a 1999 base year; however, chapter 136 of the Acts of 2005 increased the assessed home valuation to \$600,000 and set its base year to 2004. The credits may not be sold or transferred to another taxpayer, but are refundable.

Origin: M.G.L. c. 62, § 6 (k)

Estimate: \$92.7

1.610 Historic Buildings Rehabilitation Credit

To claim this credit, a historic rehabilitation project must be complete and have been certified by the Massachusetts Historical Commission (MHC), which determines the amount of qualifying expenditures. Filers may claim up to 20% of their qualified rehabilitation expenditures.

Unused portions of the credit may be carried forward for up to 5 years and transferred or sold to another taxpayer, but are not refundable. The Historic Rehabilitation Credit (HRC) is not subject to the 50% limitation rule for corporate taxpayers. If the taxpayer disposes of the property generating the HRC, a portion of the credit may be subject to recapture.

The expenditure for this item (combined with the Historic Rehabilitation Credit for corporate income tax filers, item 2.610) was originally capped at \$15 million per year, with a start date for the credit of January 1, 2005 and an end date of December 31, 2009. Chapter 123 of the Acts of 2006 extended the availability of the credit for an additional 2 years, to December 31, 2011. Again, Chapter 131 of the Acts of 2010 extended the availability of the credit for an additional 6 years to December 31, 2017, with an annual cap of \$50 million. Chapter 165 of the Acts of 2014 further extends this credit, including the \$50 million annual limit, for an additional five years to December 31, 2022. Enacted in May, 2018, chapter 99 of the Acts of 2018 increased the annual cap to \$55 million, effective for the taxpayers whose tax year starts from January 1, 2018.

Effective August 13, 2014, MHC is allowed, subject to certain criteria, to transfer HRC awards to taxpayers subject to the personal income tax imposed by G.L.c. 62 that acquire a

qualified historic structure. In the case of a multi-phased project the MHC is allowed to transfer HRC awards for any phase that meets the criteria. Effective August 10, 2016, such transfer is also allowed for taxpayers subject to the corporation excise under G.L. c. 63. See TIR 14-13 and 16-15.

Origin: M.G.L. c. 62, § 6J

Estimate: \$7.0

1.611 Film (or Motion Picture) Credit

See also Corporate item 2.614. Individual income tax filers engaged in the making of a motion picture are allowed two credits:

a) Payroll credit: This is a credit for the employment of persons within the Commonwealth in connection with the filming or production of 1 or more motion pictures in the Commonwealth within any consecutive 12 month period. The credit is equal to 25 percent of the total aggregate payroll paid by a motion picture production company that constitutes Massachusetts source income, when total production costs incurred in the Commonwealth equal or exceed \$50,000 during the taxable year. The term "total aggregate payroll" may not include the salary of any employee whose salary is equal to or greater than \$1 million. Salaries over \$1 million are eligible for the 25% non-payroll production credit (below).

b) Non-payroll production expense credit: Individual income tax filers are also allowed a credit equal to 25 percent of all motion picture related Massachusetts production expenses, not including the payroll expenses used to claim the aforementioned payroll credit. To be eligible for this credit, either Massachusetts motion picture production expenses must exceed 50 percent of the total production expenses for a motion picture or at least 50 percent of the total principal photography days of the film take place in the Commonwealth.

These tax credits are refundable at 90% of the approved credit amounts, or the amount of the tax credit that exceeds the tax due for a taxable year may be carried forward by the taxpayer to any of the 5 subsequent taxable years. Additionally, all or any portion of tax credits issued may be transferred, sold or assigned to other taxpayers with tax liabilities under chapter 62 (the individual income tax) or chapter 63 (the corporate or other business excise taxes). For applications submitted prior to January 1, 2007, film tax credits were capped at \$7 million for any one motion picture production has; for applications submitted on or after January 1, 2007, there is no cap. Also, the sunset date for the film incentives statute has been extended from January 1, 2013 to January 1, 2023. See TIR 07-15 for more information.

Origin: M.G.L. c. 62, § 6 (I);

Estimate: \$2.0

1.613 Medical Device User Fee Credit

Medical device companies that develop or manufacture medical devices in Massachusetts can claim a credit equal to 100% of the user fees paid by them when submitting certain medical device applications and supplements to the United States Food and Drug Administration. The credit is also transferable. For the personal income tax, the credit applies to any qualifying entity organized as a sole proprietorship, partnership, limited liability company, corporate trust or other business where the income is taxed directly. Note that although these credits are transferable to another taxpayer, they are not refundable.



Origin: M.G.L. c. 62, § 6 1/2

Estimate: Negligible

1.614 Dairy Farmers Credit

A taxpayer who holds a certificate of registration as a dairy farmer pursuant to section 16A of chapter 94 may be allowed a refundable income tax credit based on the amount of milk produced and sold. The total cumulative value of the credits authorized pursuant to this section combined with section 38Z of chapter 63, originally \$4 million annually, was increased from \$4 million to \$6 million each year by Ch. 154 (H.B. 4800), Laws 2018, effective July 1, 2018. See corporate item 2.618 for more details. These credits may not be sold or transferred to another taxpayer, but are refundable at 100% of face value.

Origin: M.G.L. c. 62, § 6 (o)

Estimate: \$6.0

1.615 Conservation Land Credit

Filers who donate land for conservation in perpetuity for the use of all citizens of the Commonwealth can receive a credit of up to \$75,000. Approval of the donation is required from the Secretary of the Office of Energy & Environment Affairs.

The credits may not be sold or transferred to another taxpayer, but are refundable. The total credits that may be approved are capped at \$2.0 million annually.

Origin: M.G.L. c. 62, § 6 (p)

Estimate: \$2.0

1.616 Employer Wellness Program Tax Credit

The 2012 Health Care Act establishes an Employer Wellness Program Tax Credit that is effective for tax years beginning on or after January 1, 2013 and is set to expire on December 31, 2017. The Employer Wellness Program Tax Credit was created to provide incentives for business to recognize the benefits of wellness programs with the goal of providing smaller businesses with an expanded opportunity to implement these programs. The credit is available to both chapter 62 and chapter 63 taxpayers (personal income taxpayers and corporate & business excise taxpayers).

The credit is set at 25 percent of the costs associated with implementing a "certified wellness program." The maximum amount of Employer Wellness Program Credits available to a taxpayer is \$10,000 in any tax year. The total amount of Employer Wellness Program Credits authorized by the Department of Public Health is subject to a \$15 million annual cap starting calendar year 2013. The Employer Wellness Program Tax Credit is non-refundable and non-transferrable. However, the portion of the Employer Wellness Program Tax Credit that exceeds the tax for the taxable year may be carried forward and applied against such taxpayer's tax liability in any of the succeeding 5 taxable years.

Origin: St. 2012, c. 224, §§ 41, 41A, 56, 56A, 238, 239, 297, and 298. M.G.L. c. 62, § 6N; M.G.L. c. 63, § 38FF.

Estimate: Negligible

1.617 Community Investment Tax Credit

The 2012 Jobs Act provides a Community Investment Tax Credit that is effective January 1, 2014 and is set to expire on December 31, 2019. However, St. 2018, chapter 99, § 25 extended the sunset date for the credit to year 2025. The credit was created to enable local residents and stakeholders to work with and through community development corporations to partner with nonprofit, public and private entities to improve economic opportunities for low and moderate income households and other residents in urban, rural and suburban communities across the commonwealth. The credit is available to both chapter 62 and chapter 63 taxpayers (personal income taxpayers and corporate & business excise taxpayers).

The Department of Housing and Community Development will administer the credit program by: 1) issuing a certification to a taxpayer after the taxpayer makes a qualified investment; 2) authorizing a dollar amount of credit for a qualified investment; 3) developing regulations and procedures with the Department of Revenue to implement the Community Investment Credit.

The certification will be acceptable as proof that the expenditures related to such investment constitute qualified investments for purposes of the community investment credit. The Community Investment Credit is set at 50 percent of the total qualified investments made by a taxpayer in a "community partner," i.e., a "community development corporation" or a "community support organization," selected by the Department of Housing and Community Development through a competitive process. A qualified investment must be in the form of a cash contribution of at least \$1,000. A taxpayer may invest in more than one community partner, but may not claim more than \$1 million of credits in any single taxable year. A taxpayer must claim the credit in the taxable year in which a qualified investment is made. The total amount of the credit was subject to a \$3 million cap in taxable year 2014, and \$6 million in each year of taxable years 2015 through 2018, \$8 million in each year of taxable years 2019 and 2020, \$10 million in each year of taxable years 2021 and 2022, and \$12 million in each year of taxable years 2023 through 2025. This credit is refundable, but not transferrable and it could be carried over up to five years.

Effective August 10, 2016, the standard for determining whether a recipient of a prior community investment tax credit allocation is eligible for a subsequent allocation has changed. As of that date, a community partner is eligible to receive a subsequent community investment tax credit allocation if the Department of Housing and Community Development determines that the community partner has made a satisfactory progress towards utilizing any prior allocation it has received. Prior to this change, a community partner was required to have utilized at least 95% of its prior allocation to be eligible for a subsequent allocation. For further information, see TIR 16-15.

Origin: St. 2012, c. 238, §§ 29, 30, 35, 36; M.G.L. c. 62, § 6M; M.G.L. c. 63, § 38EE

Estimate: \$5.0

1.618 Farming and Fisheries Income Tax Credit

Personal income taxpayers who are primarily engaged in agriculture, farming or commercial fishing qualify for an investment credit, similar to that available to manufacturing, R&D corporations and corporations primarily engaged in agriculture or commercial fishing. The amount of the credit is 3% of the cost or other basis for federal income tax purposes of qualifying property acquired, constructed or erected during the tax year. Qualifying property is defined as tangible personal property and other tangible

property including buildings and structural components thereof which are located in MA, used solely in farming, agriculture or fishing, and are depreciable with a useful life of at least 4 years. The same credit is allowed to lessees, calculated as follows: 3% of a lessor's adjusted basis in qualifying property for federal income tax purposes at the beginning of the lease term, multiplied by a fraction, the numerator of which is the number of days of the tax year during which the lessee leases the qualifying property and the denominator of which is the number of days in the useful life of the property. Where the lessee is eligible for the credit, the lessor is generally not eligible, with the exception of "equine-based businesses where care and boarding of horses is a function of the agricultural activity". There is also a recapture provision, i.e., if the property on which a credit is taken is disposed of or ceases to be in qualified use prior to the end of its useful life, the difference between the credit taken and allowed for actual use must be added back as additional taxes due in the year of disposition, unless the property has been in qualified use for more than 12 years. This credit is effective for tax years beginning on or after January 1, 2015.

Origin: Section 50 of St. 2014, c. 287, establishing M.G.L. c. 62, § 6 (s).

Estimate: \$0.9

#### 1.619 Certified Housing Development Tax Credit

Certified Housing Development Program provides a credit for certain qualified rehabilitation expenditures with respect to a certified housing development projects created by adding subsection (q) to G.L. c. 62, § 6 and section 38BB to G.L. c. 63. The credit may be up to 10% of the cost of "qualified substantial rehabilitation expenditures" of the market rate units within the projects as defined in G.L. c. 40V, § 1.

While the original cap on annual credits was \$5 million, this has been increased to \$10 million for the period January 1, 2015 to December 31, 2023 for the amount of credit that may be awarded under the program in a calendar year. Before 2017, the cap is part of an over-all \$25 million (\$30 million for 2015 and 2016) cap imposed on the Economic Development Incentive Program (EDIP) credit authorized pursuant to G.L. c. 62 § 6(g) and c. 63, 38N.

Effective January 1, 2017, the certified housing development tax credit is available for 25% of "qualified project expenditures" instead of 10% of "qualified substantial rehabilitation expenditures." The carry forward period for which the credit can be used is changed from 5 to 10 years. In addition, the annual cap is no longer a part of the overall annual cap imposed on the EDIP. For further information, see TIR 16-15.

Origin: St. 2010, c. 240; M.G.L. c. 40V; G.L. c. 62, § 6(q).

Estimate: \$1.0

#### 1.620 Veteran's Hire Tax Credit

A credit is available to businesses that hire veterans who live and work in Massachusetts. The credit is equal to \$2,000 for each qualified veteran hired. The business must employ fewer than 100 employees; be certified by the Commissioner of Veteran's Services; and qualify for and claim the federal Work Opportunity Credit allowed under I.R.C. § 51. A business may be eligible for a second credit for the next taxable year if the veteran continues to work for the business. The credit cannot be transferred or refunded. Any amount of credit that exceeds the tax due in the current taxable year may be carried forward to any of the three subsequent taxable years. The credit is available for qualified veterans hired after July 1, 2017. See TIR 17-10.

Origin: M.G.L. c. 62, § 6(u)

Estimate: \$0.5

1.621      **Apprentice Tax Credit**

St. 2018, c. 228, an Act relative to economic development in the Commonwealth established the Apprentice credit for individual and corporate taxpayers. The credit is awarded to employees, who are registered with the an apprenticeship program and enter into an apprentice agreement with an employer. Employers that claim the credit in a taxable year will be eligible for an additional credit in the following year.

The credit is equal to the lesser of \$4,800 or 50% of the wages paid to the apprentice. The total cumulative amount of credits authorized annually is \$2.5 million. The credit is refundable and nontransferable. The credit applies to the taxpayers whose tax year starts from January 1, 2019.

Origin: M.G.L. c. 62, § 6(v)

Estimate: \$1.3

<b>KEY</b>	<b>ORIGIN</b>	
	<b>IRC</b>	Federal Internal Revenue Code (26 U.S.C.)
	<b>U.S.C</b>	United States Code
	<b>M.G.L.</b>	Massachusetts General Laws
	<b>Rev. Rul.; C.B.</b>	Revenue Ruling; Cumulative Bulletin of the U.S. Treasury
	<b>ESTIMATES</b>	All estimates are in \$ millions.

<sup>1</sup> 1 This item and others citing this endnote cover employee fringe benefits. We accept as standard the following treatment of these benefits: the expense incurred by the employer in providing the benefit is properly deductible as a business expense and the benefit is taxed as compensation to the employee as if the employee had received taxable compensation and then used it to purchase the benefit. Of course, there are problems with this analysis. In some cases, the "benefit" is more a condition of employment than a true benefit. For example, a teacher required to have lunch in the school cafeteria may prefer to eat elsewhere even if the school lunch is free. On the other hand, in many cases the provision of tax-free employee benefits is clearly a substitution for taxable compensation.

<sup>2</sup> 2 This item and others citing this endnote cover contributory pension plans. The standard tax treatment of these plans is as follows:

Component	Standard Treatment
Contributions:	Made out of income that is currently taxed to employees.
Investment Income:	Taxed to the employee as "earned" income.
Distributions from Pension Funds:	Tax-free to the extent they are made out of dollars previously taxed to the employees as contributions or investment income.

The non-standard treatment of contributions, investment income, or distributions as described in items 1.006, 1.101, 1.104, 1.402, and 1.427, results in either nontaxation or deferrals of tax.

<sup>3</sup> 3 FY21 estimates for the basic personal exemptions and the no-tax status discussed in the introduction to the personal income tax are (in millions of dollars):

Personal exemption for single taxpayers: \$370

Personal exemption for married couples: \$596

Personal exemption for married taxpayers filing separately: \$17

Dependents exemption:\$88

Personal exemption for heads of households: \$115

Limited income credits: \$11

No tax status: \$14

## ***Introduction - Corporate Excise Tax***

Beginning in Fiscal Year 2013, the corporate section of the Tax Expenditure Budget includes other business excises along with the corporate excise. These additional business excise taxes are the financial institution excise, the public utility excise which was repealed effective January 1, 2014, the excises on insurance companies, and the excise on security corporations. The financial institution excise is structured similarly to the corporate excise. It begins with federal net income with certain Massachusetts modifications, proceeds to additional Massachusetts deductions, applies the appropriate apportionment percentage, applies the appropriate tax rate to compute the excise due before credits and applies credits to reach the final excise due. The revenue estimates for the items in the list will now reflect their use by financial institutions. Note that most of the expenditure items are unavailable to insurance companies as these companies are not taxed on net income. However, insurance companies can apply certain credits to reduce their excises. Credits available to insurance companies are so indicated within the item descriptions and the revenue estimates for these credits will reflect their use.

In Fiscal Year 2020, revenues from the corporate excise and the other business excises mentioned above represented 10.0% of total Department of Revenue tax collections. Together these taxes ranked third in Fiscal Year 2020 in terms of total taxes collected, after the individual income tax and the sales and use tax.

### **Corporate Excise: Short History and Basic Structure**

The corporate excise was enacted in 1919, replacing a corporate franchise tax, which was levied on the value of capital stock. Initially, the corporate excise was imposed on corporate excess and on net income.

In 1962, the corporate excess measure was repealed. The corporate excise tax is now levied on tangible property or net worth (depending on the mix of property held by the corporation) and on net income.

#### **Tax Base:**

Most business corporations are subject to tax under the corporate excise which has three components: an income measure, a non-income measure, and a minimum excise.

The income measure of the tax is based on net income for federal tax purposes with certain additions, such as interest earned on state obligations, and certain deductions, most of which are allowable under the provisions of the Internal Revenue Code. Many of the deductions are considered to be part of the basic structure. For example, in providing for depreciation deductions, the basic structure would allow the cost of property to be written-off evenly over its useful life (so-called "straight-line depreciation"). However, rules that allow accelerated depreciation deductions are listed as tax expenditures.

Under the non-income measure, corporations with qualifying tangible assets in Massachusetts that equal or exceed 10% of their qualifying total assets in Massachusetts (apportioned according to their income apportionment percentages) are taxed on the values of their tangible properties. Other corporations are taxed on a net worth basis.

The minimum excise is \$456.

**Taxable Unit:** A corporation is a taxpayer separate and distinct from its shareholders.

**Rate Structure:** Overall, the rates have declined since January 2010. See Appendix A for further details. However, the minimum excise remains unchanged at \$456. The current (tax year 2020) excise rate on C-corporations is 8.00% of net income apportioned to Massachusetts, and \$2.60 per \$1,000 of

the value of Massachusetts tangible property (as determined to be taxable under § 30(7)) or net worth allocable to Massachusetts (as determined to be taxable under § 30(8) - (9)). The tax rate on S-corporations is 3.00% for companies with total receipts greater than \$9 million, and 2.00% for companies with total receipts between \$6 million and \$9 million. The tax rate on tangible property or net worth is the same as for C-corporations.

**Taxable Period and Net Operating Loss Carry-forward:** The taxable periods for corporations are diverse and can be chosen by each tax filer. Estimated payments are made every three months during the taxable period. Net operating loss (NOL) carry-forwards are allowed for future deductions. Before January 2010, qualifying losses could be carried forward up to five years. However, there was a statutory expansion of the general NOL carry-forward period from 5 to 20 years for business corporations. Refer to Appendix A of the FY2016 tax expenditure budget report for details.

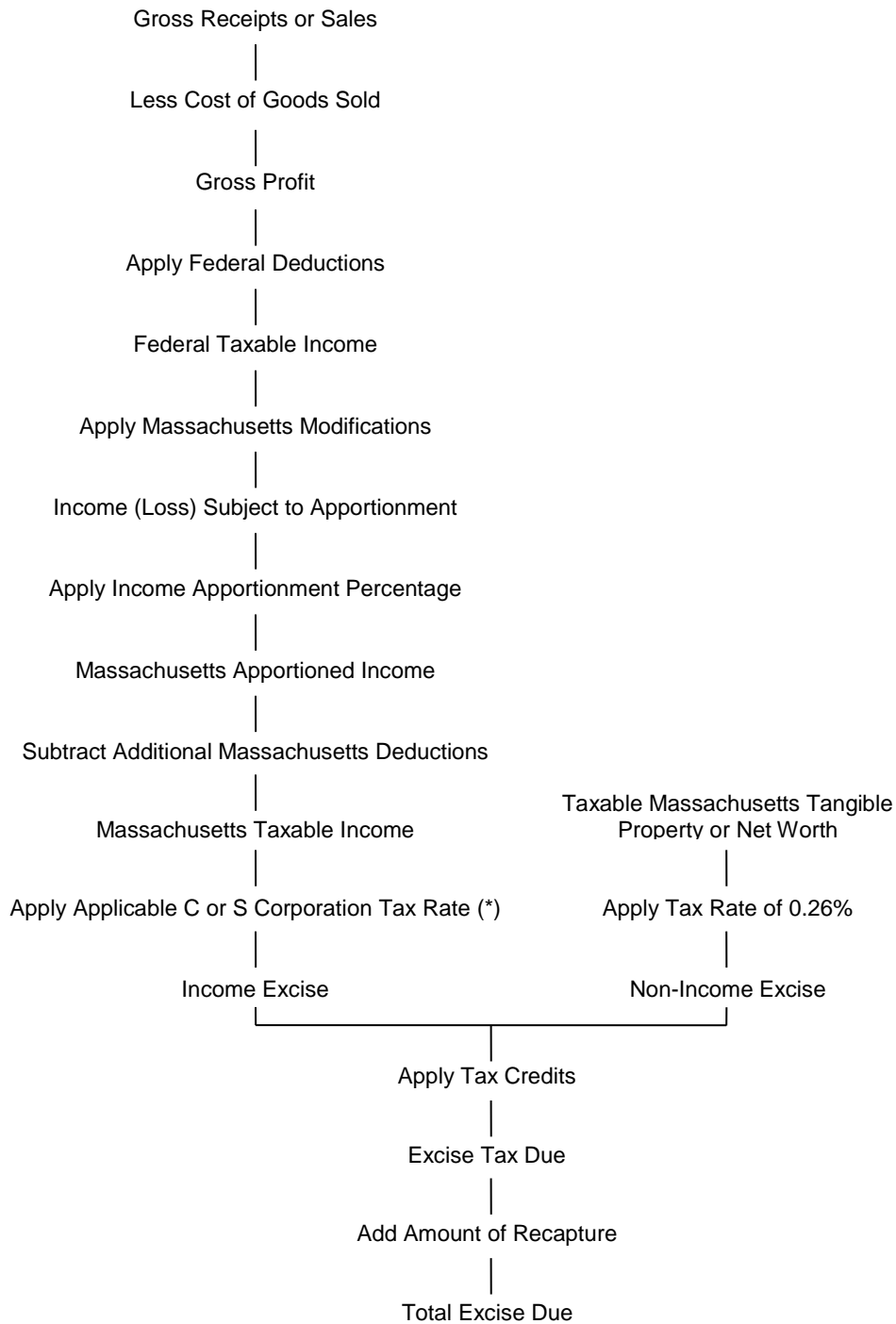
**Interstate and International Aspects:** All domestic and foreign corporations with nexus in Massachusetts are subject to the corporate excise. Corporations are required to apportion their net incomes if they have incomes from business activity that is taxable in another jurisdiction using a formula based on the proportions of corporate real and tangible property, payroll, and sales that are located in Massachusetts. Under certain circumstances, taxpayers may petition for, or the Commissioner may impose, alternative methods of accounting to reflect more fairly a taxpayer's income from business operations in Massachusetts.

**Combined Reporting:** Since January 1, 2009, Massachusetts has required certain businesses engaged in a unitary business to calculate their income on a combined basis. A corporation is subject to this requirement if it is subject to a tax on its income under Massachusetts General Laws (M.G.L). c. 63, §2, §2B, §32D, §39 or §52A and it is engaged in a unitary business with one or more other corporations under common control, whether or not the other corporations are taxable in Massachusetts. Those certain businesses can be general corporations, financial institutions, or public utilities. Note that combined reporting does not apply to the non-income measure of corporate excise.

### **The Other Business Excises**

The other business excises possess some different features from the corporate excise. First, many of the financial institutions still do not qualify for combined reporting, and no insurance companies are subject to combined reporting. Second, these businesses are not allowed to take net operating loss deductions. Third, financial institutions weigh the three apportionment factors (sales, payroll, property) equally. Fourth, the main tax base of insurance companies is the insurance premiums those companies have charged. Fifth, some credits such as the investment tax credit are not applicable to these businesses. There are some additional differences. For further details, refer to the applicable tax return forms. The basic structures of the excises for these businesses are described in the diagrams that follow.

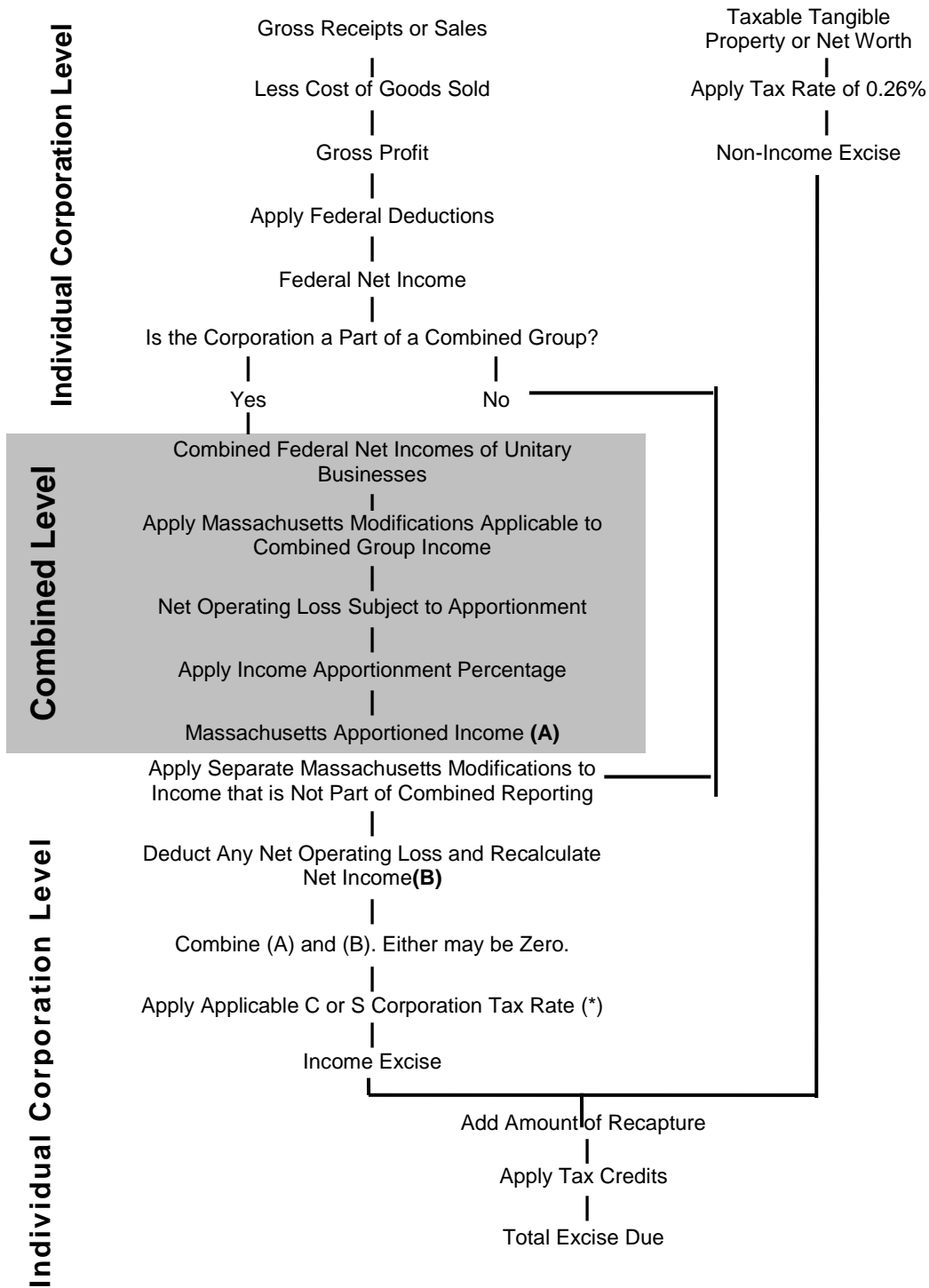
**Computation of Massachusetts Corporate Excise under Non-Combined Reporting**



\* See Appendix A for Further Details.



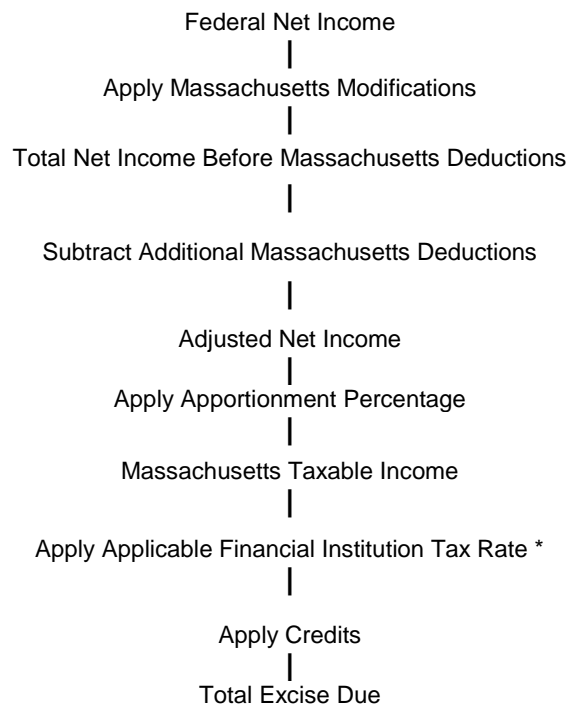
Computation of Massachusetts Corporate Excise under Combined Reporting



(\*) See Appendix A for further details. Except for non-income excise, this diagram applies to all combined filers.

**Computation of the Financial Institution Excise (Non-Combined Reporting)**

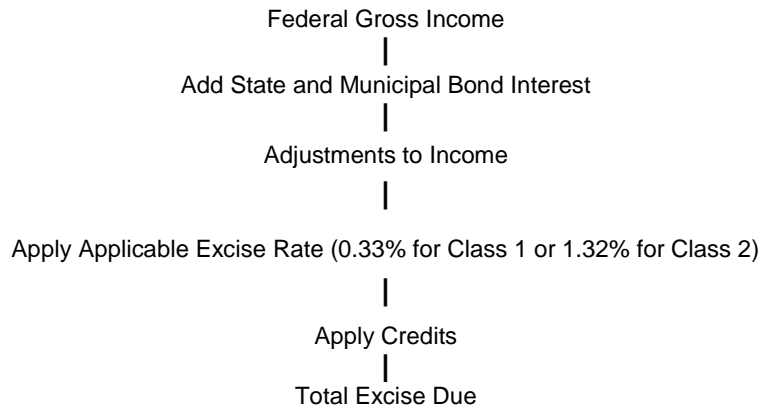
**Financial Institution Excise**



\* See Appendix A for Details.

**Computation of the Security Corporation Excise**

**Security Corporation Excise**



Summary of 2019 Tax Forms for Insurance Companies

Tax Form	Type of Company	Foreign or Domestic	Base of Tax	Tax Rate	Retaliatory Tax Provision
63-20P	Life Insurance	Domestic	Taxable life, accident and health insurance premiums, net value of policies	2% on life and acc./health ins. premiums	N/A
	Life Insurance	Foreign	Taxable life insurance premiums attributable to Massachusetts, accident and health insurance premiums	2% on all premiums	Yes
63-23P	Insurance Companies, except Life Insurance or Ocean Marine	Domestic	Taxable (non-life) insurance premiums and gross investment income	2.28% on premiums; then: 1%, 0.8%, 0.6%, 0.4%, 0.2% or 0.0% on investment income	N/A
	Insurance Companies, except Life Insurance or Ocean Marine	Foreign	Taxable premiums for insurance of property or interests attributable to Massachusetts	2.28%	Yes
	Preferred Providers (Accident and Health Insurers, Nonprofit Hospitals, HMO's, and other nonprofit medical, optometric or dental companies)	Domestic and Foreign	Gross premiums for coverage of persons who reside in Massachusetts	2.28%	N/A

## Types of Tax Expenditures

As with the personal income tax, the basic structure of the corporate excise tax is subject to several different types of modifications that can produce tax expenditures.

**Exclusions from Gross Income:** Gross income is the starting point in the calculation of the income component of the corporate excise. In the absence of tax expenditures, it would include all income received from all sources. Items of income that are excluded from gross income escape taxation permanently.

**Deferrals of Gross Income:** Where an item of income is not included in gross income in the year when it is actually received, but is instead included in a later year, the result is a tax expenditure in the form of an interest-free loan from the state to the taxpayer in the amount of the tax payment that is postponed.

**Deductions from Gross Income:** Certain amounts are subtracted from gross income to arrive at taxable income. Many of these deducted amounts reflect the costs of producing income (business expenses) and are not included in the corporate income measure of excise; such deductions are not tax expenditures. Other deductions, which do not reflect business expenses, but permit income to escape taxation permanently, do constitute tax expenditures.

**Accelerated Deductions from Gross Income:** In a number of cases, corporations are allowed to deduct business expenses from gross income at a time earlier than such expenses would ordinarily be recognized under accepted accounting principles. The total amount of the permissible deduction is not increased but it can be utilized more quickly to reduce taxable income. The result is to defer taxes, thus in effect occasioning an interest-free loan from the state to the taxpayer.

**Adjustments to Apportionment Formula:** In the case of a business that earns income both inside and outside the Commonwealth, an apportionment formula is used to determine what portion of the total business income to allocate to Massachusetts for the calculation of corporate excise. When the standard formula is adjusted to reduce the apportionment ratios for certain businesses, tax expenditures result. The practical effect is to exclude certain portions of those business incomes from taxation.

**Exclusions from Property Component:** In addition to the excise based on income, corporations pay the excise tax based on the value of their property in the state. To the extent that certain classes of property are not included in the excise's property measure, tax expenditures result.

**Credits against Tax:** After a corporation has computed its basic tax liability, it may subtract certain credit amounts in determining the actual amount of taxes due. It is important to note that, whereas one-dollar exclusion or deduction results in tax savings of only a few cents (one dollar times the applicable tax rate), one-dollar credit generally results in one-dollar tax saving.

**Entity Exempt from Taxation:** In some cases, a business or other entity may be completely exempt from taxation. To the extent businesses or investment incomes go untaxed, tax expenditures result.



## List of Corporate and Other Business Excise Expenditures

### 2.000 EXCLUSIONS FROM GROSS INCOME

#### 2.001 Small Business Corporations

In general, corporations organized under, or subject to, Chapters 156, 156A, 156B, 156C, 156D or 180 of Massachusetts General Laws (M.G.L.) or that have privileges, powers, rights or immunities not possessed by individuals or partnerships are subject to the corporate excise. Most corporations have an income tax component of their excise. For those corporations, their income is taxed at a rate of between 8% and 9%. Dividends distributed to Massachusetts residents are also subject to the personal income tax rate of 5%.

Certain corporations with no more than 100 shareholders may elect to be taxed, for both federal and state tax purposes, as "S corporations." Under federal law, most S corporation income is passed through and taxed only as personal income to shareholders, and is not taxable at the entity level. Only limited categories of income are subject to an entity-level tax federally.

For Massachusetts purposes generally, S corporation income is not subject to an entity-level tax, except as follows: 1) those limited categories of income that are subject to an entity-level tax federally are also taxable in Massachusetts at the full corporate rate; and 2) the income of an S corporation with receipts of \$6 million or more is subject to tax at reduced corporate rates.

As of 2020, S corporations with total receipts of at least \$6 million but less than \$9 million are subject to a corporate excise of 2.00% of net income for non-financial institutions and 2.67% for financial institutions. An S corporation with total receipts of \$9 million or more is subject to an excise of 3.00% of net income for non-financial institutions and 4.00% for financial institutions.

The difference between the manner in which income is taxed to an ordinary business corporation (including its shareholders) and an S corporation and its shareholders constitutes a tax expenditure. Massachusetts first adopted this treatment of S corporations in 1986.

Origin: IRC, §§ 1361-1363; M.G.L. c. 62, § 17A; M.G.L. c. 63, §32D

Estimate: \$161.3

#### 2.002 Exemption of Income from the Sale, Lease or Transfer of Certain Patents

Exemption of income from the sale or transfer of certain patents, or from the production of royalty or other income from property subject to such patents, for a period of five years. The patents must be issued to or applied for by a Massachusetts resident or a Massachusetts corporation, support energy conservation or alternative energy, and be approved by the commissioner of energy resources.

Origin: M.G.L. c. 63, § 30.3

Estimate: \$0.0

**2.100 DEFERRALS OF GROSS INCOME**

**2.101 Deferral of Tax on Certain Shipping Companies**

Certain companies with merchant marine capital construction funds receive up to a 25-year deferral of tax on that portion of their taxable income, which is set aside for construction, modernization, and major repair of ships. The federal provision also imposes rules where the taxpayer makes a qualified withdrawal (basis adjustment) or unqualified withdrawal (inclusion in income).

Origin: IRC § 7518(c), (g)(5); M.G.L. c. 63, § 30.3

Estimate: \$0.8

**2.102 Deferral of Gain Invested in Qualified Opportunity Zones**

The TCJA added Code Subchapter Z, §§ 1400Z-1 and 1400Z-2, effective December 22, 2017. Under Subchapter Z, Taxpayers may elect to defer gain from the sale or exchange of property to an unrelated party by reinvesting that gain within 180 days of the sale or exchange in a "qualified opportunity fund," which is defined as an investment vehicle organized as a corporation or partnership for the purpose of investing in "qualified opportunity zones." The Code defines qualified opportunity zones as population census tracts that are low income communities nominated by a state governor and designated by the U.S. Treasury as qualified opportunity zones. The deferred federal gain must be included in income upon the earlier of (i) the tax year in which the taxpayer's investment in the qualified opportunity fund is sold or exchanged, and (ii) tax year 2026, if the taxpayer's investment in the qualified opportunity fund is not sold or exchanged by December 31, 2026. In either case, the amount of gain includable in the taxpayer's federal gross income is the excess of: the amount of gain excluded or the fair market value of the investment in the qualified opportunity fund, whichever is less, over the taxpayer's federal basis in the investment. For Massachusetts corporate excise purposes, the gain will be similarly determined. See TIR 19-7 for more information.

Origin: IRC § 1400Z-1, 2

Estimate: \$9.4

**2.200 DEDUCTIONS FROM GROSS INCOME**

**2.201 Charitable Contributions and Gifts Deduction**

In calculating net income, corporations may deduct charitable donations up to 10% of taxable income computed without the deduction. The Tax Cuts and Jobs Act (TCJA; enacted December 22, 2017) changed the limitation and the charitable deduction is no longer allowed for contributions to a college or university in exchange for athletic event seating rights. There is a carryover of excess contributions available for 5 succeeding taxable years.

Origin: IRC § 170

Estimate: \$34.8

**2.203 Net Operating Loss (NOL) Carry-Forward**

The net operating loss (NOL) deduction is a current-year deduction for losses sustained in



prior years. Losses incurred in years a corporation is not subject to the corporate excise in Massachusetts are not allowed to be carried forward. While the Internal Revenue Code provides a federal deduction for NOLs, Massachusetts does not conform to those rules; rather the General Laws provide for a specific Massachusetts deduction.

The deduction was enacted in 1988. Prior to 2010, NOLs incurred by Massachusetts corporate excise filers could be carried forward for not more than 5 years, and could not be carried back. Losses incurred in taxable years beginning on or after January 1, 2010 can be carried forward for 20 years, and cannot be carried back.

Origin: IRC § 172; M.G.L. c. 63, § 30.5

Estimate: \$194.0

2.204 Excess Natural Resource Depletion Allowance

Taxpayers in extractive industries (mining or drilling for natural resources) may deduct a percentage of gross mining income as a depletion allowance ("percentage depletion") even if the cost basis of the property has been reduced to zero. The deduction may not exceed 50% (in some cases, 100%) of taxable income from the property. In the case of oil and gas, percentage depletion is available only to domestic oil and gas sold by "independent producers" (nonintegrated companies). The excess of the deduction, which is available using the percentage of gross income method of depletion over a depletion deduction based on cost, is a tax expenditure.

Origin: IRC §§ 613, 613A; M.G.L. c. 63, § 30.3

Estimate: \$2.5

2.205 Deduction for Certain Dividends of Cooperatives

Farmers' cooperatives and certain corporations acting as cooperatives may deduct patronage dividends and other amounts from gross incomes. Cooperatives meeting certain requirements may deduct dividends on capital stocks and certain payments to patrons such as investment incomes. Under generally accepted rules for taxing corporations, the corporations cannot deduct dividends paid to shareholders.

Origin: IRC §§ 1381-1383

Estimate: N.A.

2.206 Deduction for Renovation of Abandoned Buildings as Part of Certified Project

Businesses renovating eligible buildings that are part of a project certified by the Economic Assistance Coordinating Council (EACC) may deduct 10% of the costs of renovation from gross incomes. This deduction may be in addition to any other deduction for which the cost of renovation may qualify. To be eligible for this deduction, renovation costs must be related to buildings designated as abandoned by the EACC. Previously, the deduction was available only for improvements to abandoned buildings located in Economic Opportunity Areas (EOA), as designated by the EACC. However, in 2016, the legislature enacted "An Act Relative To Job Creation And Workforce Development", which eliminated the EOA requirement, and inserted the requirement that the EACC needs to only certify a project. These changes are effective for tax years beginning on or after January 1, 2019.

Origin: M.G.L. c. 63, §380

Estimate: Negligible

**2.300 ACCELERATED DEDUCTIONS FROM GROSS INCOME**

**2.301 Modified Accelerated Cost Recovery System on Rental Housing**

Landlords and investors in rental housing may use accelerated methods of depreciation for new and used rental housing. Straight-line depreciation over the property's expected useful life is the generally accepted method for recovering cost, which is close to economic depreciation. However, through the past decades, systems which adopt accelerated depreciation methods have been introduced. The current system is MACRS (Modified Accelerated Cost Recovery System) which was enacted in 1986. This system further accelerated the rate of recovery of depreciation than under ACRS (Accelerated Cost Recovery System) which was enacted in 1981. Differences between MACRS and ACRS are 1) deductions from the 150% declining balance method to 200-percent declining balance; 2) certain assets were reclassified and the number of asset classes (80) was increased; and 3) the recovery period for residential rental property was extended to 27.5 years and for nonresidential real property to 39 years. For details, refer to the document, Background and Present Law Relating to Cost Recovery and Domestic Production Activities, which was published by the Joint Committee on Taxation in their homepage on March 6th, 2012.

The excess of allowable depreciation over economic depreciation constitutes a tax expenditure, resulting in a deferral of tax or an interest-free loan.

The Tax Cuts and Jobs Act (TCJA) provides that an electing real property trade or business must use the alternative depreciation system for its residential or nonresidential real property. The alternative depreciation system period for nonresidential real property remains 40 years, while the period for residential real property is now 30 years.

Origin: IRC § 168

Estimate: \$6.4

**2.303 Expenditures to Remove Architectural and Transportation Barriers to the Handicapped and Elderly**

Taxpayers may elect to deduct up to \$15,000 of the costs of removing architectural or transportation barriers to the handicapped in the year these costs are incurred. The immediate deduction of these expenditures, which would otherwise have to be capitalized and depreciated over a longer period, constitutes a tax expenditure, resulting in a deferral of tax or an interest-free loan.

Origin: IRC § 190; M.G.L. c. 63, § 30.4

Estimate: \$0.4

**2.304 Election to Deduct and Amortize Business Start-up Costs**

Taxpayers who pay or incur business start-up costs and who subsequently enter the trade or business can elect to expense to the lesser of the amount of start-up expenditures with respect to the active trade or business or \$5,000 of the costs. The \$5,000 deduction amount is reduced dollar for dollar when the start-up expenses exceed \$50,000. The

balance of start-up expenses, if any, is amortized over a period of 180 months, starting with the month in which the business begins. The election must be made no later than the date (including extensions) for filing the return for the tax year in which the business begins or is acquired. A taxpayer is deemed to have made an election to deduct and amortize start-up expenses for the tax year in which the active trade or business to which the expenses relate begins. A taxpayer who does not make the election must capitalize the expenses.

Origin: IRC § 195

Estimate: \$0.8

### 2.305 Modified Accelerated Cost Recovery System for Equipment

For depreciable tangible personal property placed in service after 1980, capital costs may be recovered using the Accelerated Cost Recovery System (ACRS), which applies accelerated methods of depreciation over set recovery periods. For property placed in service after 1987, Massachusetts has adopted the Modified Accelerated Cost Recovery System (MACRS), which consists of General Depreciation System (GDS) and Alternative Depreciation System (ADS). GDS generally uses accelerated depreciation, while ADS uses straight-line depreciation. The accelerated depreciation is double declining balance depreciation over specified periods that are substantially shorter than actual useful lives (200% declining balance for 3-, 5-, 7- and 10-year recovery property and 150% declining balance for 15- and 20-year property). The excess of accelerated depreciation over straight-line depreciation constitutes a tax expenditure, resulting in a deferral of tax or an interest-free loan.

According to the Tax Cuts and Jobs Act (TCJA), the General Depreciation System period for farming equipment and machinery placed into service after December 31, 2017 changed from 7 years to 5 years. In addition, such equipment may also be depreciated using the 200% declining balance method. Previously, such equipment had to be depreciated using the 150% declining balance method. In addition, the TCJA added a new property classification of assets, qualified improvement property ("QIP"), defined under Code § 168(e)(6)(A), that generally includes interior, non-structural improvements to nonresidential buildings placed-in-service after the buildings were originally placed-in-service. Qualifying nonresidential buildings include, but are not limited to, hospitals, banks, manufacturing facilities, casinos, hotels, and offices. Under the TCJA QIP's depreciable life was 39 years.

The CARES Act assigned QIP a 15-year depreciable life under GDS, and a 20-year depreciable life under ADS. Prior to the CARES Act, the depreciable life of QIP was 39 years. The changes apply to any QIP placed in service after December 31, 2017. Rev. Proc. 2020-25, released on April 17, 2020 outlines the options available to taxpayers to correct their treatment of QIP placed in service in a tax year ending in 2018, 2019, or 2020.

For the past decade, the federal government has allowed "bonus depreciation" which further accelerates depreciation for assets placed in service in certain years. However, Massachusetts is decoupled from it. For further discussion, see TIR 03-25.

Origin: IRC § 168

Estimate: \$229.2

### 2.306 Expense Deduction for Excess First-Year Business Assets

Taxpayers may elect to expense certain business assets purchased during the taxable

year. The Tax Cuts and Jobs Act (TCJA) increased the benefits, making changes to IRC sec. 179. For tax year 2018, Massachusetts follows the increased federal amounts provided by IRC sec. 179. The total deduction cannot exceed \$1 million; for taxpayers whose investment in eligible assets exceeds \$2.5 million in the year, the \$1 million ceiling is reduced by \$1 for each dollar of investment above \$2.5 million. Any amount of the deduction that exceeds net income may be carried forward or may be depreciated according to MACRS as described in item 2.305. The annual deduction of \$1 million and the \$2.5 million limitation for 2018 will be indexed to inflation.

In addition, there were also changes to IRC § 179 to allow improvements to the interior of any nonresidential real property, as well as roofs, heating, ventilation, and air-conditioning property, fire protection and alarm systems, and security systems installed on such property to qualify for expensing. The exclusion from expensing for tangible personal property used in connection with lodging facilities (such as residential rental property) has also been eliminated.

The immediate deduction constitutes a tax expenditure, resulting in a deferral of tax or an interest-free loan.

Origin: IRC § 179

Estimate: \$7.4

**2.307 Modified Accelerated Depreciation on Buildings (other than Rental Housing)**

Construction may be depreciated under methods which produce faster depreciation than economic depreciation. The precise rules have been changed repeatedly in recent years by revisions of the federal tax code. For structures (other than housing) placed in service after May 13, 1993, federal law requires straight-line depreciation over a 39 year life. The excess of accelerated depreciation over straight-line depreciation is a tax expenditure. For a more detailed description of accelerated depreciation, see the description for item 2.301.

The TCJA provides that an electing real property trade or business must use the alternative depreciation system for its residential or nonresidential real property. The alternative depreciation system period for nonresidential real property remains 40 years, while the period for residential real property is now 30 years.

Origin: IRC § 168

Estimate: \$1.6

**2.308 Expensing Research and Development Expenditures in One Year**

Taxpayers may elect to treat research or experimental expenditures incurred in connection with a trade or business as currently deductible expenses, and not chargeable to their capital account. Under generally accepted accounting principles, at least some of these expenses would otherwise be treated as capital expenditures and depreciated or amortized over a period of years. The current deduction constitutes a tax expenditure, resulting in a deferral of tax similar to an interest-free loan

Origin: IRC § 174

Estimate: \$22.2

**2.309 Expensing Exploration and Development Costs**

Certain capital costs incurred in bringing a known mineral deposit into production are deductible in the year incurred. A portion of domestic mining exploration costs can also be expensed, although they will be recaptured if the mine reaches the production stage. Certain intangible drilling and development costs of domestic oil, gas, and geothermal wells are deductible when made, but to a certain extent may be recaptured upon disposition of oil, gas, or geothermal property to which they are properly chargeable. The immediate expensing of these costs, which would otherwise be capitalized and recovered through depreciation or through depletion as the natural resource is removed from the ground, results in a deferral of tax or an interest-free loan.

Origin: IRC §§ 193, 263(c), 616, 617; M.G.L. c. 63, § 30.4.

Estimate: \$0.2

**2.311 Five-Year Amortization of Pollution Control Facilities**

Taxpayers may elect to amortize the cost of a certified pollution control facility over a five-year period, allowing for accelerated recovery of these costs. Accelerated recovery is only available for pollution control facilities subsequently added to plants that were in operation before 1976. The excess of accelerated recovery over depreciation deductions otherwise allowable results in a deferral of tax or an interest-free loan.

Origin: IRC § 169

Estimate: \$1.3

**2.312 Expensing of Alternative Energy Units**

In determining net income, a corporation may elect to take an immediate deduction for expenditures made for certain solar or wind powered systems or units located in Massachusetts and used exclusively in the business, in lieu of all other deductions and credits including the deduction for depreciation. Without this provision, such expenditures would have to be capitalized and depreciated. The immediate deduction results in a deferral of tax or an interest-free loan.

Origin: M.G.L. c. 63, § 38H

Estimate: Not Active

**2.313 Seven-Year Amortization for Reforestation**

Taxpayers may elect to amortize reforestation costs for qualified timber property over a seven-year period. In the absence of this special provision, these costs would be capitalized and depreciated over a longer period or recovered when the timber is sold. The accelerated cost recovery results in a deferral of tax or an interest-free loan.

Origin: IRC § 194

Estimate: \$0.2

**2.400 ADJUSTMENTS TO APPORTIONMENT FORMULA**

**2.401 Unequal Weighting of Sales, Payroll, and Property in the Apportionment Formula**

Apportionment formulas are used throughout the country to determine the share of a multistate corporation's income that an individual state may tax. Corporations with a presence in Massachusetts and other states generally apportion income to the Commonwealth using a three-factor apportionment formula. A corporation's sales, payroll, and property in Massachusetts are compared to those outside Massachusetts.

**Double-Weighted Sales**

An apportionment calculation that counted the sales factor twice (so-called "double-weighted sales") was adopted for most business corporations beginning with taxable years ending on or after December 31, 1976. Exporters with property and payroll in Massachusetts tend to benefit from an apportionment formula that weights sales more heavily than the other factors. On the other hand, businesses located outside of the state with a large volume of sales into Massachusetts are hurt by double-weighted sales. On balance, double-weighted sales is an expenditure.

**Single-Sales Factor**

Certain corporations are permitted to apportion their income using only the corporation's sales factor (so-called "single-sales factor").

Eligible defense corporations have apportioned using a single-sales factor formula since 1996. Single-sales factor was extended to other qualified manufacturers effective January 1, 2000. Effective July 1, 1997, corporations that perform services for mutual funds are allowed to apportion their income to Massachusetts based solely on the percentage of sales to Massachusetts residents.

As is the case with double-weighted sales, not all corporations that apportion using single-sales factor benefit from the rule, in particular those that are located outside of Massachusetts. However, on balance single-sales factor is an expenditure.

Origin: M.G.L. c. 63, § 38 (c), (k), (l), (m)

Estimate: \$418.1

**2.500 EXCLUSIONS FROM PROPERTY COMPONENT**

**2.501 Nontaxation of Certain Energy Property**

Tangible property qualifying for the deduction for expenditures for alternative energy described in item 2.312 is not subject to taxation under the tangible property measure of the corporate excise.

Origin: M.G.L. c. 63, § 38H(f)

Estimate: Not Active

**2.502 Exemption for Property Subject to Local Taxation**

Under M.G.L. c. 63, § 39, all business corporations organized or doing business in Massachusetts are required to pay the corporate excise "for the enjoyment under the protection of the laws of the commonwealth, of the powers, rights, privileges and immunities derived by reason of its existence and operation." The corporate excise is comprised of a net income measure and a non-income measure based on the value of a corporation's property or net worth, depending upon the type of corporation. In calculating

the non-income measure, a taxpayer may exclude property subject to local taxation from the value of the business corporation. M.G.L. c. 59, § 5, paragraph sixteen, identifies what property of a business corporation is exempt from local taxation. Generally, the state taxes only the machinery of manufacturing corporations, but it exempts business real estate and tangible personal property. For purposes of estimating revenue loss from this tax expenditure, the state's rate on property (non-income measure), \$2.60 per \$1,000, has been applied. The incentive to exempt property subject to local taxation from the value of the property/net worth measure was enacted in 1962.

Origin: M.G.L. c. 63, § 30(7)

Estimate: \$301.6

**2.600 CREDITS AGAINST TAX**

**2.602 Investment Credit**

Manufacturing corporations and corporations engaged primarily in research and development, agriculture or commercial fishing are allowed to take an investment tax credit (ITC) of 3% (for tax years ending before January 1, 1993 the rate was 1%) of the cost of qualifying tangible property. Both owners and eligible corporate lessees of property may claim the ITC. Qualifying property includes tangible personal property, real property including buildings and build-outs. It does not include motor vehicles. The property must be depreciable under Code § 167 and have a useful life of four years or more, and it must be used in Massachusetts and situated in Massachusetts on the last day of the taxable year. The maximum amount of ITC allowed in any one taxable year cannot exceed fifty percent of the excise due for the taxable year. The credit is neither transferable nor refundable. A corporation that does not use the full amount of ITC generated in a taxable year because the credit exceeded its excise for the taxable year may carry over the credit, as reduced from year to year, for three years. Any portion of ITC not used in a taxable year because of the fifty percent limitation may be carried over, as reduced from year to year, indefinitely. A portion of the credit is subject to a recapture tax if the qualifying property sold or otherwise transferred before the end of its useful life, unless the property was in qualified use for more than twelve years.

The incentive was enacted on July 1, 1971, and applied to qualifying tangible property acquired, constructed, reconstructed, or erected after December 31, 1969.

Origin: M.G.L. c. 63, § 31A (i), (j)

Estimate: \$77.1

**2.603 Vanpool Credit**

Domestic and foreign corporations are allowed a credit of 30% of the cost incurred during the taxable year for the purchase or lease of company shuttle vans used in the Commonwealth as part of an employer-sponsored ridesharing program. The shuttle vans must be used for transporting employees to and from the workplace. This credit is neither transferable nor refundable, and cannot be carried forward.

Origin: M.G.L. c. 63, § 31E

Estimate: Negligible

2.604 Research Credit

Massachusetts provides corporations a credit for increased spending in research and development. The credit is available only for expenditures for research activity conducted in Massachusetts. The Massachusetts research credit, in large part, is based on the research credit allowed under Internal Revenue Code (Code) § 41. In particular, the alternative simplified method for calculating the credit is model after the federal alternative simplified method.

There are two methods for calculating the Massachusetts research credit. Under one method, the amount of the credit is equal to: 10% of the difference between the current year's Massachusetts qualified research expenses and a "base amount" plus 15% of the Massachusetts basic research payments for the taxable year as determined under Code § 41(e)(1)(A). The actual computation of the credit under this method can be complex. Pursuant to legislation enacted in 2014, a taxpayer can now elect to determine its credit using the so-called "alternative simplified method." This method is based on the federal simplified method which was enacted in 2006. Using this method, the amount of the credit is equal to a percentage of the difference between the corporation's qualified research expenses for the current taxable year and 50% of the corporation's average qualified research expenses for the 3 taxable years preceding the taxable year for which the credit is being determined. The percentage used to calculate the credit under the alternate simplified method is being phased in over a 7-year period. For calendar years 2015, 2016 and 2017, a rate of 5 percent was used to calculate the credit under the alternative simplified method, for calendar years 2018, 2019 and 2020, that rate was 7.5 percent and for calendar years beginning on or after January 1, 2021, the rate is 10 percent.

Regardless of which method the corporation uses to determine the credit amount to which it is entitled for a taxable year, the amount of research credit that can be used in a taxable year, regardless of how much credit is generated, is limited to 100 per cent of a corporation's first \$25,000 of excise, plus 75 per cent of the corporation's excise in excess of \$25,000. The \$25,000 amount has to be shared by members of affiliated groups of corporations. Credit not used because of the limitations generally can be carried over for 15 years before it expires. In certain instances the credit can be carried forward indefinitely.

The research credit is not transferable and generally is not refundable. However, a certified Life Science Company may be awarded an incentive allowing it to receive a refund of a portion of its available excess research credits in lieu of carrying such credits forward for use in later years. The incentive was enacted in January 1, 1991, pursuant to Chapter 138 of the Acts of 1991 § 130. The incentive itself is not set to expire.

Origin: M.G.L. c. 63, § 38M

Estimate: \$477.6

2.605 Economic Development Incentive Program Credit

Under the Economic Development Incentive Program (EDIP), the Economic Assistance Coordination Council (EACC) may award tax credits to taxpayers that participate in a "certified project" (as defined in G.L. c. 23A, §§ 3A and 3F). The amount of credit allowed in each case is determined by the EACC based on numerous factors set forth in G.L. c. 23A, § 3D, including the number of jobs expected to be created, the amount of capital to be invested, and the net new economic benefit expected to be created. The EACC may designate the credit as refundable for any certified project, subject to a limitation that the EACC may not award more than \$5 million in refundable credits per year.



The maximum amount of credit used by a taxpayer in any taxable year may not exceed the taxpayer's excise for the taxable year. The EACC is authorized to eliminate or limit carry-over of the credit. The EDIP credits used in a calendar year are subject to an annual cap of \$30 million. Recapture is required if the EACC revokes a business project certification.

The credit is not transferable; however, if a certified project is sold or otherwise disposed of, the credit allowed may be transferred to the purchaser of the certified project, provided that the EDIP contract is assigned to and assumed by the purchaser and approved in writing by the EACC.

When it was first enacted in 1993, the credit was for a fixed 5 percent of the costs of qualifying tangible property, and the project had to be located in a designated "economic opportunity area". In 2010, the statute was amended to increase the percentage to "up to 10 percent" and "up to a refundable forty percent" in some cases, eliminate the "economic opportunity area" requirement and impose an annual cap of \$25 million. As of 2017, the credit is whatever amount is awarded by the EACC as part of the certification process.

Origin: M.G.L. c. 63, § 38N

Estimate: \$16.0

2.606 Credit for Employing Former Full-Employment Program Participants

Employers who continue to employ former participants of the §110(1) full employment program in non-subsidized positions are eligible to receive a tax credit equal to \$100 per month for each month of non-subsidized employment, up to a maximum of \$1,200 per employee, per year. For further discussion, see 830 CMR 118.1.

Origin: St. 1995, c. 5, § 110(m)

Estimate: Not Active

2.607 Harbor Maintenance Credit

Domestic and foreign corporations are allowed to take a credit against the corporate excise for certain harbor maintenance taxes paid to the U.S. Customs Service pursuant to IRC sec. 4461. A corporation is eligible for the credit if the tax paid is attributable to the shipment of break-bulk or containerized cargo by sea and ocean-going vessels through a Massachusetts harbor facility. The credit is not subject to the 50% limitation; however, it may not reduce the tax liability to less than the minimum excise of \$456. The credit may be carried forward for up to 5 years, but is neither refundable nor transferable.

The incentive was enacted on August 9th, 1996, applicable to qualified harbor maintenance tax paid on or after July 1st, 1996.

Origin: M.G.L. c. 63, § 38P

Estimate: \$1.5

2.608 Brownfields Credit

Taxpayers are allowed to claim a credit for amounts expended to remediate contaminated property owned or leased for business purposes and located within an economically distressed area.

The Brownfields credit may be claimed by a business corporation that commences and diligently pursues an environmental response action and achieves and maintains a permanent solution or remedy operation status in compliance with chapter 21E. Taxpayers may sell, transfer, or assign the credit. Under prior law, net response and removal costs incurred by a taxpayer between August 1, 1998 and January 1, 2019, were eligible for the credit provided that the environmental response action commenced before August 5, 2018. Chapter 99 of the Acts of 2018 changed the date by which the environmental response action must be commenced to August 5, 2023, and the time for incurring eligible costs that qualify for the credit to January 1, 2024.

The credit may be carried forward for up to 5 years. The amount of the credit varies according to the extent of the environmental remedy. If the taxpayer's permanent solution or remedy operation status includes an activity and use limitation, then the amount of the credit is 25% of the net response and removal costs incurred by the taxpayer. However, if there is no activity and use limitation, then the amount of the credit is 50% of the net response and removal costs.

Origin: M.G.L. c. 63, § 38Q

Estimate: \$26.7

2.609 Low Income Housing Credit

The Low-Income Housing Tax Credit (LIHTC) is administered through the Massachusetts Department of Housing and Community Development (DHCD). The LIHTC is a five-year, non-refundable credit available to corporate excise and personal income taxpayers for (i) the construction or development of new low income housing, (ii) the preservation and improvement of existing state or federally-assisted housing or (iii) the donation of real or personal property to certain non-profit entities for use in purchasing, constructing or rehabilitating a project otherwise eligible for the LIHTC. The amount of credit that Massachusetts taxpayers may claim for a qualified Massachusetts project is allocated by the DHCD and is subject to an annual cap of \$125 million through 2024, and \$50 million thereafter (unless otherwise authorized by DHCD). The LIHTC is not subject to the 50% limitation rule for corporate taxpayers. If the taxpayer disposes of the property generating the LIHTC, a portion of the credit is subject to recapture.

The LIHTC is a transferable, non-refundable, five year credit, which may be carried forward for up to 5 years.

The credit for the donation of property is a non-refundable, single year tax credit for corporate excise and personal income. This credit is generally limited to 50% but may be increased to 65% of the amount of the donation. The credit must be claimed in the year that the qualifying donation is made and credit amounts that exceed the tax due may be carried forward for up to five years. For further information, see TIR 16-15.

Origin: St. 2018, c. 228; M.G.L. c. 63, § 31H

Estimate: \$115.0

2.610 Historic Buildings Rehabilitation Credit

To claim historic rehabilitation tax credit ("HRTC"), a historic rehabilitation project must be complete and have been certified by the Massachusetts Historical Commission (MHC), which determines the amount of qualifying expenditures. Filers may claim up to 20% of their qualified rehabilitation expenditures.

Unused portions of the HRTC may be carried forward for up to 5 years and transferred or sold to another taxpayer, but are not refundable. Additionally, HRTC awards generally may be transferred. The HRTC is not subject to the 50% limitation rule for corporate taxpayers. If the taxpayer disposes of the property generating the HRC, a portion of the credit may be subject to recapture.

The expenditure for this item (combined with the Historic Rehabilitation Credit for personal income tax filers, item 1.610) was originally capped at \$15 million per year, with a start date for the credit of January 1, 2005 and an end date of December 31, 2009. Chapter 123 of the Acts of 2006 extended the availability of the credit for an additional 2 years, to December 31, 2011. Again, Chapter 131 of the Acts of 2010 extended the availability of the credit for an additional 6 years to December 31, 2017, with an annual cap of \$50 million. Chapter 165 of the Acts of 2014 further extends this credit, including the \$50 million annual limit, for an additional five years to December 31, 2022.

Effective August 13, 2014, MHC is allowed, subject to certain criteria, to transfer HRC awards to taxpayers subject to the personal income tax imposed by G.L.c. 62 that acquire a qualified historic structure. In the case of a multi-phased project the MHC is allowed to transfer HRC awards for any phase that meets the criteria. Effective August 10, 2016, such transfer is also allowed for taxpayers subject to the corporation excise under G.L. c. 63. See TIR 14-13 and 16-15.

Enacted in May, 2018, chapter 99 of the Acts of 2018 increased the annual cap to \$55 million, which is effective January 1, 2018.

Origin: M.G.L. c. 63, § 38R

Estimate: \$52.5

#### 2.614 Film (or Motion Picture) Credit

While often referred to as a singular "Life Science credit," Massachusetts offers an array of life sciences tax incentives for the life sciences industry, which consist of multiple tax credits, a corporate excise deduction, and a sales and use tax exemption. The original tax incentives enacted in "An Act Providing for the Investment in and Expansion of the Life Sciences Industry in the Commonwealth," (St. 2008, c. 130), include the following tax credits: the Life Sciences FDA User Fees Tax Credit, the Life Sciences Refundable Investment Tax Credit, and the Life Sciences Research Tax Credit (and also a modified version of the standard Research Tax Credit); as well as a corporate excise deduction allowing for the deduction of qualified clinical expenses for certain drugs that would not be fully deductible otherwise, and a sales and use tax exemption for materials used to construct a life sciences facility. Effective January 1, 2011, the Life Sciences Refundable Jobs Tax Credit was added to this program (St. 2011, c. 58, §§ 65, 70). Most recently, the Angel Investor Tax Credit was added to the ambit of life sciences tax incentives (St. 2016, c. 219, § 139).

While most of the tax credits are available to life sciences companies subject to either the personal income tax or the corporate excise, the Life Sciences Research Tax Credit and the modified version of the standard Research Tax Credit are available only to life sciences companies subject to a corporate excise, and the Angel Investor Tax Credit is only available to personal income taxpayers. Additional information about the scope of the life sciences tax incentives is provided in greater detail in the "Costs" section below.

The Life Sciences Tax Incentive Program is administered by the Massachusetts Life

Sciences Center (MLSC). The MLSC is charged with reviewing and, as appropriate, approving applications from life sciences companies, which certifies them as eligible for various life sciences tax incentives. The life sciences tax incentives are available only to certified life sciences companies to the extent authorized by the MLSC. Prior to receiving any life sciences tax incentives, a company must be certified by the MLSC. To become a certified life sciences company, the company must apply to the MLSC by a date set by the MLSC. The company must be registered to do business in Massachusetts, maintain at least 10 full-time employees as of the end of the previous calendar year, and be in good standing with the Secretary of the Commonwealth and the Massachusetts Department of Revenue.

In evaluating an applicant, the MLSC considers certain criteria, such as whether the applicant has shown it has the ability to create and retain jobs for five years, as well as general considerations including a wide geographic distribution of life sciences operations in Massachusetts, a wide distribution of life sciences technologies and industries supported by the MLSC, and diversity among businesses at different stages of product development and commercialization. The MLSC particularly encourages companies from outside Greater Boston to apply.

All of the life sciences tax incentives provided to a life sciences company are subject to recapture if the life sciences company's certification is revoked by the MLSC.

Origin: M.G.L. c. 63, § 38X

Estimate: \$78.0

2.615 Medical Device User Fee Credit

Medical device companies subject to tax under either the personal income tax under M.G.L. c. 62 or a corporate excise under M.G.L. c. 63, and which develop or manufacture medical devices in Massachusetts can claim a transferable credit equal to 100% of the user fees paid by them when submitting certain medical device applications and supplements to the FDA. The credit may not be carried forward to subsequent tax years and is not refundable. However, unused portions of the credit may be transferred, and the transferee may carry over the credit, but must use it within 5 years.

This particular tax expenditure was enacted on July 8, 2006, making the incentive applicable from tax years beginning on or after January 1, 2006. St. 2006, c. 144, 145.

Origin: M.G.L. c. 63, § 31L

Estimate: \$0.5

2.617 Life Sciences Tax Incentive Program

While often referred to as a singular "Life Science credit," Massachusetts offers an array of life sciences tax incentives for the life sciences industry, which consist of multiple tax credits, a corporate excise deduction, and a sales and use tax exemption. The original tax incentives enacted in "An Act Providing for the Investment in and Expansion of the Life Sciences Industry in the Commonwealth," (St. 2008, c. 130), include the following tax credits: the Life Sciences FDA User Fees Tax Credit, the Life Sciences Refundable Investment Tax Credit, and the Life Sciences Research Tax Credit (and also a modified version of the standard Research Tax Credit); as well as a corporate excise deduction allowing for the deduction of qualified clinical expenses for certain drugs that would not be fully deductible otherwise, and a sales and use tax exemption for materials used to

construct a life sciences facility. Effective January 1, 2011, the Life Sciences Refundable Jobs Tax Credit was added to this program (St. 2011, c. 58, §§ 65, 70). Most recently, the Angel Investor Tax Credit was added to the ambit of life sciences tax incentives (St. 2016, c. 219, § 139).

While most of the tax credits are available to life sciences companies subject to either the personal income tax or the corporate excise, the Life Sciences Research Tax Credit and the modified version of the standard Research Tax Credit are available only to life sciences companies subject to a corporate excise, and the Angel Investor Tax Credit is only available to personal income taxpayers. Additional information about the scope of the life sciences tax incentives is provided in greater detail in the "Costs" section below.

The Life Sciences Tax Incentive Program is administered by the Massachusetts Life Sciences Center (MLSC). The MLSC is charged with reviewing and, as appropriate, approving applications from life sciences companies, which certifies them as eligible for various life sciences tax incentives. The life sciences tax incentives are available only to certified life sciences companies to the extent authorized by the MLSC. Prior to receiving any life sciences tax incentives, a company must be certified by the MLSC. To become a certified life sciences company, the company must apply to the MLSC by a date set by the MLSC. The company must be registered to do business in Massachusetts, maintain at least 10 full-time employees as of the end of the previous calendar year, and be in good standing with the Secretary of the Commonwealth and the Massachusetts Department of Revenue.

In evaluating an applicant, the MLSC considers certain criteria, such as whether the applicant has shown it has the ability to create and retain jobs for five years, as well as general considerations including a wide geographic distribution of life sciences operations in Massachusetts, a wide distribution of life sciences technologies and industries supported by the MLSC, and diversity among businesses at different stages of product development and commercialization. The MLSC particularly encourages companies from outside Greater Boston to apply.

All of the life sciences tax incentives provided to a life sciences company are subject to recapture if the life sciences company's certification is revoked by the MLSC.

Origin: M.G.L. c. 62, §§ 6(m), (n), and (r) and M.G.L. c. 63, §§ 31M, 38M(k), 38U, 38W and 38CC

Estimate: \$19.6

## 2.618 Dairy Farmers Credit

The Massachusetts dairy farmer tax credit was established to offset the cyclical downturns in milk prices paid to dairy farmers and is based on the U.S. Federal Milk Marketing Order for the applicable market, such that when the U.S. Federal Milk Marketing Order price drops below a trigger price anytime during the taxable year the taxpayer will be entitled to the tax credit. The total cumulative value of the credits authorized pursuant to this section combined with section 6(o) of chapter 62 of the General Laws shall not exceed \$6 million annually. The Chapter 154 of the Acts of 2018 increased the cap from \$4 million.

A taxpayer who holds a certificate of registration as a dairy farmer pursuant to M.G.L. Ch. 94, sec. 16A is allowed to take a refundable tax credit based on the amount of milk produced and sold. These credits may not be sold or transferred to another taxpayer, but are refundable at 100% of face value.

Origin: M.G.L. c. 63, § 38Z

Estimate: \$0.0

2.619 Conservation Land Credit

A tax credit is allowed for qualified donations of certified land to a public or private conservation agency. The credit is equal to 50% of the fair market value of the qualified donation. The amount of the credit that may be claimed by a taxpayer for each qualified donation cannot exceed \$75,000. Approval of the donation is required from the Secretary of the Office of Energy & Environment Affairs. The credits may not be sold or transferred to another taxpayer, but are refundable. The total credits that may be approved are capped at \$2.0 million annually for the combined amount from personal income tax filers and chapter 63 taxpayers.

Origin: M.G.L. c. 63, § 38AA

Estimate: \$0.0

2.620 Employer Wellness Program Credit

The 2012 Health Care Act established an Employer Wellness Program Tax Credit effective for tax years beginning on or after January 1, 2013 and which expired on December 31, 2017. The tax credit was created to provide incentives for business to recognize the benefits of wellness programs with the goal of providing smaller businesses with an expanded opportunity to implement these programs. The credit, available to both personal income taxpayers and corporate & business excise taxpayers, was set at 25 percent of the costs associated with implementing a "certified wellness program." The maximum amount of credits available to a taxpayer was \$10,000 in any tax year. The credit was neither refundable nor transferrable. However, the portion of the tax credit that exceeded the tax for the taxable year was allowed to be carried forward and applied against the taxpayer's tax liability in any of the succeeding 5 taxable years. The Department of Public Health has promulgated a regulation, 105 CMR 216.000, entitled Massachusetts Wellness Tax Credit Incentive, which set forth criteria for authorizing and certifying the credit.

This credit has expired and is no longer available to employers for taxable years beginning after December 31, 2017. However, certain unused credits previously granted to personal income or corporate excise taxpayers remain available to be claimed against their tax liability incurred during tax years up until the period beginning on January 1, 2023.

Origin: St. 2012, c. 224, §§ 41, 41A, 56, 56A, 238, 239, 297, and 298; M.G.L. c. 62, § 6N; M.G.L. c. 63, § 38FF.

Estimate: \$0.1

2.621 Community Investment Credit

A tax credit is allowed for qualified investments made by a taxpayer to a "community partner," i.e., a "community development corporation" or a "community support organization," selected by the Department of Housing and Community Development through a competitive process, or a community investment fund. The credit is equal to 50% of the total qualified investment made by the taxpayer for the taxable year. No credit will be allowed to a taxpayer that makes a qualified investment of less than \$1,000. A taxpayer must claim the credit in the taxable year in which a qualified investment is made. The credit is refundable, or alternatively may be carried forward by the taxpayer for 5 years. The credit

is not transferable. The total cumulative value of all credits authorized pursuant to M.G.L. c. 62 § 6M and M.G.L. c. 63, § 38EE cannot \$3 million in taxable year 2014, \$6 million in each year of taxable years 2015 through 2018, \$8 million in each year of taxable years 2019 and 2020, \$10 million in each year of taxable years 2021 and 2022, and \$12 million in each year of taxable years 2023 through 2025.

Origin: St. 2012, c. 238, §§ 29, 30, 35, 36 ; M.G.L. c. 62, § 6M; M.G.L. c. 63, § 38EE ; St. 2018, c. 99, §§ 21, 25

Estimate: \$5.0

**2.622 Certified Housing Development Credit**

Certified Housing Development Program provides a credit for certain qualified rehabilitation expenditures with respect to a certified housing development projects created by adding subsection (q) to G.L. c. 62, § 6 and section 38BB to G.L. c. 63. The credit may be up to 10% of the cost of "qualified substantial rehabilitation expenditures" of the market rate units within the projects as defined in G.L. c. 40V, § 1.

There is a \$5 million (\$10 million from January 1, 2015 to December 31, 2023) cap on the amount of credit that may be awarded under the program in a calendar year. Before 2017, the cap is part of an over-all \$25 million (\$30 million for 2015 and 2016) cap imposed on the Economic Development Incentive Program (EDIP) credit authorized pursuant to G.L. c. 62 § 6(g) and c. 63, 38N.

Effective January 1, 2017, the certified housing development tax credit is available for 25% of "qualified project expenditures" instead of 10% of "qualified substantial rehabilitation expenditures." The carry forward period for which the credit can be used is changed from 5 to 10 years. In addition, the annual cap is no longer a part of the overall annual cap imposed on the EDIP. For further information, see TIR 16-15.

Origin: Origin: St. 2010, c. 240; M.G.L. c. 40V; M.G.L. c. 63, § 38BB

Estimate: \$9.0

**2.623 Veteran's Hire Credit**

Certain employers that hire "qualified veterans" who live and work in Massachusetts may be eligible to claim a tax credit equal to \$2,000 for each qualified veteran hired. In order to be eligible for the credit, the employer must (i) employ less than 100 employees; (ii) be certified by the commissioner of veteran's services; and (iii) qualify for and claim the Work Opportunity Credit allowed under I.R.C. § 51, as amended and in effect for the taxable year.

In order to claim the credit, the primary place of employment and the primary residence of the qualified veteran must be in Massachusetts. An employer must obtain certification that the veteran is a qualified veteran from the Department of Career Services (or any successor agency), no later than the employee's first day of work.

An employer that is eligible for and claims the credit allowed under this subsection in a taxable year, with respect to a qualified veteran employee, will be eligible for a second credit equal to \$2,000 in the subsequent taxable year, subject to certification of the veteran employee's continued employment during the subsequent taxable year.

The credit is non-transferable and non-refundable. However, any excess amount of credit over the tax due may be carried forward up to 3 subsequent taxable years. The total cumulative value of the credits authorized must not exceed \$1,000,000 annually. The credit

is available for qualified veterans hired after July 1, 2017 for tax years beginning on or after January 1, 2017. See TIR 17-10 for additional details.

Origin: Origin: St. 2017, c. 47; M.G.L. c. 63, § 38GG

Estimate: \$0.5

2.624      **Apprentice Credit**

"An Act relative to economic development in the commonwealth" (St. 2018, c. 228) established the apprentice credit for individual and corporate taxpayers for tax years beginning on or after January 1, 2019. The credit is awarded to employers, who are (i) registered with the division of apprentice standards as apprenticeship program sponsors and (ii) enter into an apprentice agreement with each apprentice for whom the credit is claimed. Employers that claim the credit in a taxable year will be eligible for an additional credit in the following year if they continue to employ the apprentice during the subsequent year.

The credit is equal to the lesser of \$4,800 or 50% of the wages paid to the apprentice for each apprentice. The total cumulative amount of credits authorized annually is \$2.5 million. The credit is refundable and nontransferable.

Origin: St. 2018, c. 228; M.G.L. c. 63, § 38HH

Estimate: \$1.3

**2.700      ENTITY EXEMPT FROM TAXATION**

2.701      **Exemption of Credit Union Income**

Credit unions, which are member owned financial cooperatives, are considered tax-exempt organizations for both federal and state income tax purposes and therefore are generally exempt from the income measure of the corporate excise. However, like other nonprofit entities, unrelated business income of credit unions is subject to the income measure of the corporate excise.

In 1909, the enactment of the Massachusetts Credit Union Act (Chapter 419 of the Acts of 1909) authorized the creation of Massachusetts chartered credit unions as tax exempt entities. In 1934, the enactment of the Federal Credit Union Act, 12 USC § 1751, et seq., authorized the creation of federally chartered credit unions, which are exempt from federal income tax pursuant to 26 USC § 501(c)(14)(a). The Massachusetts Credit Union Act was significantly overhauled in 1990, pursuant to Chapter 79 of the Acts of 1990. However, this overhaul had no effect on the taxability of credit unions.

Origin: IRC §501(c)(14)(A); M.G.L. c. 63, § 30

Estimate: \$26.8

2.702      **Tax-Exempt Organizations**

Corporations considered to be tax-exempt under section 501 of the Internal Revenue Code (such as religious, scientific and educational organizations) are taxable under the corporate excise only on their unrelated business taxable income as defined in section 512 of the Code. They are not taxable on other income and are not subject to the non-income



measure or to the minimum excise. This creates a tax expenditure..

Origin: IRC § 501; M.G.L. c. 63, § 30; M.G.L. c. 63, § 39

Estimate: N.A.

2.703 Exemption for Regulated Investment Companies

Regulated Investment Companies are exempt from the corporate excise. This item constitutes a tax expenditure in Massachusetts, though it is not considered a tax expenditure at the federal level.

Origin: M.G.L. c. 63, § 68C(8)

Estimate: N.A.

**KEY**

**ORIGIN**

**IRC**

Federal Internal Revenue Code (26 U.S.C.)

**M.G.L.**

Massachusetts General Laws

**U.S.C**

United States Code

**ESTIMATES**

All estimates are in \$ millions.

## ***Introduction - Sales Tax***

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Massachusetts imposes a sales and use tax on retail sales. In addition to the sales and use tax, there are several separate excises, each limited to a particular type of commodity. These special excises have not been included in this tax expenditure budget.

The Massachusetts sales and use tax, first imposed in 1966, was levied at a rate of 5%. Effective on and after August 1, 2009, the rate was changed from 5% to 6.25%. The sales tax applies to sales made within the state, and the use tax to property and services purchased outside of Massachusetts but intended for use within the state.

Revenue from the sales and use tax represented 23.1% of total Department of Revenue tax collections for Fiscal Year 2020 and was the second largest source of tax revenue after the income tax.

### **Sales and Use Tax: Basic Structure**

**Tax Base:** For the purposes of this tax expenditure budget, we have chosen not to make any assumptions about the base of the Massachusetts sales and use tax. Some people take a narrow view of what a retail sale is, limiting the term to sales to final consumers, i.e., individuals. Others would include sales to businesses, especially in instances where the purchase will not become an ingredient or component in a product to be sold. In an effort to acknowledge both theories, we will simply list the various exemptions under the sales tax. Some or many of these exemptions could be properly excluded from the tax base depending upon one's point of view.

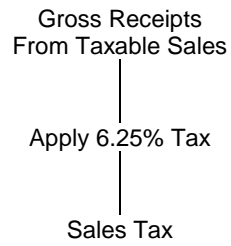
**Taxable Unit:** The sales and use tax is levied on the property or service to be sold or used.

**Rate Structure:** The sales and use tax rate is 6.25% of the price.

**Taxable Period:** Except for sales of motor vehicles, in which the tax is imposed and paid by the purchaser to the Registry of Motor Vehicles, the tax is imposed at the time of sale and remitted at specified intervals by the vendor. The use tax is paid directly to the Department of Revenue by the user of the item and may be paid annually or more often (typically monthly).

**Interstate and International Aspects:** Massachusetts applies the destination principle to international and interstate sales. Accordingly, exports are exempt, and imports are taxable under the sales and use tax. Statutory exemptions for exports of property and for services used outside of the Commonwealth are therefore not listed as tax expenditures.

**Computation of Massachusetts Sales and Use Tax by Vendor\***



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A purchaser is also responsible for paying use tax directly to the Commonwealth on the sales price of taxable property or services purchased out-of-state and stored, used, or otherwise consumed in the Commonwealth, provided that a sales and use tax of 6.25% or more has not been paid separately to another state.

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## **Types of Tax Expenditures under the Sales and Use Tax**

In the case of the sales and use tax, all tax expenditures are of a single type. They all result from the exclusion of certain transactions from the taxable base. The exclusion can be based on any of a number of characteristics of the transaction - who the buyer is, who the seller is, what the product or service is, what the product or service will be used for, etc. - but structurally all such tax expenditures operate in the same way. Hence, we have omitted the designation of tax expenditure types from the descriptions in this section.





## List of Sales and Use Tax Expenditures

### 3.000 EXEMPT ENTITIES

#### 3.001 Exemption for Sales to the Federal Government

Sales to the federal government are exempt from sales tax.

Origin: M.G.L. c. 64H, § 6(d)

Estimate: N.A.

#### 3.002 Exemption for Sales to the Commonwealth

Sales to the Commonwealth, its agencies and political subdivisions are exempt from sales tax.

Origin: M.G.L. c. 64H, § 6(d)

Estimate: N.A.

#### 3.003 Exemption for Sales to Tax-Exempt Organizations

Non-profit organizations are exempt from sales tax on purchases of goods and services to be used in carrying out their tax-exempt purposes.

Comment: This estimate excludes sales of building materials and supplies used in construction contracts, which are covered under item 3.412.

Origin: M.G.L. c. 64H, § 6(e) and (x)

Estimate: \$568.4

#### 3.004 Exemption for Sales of Tangible Personal Property to Motion Picture Production Companies

Sales of tangible personal property to a qualifying motion picture production company or to an accredited film school student for the production expenses related to a school film project are exempt from the sales tax.

Origin: M.G.L. c. 64H, § 6(ww)

Estimate: \$0.3

#### 3.005 Exemption for Sales of Certain Tangible Personal Property Purchased for a Certified Life Sciences Company

Sales of tangible personal property purchased for a certified life sciences company, to the extent authorized pursuant to the life sciences tax incentive program, for use in connection with the construction, alteration, remodeling, repair or remediation of research, development or manufacturing facilities and utility support systems, are exempt from sales tax.

Origin: M.G.L. c. 64H, § 6(xx)

Estimate: \$0.4

**3.100 EXEMPT PRODUCTS/SERVICES**

**3.101 Exemption for Food**

Food for human consumption is exempt from sales tax, including food purchased with federal food stamps. The exemption does not cover meals served in restaurants and similar establishments. Meals are taxed under the sales tax at a rate of 6.25%.

Origin: M.G.L. c. 64H, § 6(h) and (kk)

Estimate: \$899.0

**3.102 Exemption for Certain Food and Beverages Sold in Restaurants**

Although generally food and beverages sold in restaurants are taxed, there are certain exceptions. These are: a) food sold by weight, measure, count, or in unopened original containers or packages (for example, milk, meat, bread); b) beverages in unopened original containers which have a capacity of at least 26 fluid ounces; and c) bakery products sold in units of six or more.

Origin: M.G.L. c. 64H, § 6(h)

Estimate: N.A.

**3.103 Exemption for Clothing**

Sales of clothing or footwear up to \$175 per item are exempt from sales tax. The exemption does not include special clothing or footwear designed for athletic or protective uses and not normally worn except for these uses.

Origin: M.G.L. c. 64H, § 6(k)

Estimate: \$350.0

**3.104 Exemption for Medical and Dental Supplies and Devices**

Medical and dental supplies and devices, such as prescription drugs, oxygen, blood, artificial limbs and eyeglasses, are exempt from sales tax.

Comment: This estimate includes new estimate of \$7.0 million of medical marijuana for FY20, FY21, and FY22.

Origin: M.G.L. c. 64H, § 6(l) and (z)

Estimate: \$629.0

**3.105 Exemption for Water**

Sales and service of water are exempt from sales tax.

Comment: This estimate excludes sales of bottled water, which are included under item 3.101.



Origin: M.G.L. c. 64H, § 6(i)

Estimate: \$62.8

3.106 Exemption for Newspapers and Magazines

Newspapers and magazines are exempt from sales tax.

Origin: M.G.L. c. 64H, § 6(m)

Estimate: \$21.4

3.107 Exemption for the American Flag

The American flag is exempt from sales tax.

Origin: M.G.L. c. 64H, § 6(w)

Estimate: N.A.

3.108 Exemption for Certain Precious Metals

Sales valued at \$1,000 or more of the following precious metals are exempt from the sales tax: rare coins of numismatic value; gold or silver bullion or coins; and gold or silver tender of any nation which is traded and sold according to its value as precious metal. Fabricated precious metals that have been processed or manufactured for industrial, professional, or artistic use do not qualify for the exemption.

Origin: M.G.L. c. 64H, § 6(ll)

Estimate: N.A.

3.109 Exemption for Cement Mixers

Concrete mixing units mounted on the back of trucks are exempt from sales tax. Spare parts for such units are also exempt. The truck chassis is subject to sales tax.

Origin: M.G.L. c. 64H, § 6(y)

Estimate: N.A.

3.112 Exemption for Aircraft & Aircraft Parts

Airplanes, helicopters, balloons and other aircraft are exempt from sales tax. Also exempt are parts used exclusively for the repair of aircraft.

Origin: M.G.L. c. 64H, § 6(uu) and (vv)

Estimate: \$23.7

3.113 Exemption for Breast Pumps

Physician-prescribed, medically necessary breast pumps are exempt from sales tax.

Origin: M.G.L. c. 64H, § 6(l)

Estimate: included in 3.104

**3.200 EXEMPT, TAXED UNDER ANOTHER EXCISE**

**3.201 Exemption for Alcoholic Beverages**

Exemption for Alcoholic Beverages

Alcoholic beverages, except those sold as part of a meal, were exempt from sales tax through July 31, 2009. Effective August 1, 2009, this exemption was repealed. However, as the result of a referendum question on the November 2, 2010 ballot, this exemption was reinstated, effective for sales on or after January 1, 2011. Alcoholic beverages are also subject to an excise tax determined by volume.

Comment: Revenues collected under the alcoholic beverages excise were \$86.2 million in Fiscal Year 2019 and \$87.6 million in Fiscal Year 2020.

Origin: M.G.L. c. 64H § 6(g)

Estimate: \$131.6

**3.202 Exemption for Motor Fuels**

Motor fuels are exempt from sales tax. They are subject to an excise at a rate higher than 6.25% of the retail price. The estimate represents revenues that would be collected under the sales tax if motor fuels were taxed at 6.25% of the retail price. Effective July 31, 2013, the excise on gasoline and special fuels was increased from 21 cents per gallon to 24 cents per gallon.

Comment: Revenues collected under the motor fuels excise were \$775.5 million in Fiscal Year 2019 and \$707.9 million in Fiscal Year 2020.

Origin: M.G.L. c. 64H, § 6(g)

Estimate: \$416.9

**3.300 EXEMPT COMPONENT OF A PRODUCT OR CONSUMED IN PRODUCTION**

**3.301 Exemption for Items Used in Making Clothing**

Sales of materials used in making clothes, such as thread and fabric, are exempt from sales tax.

Origin: M.G.L. c. 64H, § 6(v)

Estimate: N.A.

**3.302 Exemption for Materials, Tools, Fuels and Machinery Used in Manufacturing**

Materials, tools, fuels and machinery, including spare parts, used in manufacturing are exempt from sales tax if they become components of a product to be sold or are consumed

or directly used in the manufacturing process.

Origin: M.G.L. c. 64H, § 6(r) and (s)

Estimate: \$643.3

**3.303 Exemption for Materials, Tools, Fuels and Machinery Used in Research and Development**

Materials, tools, fuels and machinery, including spare parts, used in research and development by certified manufacturing or research and development corporations are exempt from sales tax.

Comment: This estimate includes sales /use tax exemption of \$7.9 million for qualifying limited partnership engaged in research activities under Section 66 in St. 2014, c. 287.

Origin: M.G.L. c. 64H, § 6(r) and (s)

Estimate: \$95.1

**3.304 Exemption for Materials, Tools, Fuels, and Machinery Used in Furnishing Power**

Materials, tools, fuels, and machinery, including spare parts, used in furnishing gas, water, steam, or electricity to consumers through mains, lines or pipes are exempt from sales tax if they are consumed or directly used in furnishing the power.

Comment: Estimate excludes costs associated with the natural gas industry due to a lack of reliable data.

Origin: M.G.L. c. 64H, § 6(r) and (s)

Estimate: \$81.8

**3.306 Exemption for Materials, Tools, Fuels, and Machinery Used in Newspaper Printing**

Materials, tools, fuels, and machinery, including spare parts, used in newspaper printing are exempt from sales tax if they become components of a product to be sold or are consumed or directly used in newspaper publishing.

Origin: M.G.L. c. 64H, § 6(r) and (s)

Estimate: \$63.6

**3.308 Exemption for Materials, Tools, Fuels, and Machinery Used in Agricultural Production**

Materials, tools, fuels, and machinery, including spare parts, used in agricultural production are exempt from sales tax if they become components of products to be sold or are consumed or directly used in agricultural production. The exemption includes the same items when used for the production of livestock, poultry and animals in research. Also included are seeds and plants used to grow food for human consumption outside the agricultural industry (e.g., by home gardeners).

Comment: This estimate includes sales/use tax exemption of \$3.0 million for materials, tools, fuel, machinery and replacement parts, used directly and exclusively in production and manufacturing of marijuana.

Origin: M.G.L. c. 64H, § 6(r), (s) and (p)

Estimate: \$17.2

3.309 Exemption for Vessels, Materials, Tools, Fuels, and Machinery Used in Commercial Fishing

Materials, tools, fuels, and machinery, including spare parts, used in commercial fishing are exempt from sales tax if they become components of a product to be sold or are consumed or directly used in commercial fishing.

Origin: M.G.L. c. 64H, § 6(r), (s) and (o)

Estimate: \$15.5

3.310 Exemption for Materials, Tools, Fuels and Machinery Used in Commercial Radio and TV Broadcasting

Materials, tools, fuels and machinery, including spare parts, used in commercial radio and TV broadcasting are exempt from sales tax.

Origin: M.G.L. c. 64H, § 6(r) and (s)

Estimate: N.A.

**3.400 EXEMPTIONS FOR SPECIFIED USES OF PRODUCTS/SERVICES**

3.401 Exemption for Electricity

Residential electricity, electricity purchased by businesses with five or fewer employees, and electricity purchased for qualified industrial use is exempt from sales tax.

Origin: M.G.L. c. 64H, § 6(i) and (qq)

Estimate: \$309.0

3.402 Exemption for Fuel Used for Heating Purposes

Residential heating fuel, heating fuel purchased by businesses with five or fewer employees, and heating fuel purchased for qualified industrial use is exempt from sales tax. Comment: This estimate is based on purchases of heating oil only; natural gas is included in item 3.403.

Origin: M.G.L. c. 64H, § 6(j) and (qq)

Estimate: \$66.7

3.403 Exemption for Piped and Bottled Gas

Residential gas, gas purchased by businesses with five or fewer employees, and gas purchased for qualified industrial use is exempt from sales tax. Comment: Estimate is for piped gas only.

Origin: M.G.L. c. 64H, § 6(i) and (qq)

Estimate: \$192.4

3.404 Exemption for Steam

Residential steam, steam purchased by businesses with five or fewer employees, and steam purchased for qualified industrial use are exempt from sales tax.

Origin: M.G.L. c. 64H, § 6(i) and (qq)

Estimate: \$14.4

3.405 Exemption for Certain Energy Conservation Equipment

Equipment for a solar, wind or heat pump system used as a primary or auxiliary energy source in a principal residence is exempt from sales tax.

Origin: M.G.L. c. 64H, § 6(dd)

Estimate: N.A.

3.406 Exemption for Funeral Items

Coffins, caskets, and other funeral items are exempt from sales tax.

Origin: M.G.L. c. 64H, § 6(n)

Estimate: \$13.9

3.407 Exemption for a Motor Vehicle for a Paraplegic

A motor vehicle owned and registered for the personal use of a paraplegic is exempt from sales tax.

Origin: M.G.L. c. 64H, § 6(u)

Estimate: \$1.3

3.408 Exemption for Textbooks

Textbooks and other books required for instruction in educational institutions are exempt from sales tax.

Origin: M.G.L. c. 64H, § 6(m)

Estimate: \$57.4

3.409 Exemption for Books Used for Religious Worship

Bibles, prayer books and other books used for religious worship are exempt from sales tax.

Origin: M.G.L. c. 64H, § 6(m)

Estimate: N.A.

3.410 Exemption for Containers

Most containers are exempt from sales tax. These include sales of empty returnable and non-returnable containers to be filled and resold, containers the contents of which are exempt from the sales tax, and returnable containers when sold with the contents or resold for refilling.

Origin: M.G.L. c. 64H, § 6(q)

Estimate: \$216.3

3.411 Exemption for Certain Sales by Typographers, Compositors, Color Separators

Sales by typographers, compositors or color separators of composed type, film positives and negatives and reproduction proofs, or transfers of such items to a printer, publisher, or manufacturer of folding boxes for use in printing, are exempt from sales tax.

Origin: M.G.L. c. 64H, § 6(gg)

Estimate: N.A.

3.412 Exemption for Sales of Building Materials and Supplies to be Used in Connection with Certain Construction Contracts

Materials and supplies used in connection with construction contracts with the United States and the Commonwealth of Massachusetts, or any of its subdivisions are tax exempt where the construction is for public purposes. Materials and supplies used in connection with construction contracts with a tax-exempt organization are tax exempt where the construction is to be used exclusively in carrying out the organization's charitable purpose. The exemption includes rentals of equipment as well.

Origin: M.G.L. c. 64H, § 6(f)

Estimate: \$243.0

3.417 Exemption for Commuter Boats

Vessels, materials, tools, repair and spare parts used exclusively to provide scheduled commuter passenger service are exempt from sales tax.

Origin: M.G.L. c. 64H, § 6(pp)

Estimate: N.A.

3.418 Exemption for Fuels, Supplies and Repairs for Vessels Engaged in Interstate or Foreign Commerce

Fuels, supplies and repairs for vessels engaged in interstate or foreign commerce are exempt from sales tax.

Origin: M.G.L. c. 64H, § 6(o)

Estimate: \$0.8

3.419 Exemption for Fuel Used in Operating Aircraft and Railroads

Fuel used in operating aircraft and railroads is exempt from sales tax.

Comment: At a community's option, kero-jet fuel may be subject to a local tax at 5% of average price or \$0.05 per gallon, whichever is higher.

Origin: M.G.L. c. 64H, § 6(j)

Estimate: \$54.8

**3.420 Exemption for Sales of Certain New or Used Buses**

New and used buses that provide scheduled intra-city local service and are used by common carriers certified by the Department of Telecommunications and Energy are exempt from sales tax. The exemption includes replacement parts, materials and tools used to maintain or repair these buses.

Origin: M.G.L. c. 64H, § 6(aa)

Estimate: N.A.

**3.421 Exemption for Films**

Motion picture films for commercial exhibition are exempt from sales tax.

Origin: M.G.L. c. 64H, § 6(m)

Estimate: N.A.

**3.600 MISCELLANEOUS EXEMPTIONS**

**3.601 Exemption for Casual or Isolated Sales**

Casual or isolated sales (sales by private parties) are exempt from sales tax, except casual sales of motor vehicles, trailers, and boats. Sales of these listed items are exempt only when they are between family members.

Origin: M.G.L. c. 64H, § 6(c) and M.G.L. c. 64I, § 7(b)

Estimate: N.A.

**3.602 Exemption for Vending Machine Sales**

Vending machine sales of ten cents or less are exempt from sales tax. In addition, sales through vending machines, which exclusively sell snacks and candy with a sales price of less than one dollar, are exempt from the sales tax on meals.

Origin: M.G.L. c. 64H, § 6(h) and (t)

Estimate: \$1.4

**3.603 Exemption for Certain Meals**

Meals prepared by churches and hospitals, meals provided to organizations for the elderly, and meals provided by educational institutions are exempt from sales tax.

Comment: Estimate is for meals served in schools only.

Origin: M.G.L. c. 64H, § 6(cc)

Estimate: \$16.2

3.604 Exemption for Certain Bed and Breakfast Establishments from Sales Tax on Meals and Room Occupancy Excise

Owner-occupied one-, two-, and three-bedroom bed and breakfast establishments are exempt from both the sales tax on meals and the room occupancy excise.

Origin: M.G.L. c. 64G, § 1, 2, 3, 3A and 6, and M.G.L. c. 64H, § 6(h)

Estimate: N.A.

3.605 Exemption for Certain Summer Camps from Sales Tax on Meals and Room Occupancy Excise

An exemption from both the sales tax on meals and the room occupancy excise is provided for summer camps for children age 18 and under, or for summer camps for developmentally disabled individuals. Camps that satisfy the above criteria but offer their facilities during the off-season to individuals 60 years of age or over for 30 days or less in any calendar year will not lose their exemption.

Comment: Estimate is for meals only.

Origin: M.G.L. c. 64G, § 2 and M.G.L. c. 64H, § 6(cc)

Estimate: \$1.6

3.606 Exemption for Trade-in Allowances for Motor Vehicles and Trailers

In most cases, motor vehicles and trailers bought in a trade-in transaction are only subject to sales tax on the excess of the purchase price over the amount credited for the trade-in.

Origin: M.G.L. c. 64H, § 26, c. 64I, § 27

Estimate: \$106.6

3.607 Exemption for Publications of Tax-Exempt Organizations

The publications of tax-exempt organizations are exempt from sales tax.

Origin: M.G.L. c. 64H, § 6(m)

Estimate: \$19.4

3.608 Exemption for Gifts of Scientific Equipment

Gifts of scientific equipment or apparatus by manufacturers to non-profit educational institutions or to the Massachusetts Technology Park Corporation are exempt from sales tax.

Origin: M.G.L. c. 64H, § 6(jj)

Estimate: N.A.



- 3.609      Exemption for Vessels or Barges of 50 Tons or Over
- Vessels or barges weighing 50 tons or more are exempt from sales tax when constructed in-state and sold by the builder.
- Origin: M.G.L. c. 64H, § 6(o)
- Estimate: N.A.
- 
- 3.610      Exemption for Rental Charges for Refuse Containers
- Rental charges in connection with service contracts by and between waste service firms and customers for refuse containers or bins are exempt from sales tax when the containers are placed on the customer's premises by the waste service firm.
- Origin: M.G.L. c. 64H, § 6(ii)
- Estimate: N.A.
- 
- 3.611      Exemption for Honor Trays
- Food items purchased from honor trays are exempt from sales and meals taxes, provided that no item on the honor tray is sold for \$3.50 or more.
- Comment: Honor trays are vending carts in workplaces from which snacks may be purchased on the honor system.
- Origin: M.G.L. c. 64H, § 6(h)
- Estimate: N.A.
- 
- 3.612      Sales Tax Holiday
- Retail sales of tangible personal property during a 2-day weekend Sales Tax Holiday in August each year are exempt from sales tax.
- Origin: St. 2018, c. 121, § 4
- Estimate: \$28.9

<b>KEY</b>	<b>ORIGIN</b>	
	<b>M.G.L.</b>	Massachusetts General Laws
	<b>ESTIMATES</b>	All estimates are in \$ millions.

## ***Appendix A - Recent Law Changes Affecting Tax Expenditures***

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### **The Personal Income Tax:**

*Note on the impact of recent Federal Law changes:*

On December 22, 2017, Public Law 115-97, commonly known as the Tax Cuts and Jobs Act (TCJA) was signed into law. On March 27, 2020, Public Law No. 116-136, the federal “Coronavirus Aid, Relief and Economic Security Act,” also known as the CARES Act was signed into law. The TCJA and CARES Act provide for federal changes to a variety of provisions in the Internal Revenue Code (“Code”) that affect the personal income tax and corporate excise.

*The following tax expenditures have been revised or created due to recent law changes*

As a general rule, Massachusetts does not adopt any federal personal income tax law changes incorporated into the Code after January 1, 2005. However, certain specific Massachusetts personal income tax provisions, as set forth in G.L. c. 62, § 1(c), automatically conform to the current Code. Provisions of the Code that Massachusetts adopts on a current basis are:

- The exclusion for income earned by Roth IRAs;
- The exclusion for income earned by IRAs;
- The exclusion for gain on the sale of a principal residence;
- Trade or business expenses;
- Travel expenses;
- Meals and entertainment expenses;
- The maximum deferral amount of government employees’ deferred compensation plans;
- The deduction for health insurance costs of self-employed taxpayers;
- Medical and dental expenses;
- Annuities;
- Health savings accounts;
- Employer-provided health insurance coverage;
- Amounts received by an employee under a health and accident plan; and
- Contributions to qualified tuition programs.

Since Massachusetts automatically conforms to any change in the above tax items, any existing tax expenditures in the state’s Tax Expenditure Budget (TEB) that are calculated based on Federal estimates will reflect the impact of those changes. DOR will continue to review the impact of tax law changes at the federal level and will update future TEBs as necessary.

The following is a summary of the federal tax law changes included in the CARES Act, as well as other legislative and regulatory measures that modify Massachusetts personal income tax expenditures.

On March 27, 2020, Public Law 116-136, the Coronavirus Aid, Relief, and Economic Security Act (the CARES Act), was signed into law. The CARES Act provides for federal changes to a variety of provisions of the Internal Revenue Code (IRC) that affect personal income taxpayers. In response to the CARES Act, the Department of Revenue (DOR) issued written guidance addressing the impact of the CARES Act in Massachusetts. Note that under this guidance, COVID-19 recovery rebates to individuals are not subject to Massachusetts personal income tax and expanded unemployment benefits are subject to Massachusetts personal income tax. See TIR 20-9: Massachusetts Tax Implications of Selected Provisions of the Federal CARES Act.

Treatment of Business-Related Entertainment Expenses — IRC sec. 274 (TE Item 1.019)

Prior to passage of the TCJA, a business was allowed to take a deduction of up to 50% of the cost of business-related entertainment expenses. With the passage of TCJA, an employer's cost of entertainment expenses are no longer allowed as a federal deduction. Massachusetts adopted this change as Massachusetts follows the current IRC in effect for trade or business expenses under IRC § 62(a)(1). Note however that this does not change the exclusion of these benefits from employees' income. Generally, the value of the entertainment is not taxed as income to the persons who benefit from the expenditures. The effect provides a nontaxable fringe benefit.

Parking, Combined Commuter Highway Vehicle Transportation, and T-Pass Fringe Benefit — IRC sec. 132(f) (TE Item 1.030)

Massachusetts follows Code § 132(f) as amended and in effect as of January 1, 2005. For taxable years beginning in 2021, the Massachusetts monthly exclusion amounts are \$275 for employer-provided parking and \$145 for combined transit pass and commuter highway vehicle transportation benefits. Under Massachusetts law, these numbers reflect an inflation adjustment but do not include the increase in the federal monthly exclusion amount for the combined transit pass and commuter highway vehicle transportation benefits that was signed into law on December 18, 2015. See TIR 20-16 for more information.

Medical Expense Deduction — IRC § 213 and M.G.L. c. 62, § 3B(b)(4) (TE Item 1.410) Taxpayers are allowed a deduction for medical expenses for amounts that exceed a certain percent threshold of their federal adjusted gross income. Under the TCJA, the threshold was decreased from 10% to 7.5% of federal adjusted gross income and extended by the Taxpayer Certainty and Disaster Tax Relief Act of 2019 to the 2020 tax year. The deduction is available only to those taxpayers who itemize their deductions. Taxpayers that take the standard deduction are not eligible to take the deduction for medical expenses. Massachusetts adopts these changes. Massachusetts allows a deduction for medical expenses under MGL c. 62, § 3B(b)(4) equal to the federal deduction only for taxpayers that itemize deductions on a federal return.

Charitable Deduction — IRC § 170; M.G.L. c. 62, §3B (a)(13) (TE Item 1.415)

Beginning in calendar year 2021, Massachusetts personal income taxpayers will be allowed to deduct an amount equal to the amount of the charitable contribution deduction allowed or allowable to the taxpayer under § 170 of the Code, as in effect on January 1, 2005 (i.e., the deduction shall be limited to 10% of taxpayers' federal taxable income). However, no deduction is allowed for contributions of household goods or used clothing. See 830 CMR 62.3.2 and TIR 20-9 for more information.

Health Savings and Flexible Spending Accounts — IRC §§ 62(a)(19) and 223 (TE Item 1.422)

The CARES Act amended Code §§ 106(f), 220(d)(2)(A), and 223(d)(2) to allow amounts paid or expenses incurred for medicine or drugs without a medical prescription to be covered by an HSA or FSA. These changes apply to amounts paid or expenses incurred after December 31, 2019. The Act also amended Code § 223(c)(2) to allow, for plan years beginning on or before December 31, 2021, high-deductible health plans with an HSA to cover telehealth and other remote care services, notwithstanding whether the plan allows for such a deductible. For Massachusetts personal income tax purposes, payments for such services from HSAs or FSAs will similarly be allowable. This change became effective upon the enactment of the Act on March 27, 2020. See TIR 20-9 for more information.

Circuit Breaker Tax Credit Increased — M.G.L. c. 62, § 6 (k) (TE item 1.609)

A credit is allowed to certain qualified owners and renters of residential property located in Massachusetts equal to the amount by which the real estate tax payment or 25% of the rent constituting real estate tax payment exceeds 10% of the taxpayer's total income, not to exceed \$1,150 (for tax year 2020). The amount of the credit is subject to limitations based on the taxpayer's total income and the assessed value of the real estate, which cannot exceed \$848,000. For tax year 2020, an eligible taxpayer's total income cannot exceed \$61,000 in the case of a single filer who is not a head of household filer, \$76,000 for a head of household filer, and \$92,000 for joint filers. In order to qualify for the credit, a taxpayer must be age 65 or older and must occupy the property as his or her principal residence. See TIR 20-14 for more information.

## **The Corporate and Other Business Excise:**

Massachusetts generally follows the Code as currently in effect for Corporate Excise purposes. However, certain specific Massachusetts has expressly decoupled from certain provisions of the Code. The following is a summary of the federal tax law changes included in the TCJA and CARES Act, as well as other legislative and regulatory measures that will modify Massachusetts corporate excise expenditures.

### ***Federal Tax Law Changes***

#### Qualified Opportunity Zones (TEB 2.102 is newly created)

The TCJA added Code Subchapter Z, §§ 1400Z-1 and 1400Z-2, effective December 22, 2017. Under Subchapter Z, Taxpayers may elect to defer gain from the sale or exchange of property to an unrelated party by reinvesting that gain within 180 days of the sale or exchange in a "qualified opportunity fund," which is defined as an investment vehicle organized as a corporation or partnership for the purpose of investing in "qualified opportunity zones." The Code defines qualified opportunity zones as population census tracts that are low income communities nominated by a state governor and designated by the U.S. Treasury as qualified opportunity zones. The deferred federal gain must be included in income upon the earlier of (i) the tax year in which the taxpayer's investment in the qualified opportunity fund is sold or exchanged, and (ii) tax year 2026, if the taxpayer's investment in the qualified opportunity fund is not sold or exchanged by December 31, 2026. In either case, the amount of gain includable in the taxpayer's federal gross income is the excess of: the amount of gain excluded or the fair market value of the investment in the qualified opportunity fund, whichever is less, over the taxpayer's federal basis in the investment. For Massachusetts corporate excise purposes, the gain will be similarly determined. See TIR 19-7 for more information.

#### Treatment of Transportation Fringe Benefits

Prior to passage of the TCJA, pursuant to Code § 274, a business was allowed to deduct expenses it incurred in providing qualified transportation fringe benefits (e.g., commuting transportation, transit passes, qualified parking). Section 13304(c) of the TCJA eliminated this deduction for tax years beginning on or after January 1, 2018. For Massachusetts corporate excise purposes, this deduction will likewise be excluded. See TIR 18-14 for more information

#### Small Business Loan Forgiveness

The CARES Act provides loan forgiveness to small businesses for certain loans made pursuant to the Paycheck Protection Program ("PPP") under the Small Business Act.

Borrowers are eligible for forgiveness equal to the amount spent (up to the principal of the loan) by the borrower during an 8-week period after the origination date of the loan on the following items: (i) payroll costs; (ii) interest payments on mortgage obligations incurred before February 15, 2020; (iii) payments of rent on any lease in force before February 15, 2020; and (iv) utility payments, for which service began before February 15, 2020. Under the Act, any amount of cancelled indebtedness that would otherwise be includable in the gross income of the borrower under the Code for federal income tax purposes is excluded from gross income. Correspondingly, no deduction is allowed for an expense that is otherwise deductible if both (i) the payment of the expense results in forgiveness of a loan made under the PPP and (iii) the income associated with the forgiveness is excluded from gross income pursuant to the Act. For Massachusetts corporate excise purposes, the loan forgiveness will be similarly treated (i.e., it will not be considered income subject to the corporate excise), and the related deductions will not be allowed. See [TIR 20-9](#) for more information.

**Changes to the depreciable life of Qualified Improvement Property (“QIP”)**

Section 2307 of the CARES Act assigns a 15-year depreciable life under MACRS, the modified accelerated cost recovery system, and a 20-year depreciable life under ADS, the alternative depreciation system to QIP. Prior to the CARES Act, the depreciable life of QIP was 39 years. Massachusetts adopts these new depreciation schedules for purposes of the corporate excise. See [TIR 20-9](#) for more information.

**Increase in charitable donation deduction limitation**

Section 2205 of the CARES Act eases the limitation on the charitable deduction found in Code § 170(b)(2)(A) with respect to certain cash contributions. Prior to the CARES Act, Taxpayers’ deductions for charitable donations were limited to 10% of their taxable income. The CARES Act allows a deduction for 2020 cash contributions in an amount up to 25% of the taxpayer’s taxable income (increased from 10%) less the amount of all other charitable contributions allowed. For purposes of the corporate excise, Massachusetts adopted the temporary easing of the charitable contribution limitation. See [TIR 20-9](#) for more information.

**Sales and Use Tax:**

**Sales Tax Holiday Weekend — Acts of 2018, 121 § 4 (TE Item 3.612)**

Pursuant to Acts 2018, 121 § 4, a 2-day weekend in August of each year shall be designated as the annual “sales tax holiday.” During the annual sales tax holiday, no tax shall be otherwise taxable retail sales of tangible personal property. Retail sales eligible for the exemption must occur during one of two days during the holiday weekend, i.e., transfer of possession of or original payment in full for the property shall occur on such days. However (i) transactions where a deposit, prepayment or binding promise to pay is made before the designated days; (ii) prior sales; and (iii) layaway sales do not qualify for the exemption.

## ***Appendix B - Tax Expenditure Glossary***

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**Amortization:** Annual deduction allowed for the gradual exhaustion or obsolescence of intangible assets having a limited useful life which are used in the production of income, such as patents and copyrights; analogous to depreciation of tangible assets.

**Capital Expenditure:** An expenditure made in acquiring, adding to or bettering a fixed asset. For accounting purposes, capital expenditures are not charged against current revenue. They are added to capital account or "capitalized" and then may be depreciated, amortized, or recovered when a business is sold. This concept should be distinguished from an expense.

**Credit:** Amount by which a taxpayer is allowed to reduce a tax liability, as computed by applying the tax rates to the tax base, to be distinguished from a deduction from the tax base.

**Deduction:** Amount that a taxpayer is allowed to subtract from the gross tax base.

**Depreciation:** Annual deduction allowed for the gradual exhaustion or obsolescence of tangible property used in the production of income.

**Exclusion:** The legal elimination from the tax base of items recognized as falling within its definition. The federal term for what is sometimes called an exemption for Massachusetts. (See below.)

**Exemption:** The legal elimination from the tax base of items or transactions recognized as falling within its definition, or of taxable units that would normally be subject to tax.

**Expense:** A revenue expenditure or cost, which, for accounting purposes, is charged against current revenue. To be distinguished from a capital expenditure.

**Gross income:** The total of all items included in the concept of income that a taxpayer receives during the taxable period.

**Net income:** Amount remaining after subtracting exempt income and deductions from gross income.

**Personal exemption:** A specific amount or percentage of net income on which the tax rate is zero. To be distinguished from an exemption as defined above, which applies to a class of income or taxpayers. Sometimes called an "allowance".

**Taxable income:** Amount to which the tax rates are applied in computing tax liability, after subtracting personal exemptions from net income.



**Fiscal Year 2022 Tax Expenditure Budget: Appendix C  
Summary Table**

The following table shows tax expenditure estimates for the three major taxes from Fiscal Year 2018 to Fiscal Year 2022. In general, the revenue estimate for a tax expenditure tends to follow the anticipated growth of tax collections. However, year-to-year changes in estimates may vary for four other principal reasons: new data sources; refinements to the estimate methodology; changes to federal tax expenditure estimates which are used as the basis for many of the state tax expenditure estimates; and changes in tax laws.

Where possible, we have recalculated past estimates based on revised data, improved methodologies, and changes in statute.

**Personal Income Tax (In Millions)**

Tax Expenditure	Item Number	FY2018	FY2019	FY2020	FY2021	FY2022
<b>EXCLUSIONS FROM GROSS INCOME</b>						
Exclusions from Gross Income	1.000	4,517.7	4,913.8	4,847.0	4,872.4	5,127.6
Exemption of Premiums on Accident and Accidental Death Insurance <sup>1</sup>	1.001	28.5	27.6	28.7	30.0	31.4
Exemption of Premiums on Group-Term Life Insurance <sup>1</sup>	1.002	23.0	25.4	25.1	25.0	25.7
Exemption of Interest on Life Insurance Policy and Annuity Cash Value	1.003	221.9	246.5	250.2	255.3	261.9
Exemption of Employer Contributions for Medical Insurance Premiums and Medical Care <sup>1</sup>	1.004	990.0	1,108.0	1,212.5	1,278.0	1,355.3
Exemption of Annuity or Pension Payments to Fire and Police Personnel	1.005	N.A.	N.A.	N.A.	N.A.	N.A.
Exemption of Distributions from Certain Contributory Pension and Annuity Plans <sup>2</sup>	1.006	308.9	317.4	324.5	333.5	344.6
Exemption of Railroad Retirement Benefits	1.007	4.8	4.8	4.9	5.0	5.1
Exemption of Public Assistance Benefits	1.008	192.2	195.8	198.6	202.3	207.2
Exemption of Social Security Benefits	1.009	1,003.3	1,049.8	1,090.9	1,132.5	1,181.6
Exemption of Workers' Compensation Benefits	1.010	6.3	6.4	6.4	6.5	6.6
Exemption for Dependent Care Expenses <sup>1</sup>	1.011	13.5	14.5	14.6	14.5	14.5
Exemption of Certain Foster Care Payments	1.012	3.3	3.3	4.1	4.1	4.0
Exemption of Payments Made to Coal Miners	1.013	Negligible	Negligible	Negligible	Negligible	Negligible
Exemption of Rental Value of Parsonages <sup>1</sup>	1.014	2.7	2.9	2.9	3.2	3.2
Exemption of Scholarships and Fellowships	1.015	23.8	30.8	31.0	31.5	32.0
Exemption of Certain Prizes and Awards	1.016	N.A.	N.A.	N.A.	N.A.	N.A.
Exemption of Cost-Sharing Payments	1.017	Negligible	Negligible	Negligible	Negligible	Negligible
Exemption of Meals and Lodging Provided at Work <sup>1</sup>	1.018	19.0	21.1	21.5	22.8	23.5
Treatment of Business-Related Entertainment Expenses <sup>1</sup>	1.019	24.6	25.4	25.9	27.5	28.1



Tax Expenditure	Item Number	FY2018	FY2019	FY2020	FY2021	FY2022
Exemption of Income from the Sale, Lease, or Transfer of Certain Patents	1.020	N.A.	N.A.	N.A.	N.A.	N.A.
Exemption of Capital Gains on Home Sales	1.021	470.4	418.2	415.2	453.7	488.8
Nontaxation of Capital Gains at Death	1.022	968.2	1,176.7	952.4	809.2	870.1
Exemption of Interest from Massachusetts Obligations	1.023	50.9	51.3	51.5	51.9	52.5
Exemption of Benefits and Allowances to Armed Forces Personnel1	1.024	28.5	33.1	30.5	31.4	33.7
Exemption of Veterans' Pensions, Disability Compensation and G.I. Benefits	1.025	42.8	53.8	52.7	51.5	53.3
Exemption of Military Disability Pensions	1.026	0.5	0.7	0.7	0.8	0.8
Exemption of Compensation to Massachusetts-Based Nonresident Military Personnel	1.027	9.9	10.2	10.7	11.3	11.3
Exemption for Taxpayers Killed in Military Action or by Terrorist Activity	1.028	N.A.	N.A.	N.A.	N.A.	N.A.
Exemption for Retirement Pay of the Uniformed Services	1.029	23.4	23.8	24.1	24.5	25.0
Parking, T-Pass and Vanpool Fringe Benefits	1.030	36.9	40.8	41.5	41.9	43.1
Health Savings Accounts	1.031	Included in 1.422	Included in 1.422	Included in 1.422	Included in 1.422	Included in 1.422
Employer-Provided Adoption Assistance	1.032	Not Active	Not Active	Not Active	Not Active	Not Active
Employer-Provided Educational Assistance	1.033	11.7	14.4	15.1	15.1	13.2
Department of Defense Homeowners Assistance Plan	1.035	N.A.	N.A.	N.A.	N.A.	N.A.
Survivor Annuities of Fallen Public Safety Officers	1.036	N.A.	N.A.	N.A.	N.A.	N.A.
Survivor Annuities of Fallen Astronauts	1.037	N.A.	N.A.	N.A.	N.A.	N.A.
Discharge of Indebtedness for Health Care Professionals	1.039	1.3	1.4	1.4	1.4	1.4
Archer Medical Savings Accounts	1.040	Included in 1.420	Included in 1.420	Included in 1.420	Included in 1.420	Included in 1.420
Earnings of Pre-paid and Tuition Savings ("529" plans)	1.041	7.3	9.7	9.5	8.0	9.4
<b>DEFERRALS OF GROSS INCOME</b>						
Deferrals of Gross Income	1.100	2,112.3	2,293.6	2,629.1	2,918.8	3,279.4
Net Exemption of Employer Contributions and Earnings of Private Pension Plans2	1.101	1,776.6	1,891.0	2,278.2	2,568.0	2,901.5
Treatment of Incentive Stock Options	1.102	N.A.	N.A.	N.A.	N.A.	N.A.
Exemption of Earnings on Stock Bonus Plans or Profit Sharing Trusts	1.103	N.A.	N.A.	N.A.	N.A.	N.A.
Exemption of Earnings on IRA and Keogh Plans2	1.104	241.4	288.1	258.2	272.0	293.1
Non-taxation of Capital Gains at the Time of Gift	1.106	94.3	114.6	92.7	78.8	84.7
<b>DEDUCTIONS FROM GROSS INCOME</b>						
Deductions from Gross Income	1.200	1.8	2.3	2.3	2.4	2.4
Capital Gains Deduction	1.201	1.6	2.0	2.1	2.1	2.2
Deduction of Capital Losses Against Interest and Dividend Income	1.202	N.A.	N.A.	N.A.	N.A.	N.A.
Excess Natural Resource Depletion Allowance	1.203	0.2	0.2	0.2	0.2	0.2
Abandoned Building Renovation Deduction	1.204	0.1	0.1	0.1	0.1	0.1

## FY2022 Governor's Budget Recommendation

Tax Expenditure	Item Number	FY2018	FY2019	FY2020	FY2021	FY2022
<b>ACCELERATED DEDUCTIONS FROM GROSS INCOME</b>						
Accelerated Deductions from Gross Income	1.300	212.9	220.1	229.1	228.1	228.0
Modified Accelerated Depreciation on Rental Housing	1.301	16.9	18.1	26.6	25.5	24.0
Modified Accelerated Depreciation on Buildings (other than Rental Housing)	1.303	10.3	11.6	11.9	12.3	12.7
Modified Accelerated Cost Recovery System (MACRS) for Equipment	1.304	83.3	80.6	81.0	81.8	83.0
Deduction for Excess First-Year Depreciation	1.305	101.2	108.1	107.1	106.6	106.8
Election to Deduct and Amortize Business Start-up Costs	1.306	0.5	0.5	0.7	0.8	0.8
Expensing Exploration and Development Costs	1.308	Negligible	Negligible	Negligible	Negligible	Negligible
Expensing Research and Experimental Expenditures in One Year	1.309	0.2	0.8	1.3	0.6	0.3
Five-Year Amortization of Pollution Control Facilities	1.310	N.A.	N.A.	N.A.	N.A.	N.A.
Seven-Year Amortization for Reforestation	1.311	N.A.	N.A.	N.A.	N.A.	N.A.
Expensing Certain Capital Outlays of Farmers	1.312	0.4	0.5	0.5	0.5	0.5
<b>DEDUCTIONS FROM ADJUSTED GROSS INCOME</b>						
Deductions from Adjusted Gross Income	1.400	921.8	946.0	967.4	995.6	1,096.6
Deduction for Employee Social Security and Railroad Retirement Payments	1.401	316.2	323.0	327.7	334.2	342.5
Deduction for Employee Contributions to Public Pension Plans <sup>2</sup>	1.402	Included in 1.401	Included in 1.401	Included in 1.401	Included in 1.401	Included in 1.401
Additional Exemption for the Elderly	1.403	24.2	25.5	26.0	26.6	27.4
Additional Exemption for the Blind	1.404	0.7	0.7	0.7	0.6	0.6
Dependents Exemption Where the Child Earns Income	1.405	N.A.	N.A.	N.A.	N.A.	N.A.
Deduction for Dependents Under 12	1.406	130.0	129.9	128.8	128.7	129.5
Personal Exemption for Students Age 19 or Over	1.407	10.1	10.2	10.2	10.3	10.5
Deduction for Adoption Fees	1.408	0.4	0.4	0.4	0.4	0.4
Deduction for Business-Related Child Care Expenses	1.409	19.4	19.9	20.9	22.1	23.2
Exemption of Medical Expenses	1.410	131.8	137.3	144.9	154.0	164.5
Rent Deduction	1.411	139.1	144.0	146.7	150.2	154.6
Nontaxation of Charitable Purpose Income of Trustees, Executors or Administrators	1.412	N.A.	N.A.	N.A.	N.A.	N.A.
Exemption of Interest on Savings in Massachusetts Banks	1.413	3.2	3.5	3.8	4.1	4.5
Tuition Deduction (Over 25% of Income)	1.414	33.1	31.7	32.3	33.1	34.1
Charitable Contributions Tax Deduction	1.415	Not Active	Not Active	Not Active	Not Active	66.3
Deduction for Costs Involved in Unlawful Discrimination Suits	1.418	N.A.	N.A.	N.A.	N.A.	N.A.
Business Expenses of National Guard and Reserve Members	1.419	Negligible	Negligible	Negligible	Negligible	Negligible
Archer Medical Savings Accounts	1.420	Negligible	Negligible	Negligible	Negligible	Negligible
Deduction for Clean-Fuel Vehicles and Certain Refueling Property	1.421	Negligible	Negligible	Negligible	Negligible	Negligible

<b>Tax Expenditure</b>	<b>Item Number</b>	<b>FY2018</b>	<b>FY2019</b>	<b>FY2020</b>	<b>FY2021</b>	<b>FY2022</b>
Health Savings Accounts	1.422	8.5	9.9	10.4	11.3	12.3
Commuter Deduction	1.423	10.3	10.8	11.1	11.4	11.8
Self-Employed Health Insurance Deduction	1.424	45.6	46.8	47.9	49.2	50.8
Student Loan Interest Deduction (allowed Federally or by Massachusetts)	1.425	40.4	43.2	46.0	49.5	53.5
Expenses of Human Organ Transplant	1.426	Negligible	Negligible	Negligible	Negligible	Negligible
Prepaid Tuition or College Savings Plan Deduction	1.427	4.2	4.4	4.7	4.9	5.2
Gambling Loss Deduction	1.428	1.7	2.0	2.0	2.0	2.0
Moving Deduction	1.429	2.9	2.9	2.9	3.0	3.0
<b>PREFERENTIAL RATE OF TAXATION</b>						
Preferential Rate of Taxation	1.500	5.7	7.5	9.5	11.7	13.5
Small Business Stock, Capital Gains Tax Rate	1.501	5.7	7.5	9.5	11.7	13.5
<b>CREDITS AGAINST TAX</b>						
Credits Against Tax	1.600	307.3	317.5	390.3	399.5	409.9
Renewable Energy Source Credit	1.601	4.2	4.4	4.6	4.9	5.2
Credit for Removal of Lead Paint	1.602	1.8	1.7	2.5	2.4	2.4
Economic Development Incentive Program Credit	1.603	4.1	4.1	4.2	4.2	4.2
Credit for Employing Former Full-Employment Program Participants	1.604	Not Active	Not Active	Not Active	Not Active	Not Active
Earned Income Credit	1.605	189.8	189.7	252.5	257.7	263.1
Septic System Repair Credit	1.606	8.7	8.5	8.3	8.1	7.9
Low Income Housing Credit	1.607	3.7	3.5	3.5	3.5	3.5
Brownfields Credit	1.608	0.7	4.4	4.7	4.9	5.2
Refundable State Tax Credit Against Property Taxes for Seniors ("Circuit Breaker")	1.609	79.2	83.6	86.6	89.6	92.7
Historic Buildings Rehabilitation Credit	1.610	6.0	6.2	6.5	6.7	7.0
Film (or Motion Picture) Credit	1.611	2.0	2.0	2.0	2.0	2.0
Medical Device User Fee Credit	1.613	Negligible	Negligible	Negligible	Negligible	Negligible
Dairy Farmers Credit	1.614	3.4	5.3	5.3	5.2	6.0
Conservation Land Credit	1.615	1.9	2.0	2.0	2.0	2.0
Employer Wellness Program Tax Credit	1.616	0.1	Negligible	Negligible	Negligible	Negligible
Community Investment Tax Credit	1.617	0.5	0.5	4.0	4.5	5.0
Farming and Fisheries Income Tax Credit	1.618	0.1	0.1	0.9	0.9	0.9
Certified Housing Development Tax Credit	1.619	0.6	1.0	1.0	1.0	1.0
Veteran's Hire Tax Credit	1.620	0.5	0.5	0.5	0.5	0.5
Apprentice Tax Credit	1.621	N.A.	N.A.	1.3	1.3	1.3

**Fiscal Year 2022 Tax Expenditure Budget: Appendix C  
Summary Table**

**Corporate Tax (In Millions)**

<b>Tax Expenditure</b>	<b>Item Number</b>	<b>FY2018</b>	<b>FY2019</b>	<b>FY2020</b>	<b>FY2021</b>	<b>FY2022</b>
<b>EXCLUSIONS FROM GROSS INCOME</b>						
Exclusions from Gross Income	2.000	134.7	149.4	152.6	156.6	161.3
Small Business Corporations	2.001	134.7	149.4	152.6	156.6	161.3
Exemption of Income from the Sale, Lease or Transfer of Certain Patents	2.002	0.0	0.0	0.0	0.0	0.0
<b>DEFERRALS OF GROSS INCOME</b>						
Deferrals of Gross Income	2.100	6.1	9.8	10.4	9.8	10.2
Deferral of Tax on Certain Shipping Companies	2.101	0.8	0.8	0.8	0.8	0.8
Deferral of Gain Invested in Qualified Opportunity Zones	2.102	5.3	8.9	9.5	9.0	9.4
<b>DEDUCTIONS FROM GROSS INCOME</b>						
Deductions from Gross Income	2.200	201.0	213.3	216.8	224.0	231.3
Charitable Contributions and Gifts Deduction	2.201	31.4	33.9	31.6	33.2	34.8
Net Operating Loss (NOL) Carry-Forward	2.203	167.1	177.4	182.8	188.3	194.0
Excess Natural Resource Depletion Allowance	2.204	2.4	1.9	2.3	2.5	2.5
Deduction for Certain Dividends of Cooperatives	2.205	N.A.	N.A.	N.A.	N.A.	N.A.
Deduction for Renovation of Abandoned Buildings as Part of Certified Project	2.206	Negligible	Negligible	Negligible	Negligible	Negligible
<b>ACCELERATED DEDUCTIONS FROM GROSS INCOME</b>						
Accelerated Deductions from Gross Income	2.300	326.3	311.4	294.6	284.2	269.6
Modified Accelerated Cost Recovery System on Rental Housing	2.301	4.8	4.8	6.6	6.6	6.4
Expenditures to Remove Architectural and Transportation Barriers to the Handicapped and Elderly	2.303	0.4	0.4	0.4	0.4	0.4
Election to Deduct and Amortize Business Start-up Costs	2.304	0.8	0.8	0.8	0.8	0.8
Modified Accelerated Cost Recovery System for Equipment	2.305	206.0	211.4	216.9	222.9	229.2
Expense Deduction for Excess First-Year Business Assets	2.306	66.5	31.1	11.1	8.2	7.4
Modified Accelerated Depreciation on Buildings (other than Rental Housing)	2.307	2.4	1.8	1.6	1.6	1.6
Expensing Research and Development Expenditures in One Year	2.308	42.7	59.2	55.4	42.0	22.2
Expensing Exploration and Development Costs	2.309	0.2	0.2	0.2	0.2	0.2
Five-Year Amortization of Pollution Control Facilities	2.311	2.1	1.5	1.3	1.3	1.3
Expensing of Alternative Energy Units	2.312	Not Active	Not Active	Not Active	Not Active	Not Active
Seven-Year Amortization for Reforestation	2.313	0.3	0.2	0.2	0.2	0.2
<b>ADJUSTMENTS TO APPORTIONMENT FORMULA</b>						
Adjustments to Apportionment Formula	2.400	371.2	382.4	394.0	405.9	418.1
Unequal Weighting of Sales, Payroll, and Property in the Apportionment Formula	2.401	371.2	382.4	394.0	405.9	418.1
<b>EXCLUSIONS FROM PROPERTY COMPONENT</b>						

<b>Tax Expenditure</b>	<b>Item Number</b>	<b>FY2018</b>	<b>FY2019</b>	<b>FY2020</b>	<b>FY2021</b>	<b>FY2022</b>
Exclusions from Property Component	2.500	245.5	260.5	273.5	287.2	301.6
Nontaxation of Certain Energy Property	2.501	Not Active	Not Active	Not Active	Not Active	Not Active
Exemption for Property Subject to Local Taxation	2.502	245.5	260.5	273.5	287.2	301.6
<b>CREDITS AGAINST TAX</b>						
Credits Against Tax	2.600	604.7	700.9	723.8	801.4	880.4
Investment Credit	2.602	66.4	70.5	72.6	74.8	77.1
Vanpool Credit	2.603	Negligible	Negligible	Negligible	Negligible	Negligible
Research Credit	2.604	288.4	337.6	344.3	410.3	477.6
Economic Development Incentive Program Credit	2.605	15.8	15.9	15.9	16.0	16.0
Credit for Employing Former Full-Employment Program Participants	2.606	Not Active	Not Active	Not Active	Not Active	Not Active
Harbor Maintenance Credit	2.607	1.3	1.4	1.4	1.5	1.5
Brownfields Credit	2.608	31.4	24.4	25.1	25.9	26.7
Low Income Housing Credit	2.609	85.3	100.0	105.0	110.0	115.0
Historic Buildings Rehabilitation Credit	2.610	43.7	48.1	49.5	51.0	52.5
Film (or Motion Picture) Credit	2.614	54.7	77.1	78.0	78.0	78.0
Medical Device User Fee Credit	2.615	0.4	0.6	0.6	0.5	0.5
Life Sciences Tax Incentive Program	2.617	12.0	16.1	16.5	18.0	19.6
Dairy Farmers Credit	2.618	0.0	0.0	0.0	0.0	0.0
Conservation Land Credit	2.619	0.0	0.0	0.0	0.0	0.0
Employer Wellness Program Credit	2.620	0.1	0.1	0.1	0.1	0.1
Community Investment Credit	2.621	0.5	1.8	4.0	4.5	5.0
Certified Housing Development Credit	2.622	4.7	7.3	9.0	9.0	9.0
Veteran's Hire Credit	2.623	Negligible	0.3	0.5	0.5	0.5
Apprentice Credit	2.624	N.A.	N.A.	1.3	1.3	1.3
<b>ENTITY EXEMPT FROM TAXATION</b>						
Entity Exempt from Taxation	2.700	21.5	23.3	24.3	25.5	26.8
Exemption of Credit Union Income	2.701	21.5	23.3	24.3	25.5	26.8
Tax-Exempt Organizations	2.702	N.A.	N.A.	N.A.	N.A.	N.A.
Exemption for Regulated Investment Companies	2.703	N.A.	N.A.	N.A.	N.A.	N.A.

**Fiscal Year 2022 Tax Expenditure Budget: Appendix C  
Summary Table**

<b>Sales Tax (In Millions)</b>						
<b>Tax Expenditure</b>	<b>Item Number</b>	<b>FY2018</b>	<b>FY2019</b>	<b>FY2020</b>	<b>FY2021</b>	<b>FY2022</b>
<b>EXEMPT ENTITIES</b>						
Exempt Entities	3.000	514.7	533.7	550.9	567.8	569.1
Exemption for Sales to the Federal Government	3.001	N.A.	N.A.	N.A.	N.A.	N.A.
Exemption for Sales to the Commonwealth	3.002	N.A.	N.A.	N.A.	N.A.	N.A.
Exemption for Sales to Tax-Exempt Organizations	3.003	514.2	532.9	550.1	567.1	568.4
Exemption for Sales of Tangible Personal Property to Motion Picture Production Companies	3.004	0.3	0.3	0.3	0.3	0.3
Exemption for Sales of Certain Tangible Personal Property Purchased for a Certified Life Sciences Company	3.005	0.2	0.5	0.4	0.4	0.4
<b>EXEMPT PRODUCTS/SERVICES</b>						
Exempt Products/Services	3.100	1,747.8	1,814.9	1,873.9	1,928.4	1,986.0
Exemption for Food	3.101	800.2	825.3	848.2	874.7	899.0
Exemption for Certain Food and Beverages Sold in Restaurants	3.102	N.A.	N.A.	N.A.	N.A.	N.A.
Exemption for Clothing	3.103	293.5	320.5	335.2	341.3	350.0
Exemption for Medical and Dental Supplies and Devices	3.104	548.7	562.6	582.2	604.9	629.0
Exemption for Water	3.105	52.2	56.0	60.1	61.2	62.8
Exemption for Newspapers and Magazines	3.106	34.3	30.6	26.9	24.0	21.4
Exemption for the American Flag	3.107	N.A.	N.A.	N.A.	N.A.	N.A.
Exemption for Certain Precious Metals	3.108	N.A.	N.A.	N.A.	N.A.	N.A.
Exemption for Cement Mixers	3.109	N.A.	N.A.	N.A.	N.A.	N.A.
Exemption for Aircraft & Aircraft Parts	3.112	18.9	20.0	21.2	22.4	23.7
Exemption for Breast Pumps	3.113	included in 3.104	included in 3.104	included in 3.104	included in 3.104	included in 3.104
<b>EXEMPT, TAXED UNDER ANOTHER EXCISE</b>						
Exempt, Taxed Under Another Excise	3.200	669.9	691.1	620.0	546.3	548.5
Exemption for Alcoholic Beverages	3.201	120.9	123.2	124.8	127.5	131.6
Exemption for Motor Fuels	3.202	549.0	568.0	495.2	418.8	416.9
<b>EXEMPT COMPONENT OF A PRODUCT OR CONSUMED IN PRODUCTION</b>						
Exempt Component of a Product or Consumed in Production	3.300	865.8	882.9	897.7	905.6	916.4
Exemption for Items Used in Making Clothing	3.301	N.A.	N.A.	N.A.	N.A.	N.A.
Exemption for Materials, Tools, Fuels and Machinery Used in Manufacturing	3.302	630.5	633.7	636.9	640.1	643.3
Exemption for Materials, Tools, Fuels and Machinery Used in Research and Development	3.303	82.8	88.4	92.3	94.2	95.1
Exemption for Materials, Tools, Fuels, and Machinery Used in Furnishing Power	3.304	71.2	73.7	79.2	79.2	81.8
Exemption for Materials, Tools, Fuels, and Machinery Used in Newspaper Printing	3.306	54.1	56.5	58.4	60.4	63.6

Tax Expenditure	Item Number	FY2018	FY2019	FY2020	FY2021	FY2022
Exemption for Materials, Tools, Fuels, and Machinery Used in Agricultural Production	3.308	14.2	16.9	16.6	16.9	17.2
Exemption for Vessels, Materials, Tools, Fuels, and Machinery Used in Commercial Fishing	3.309	12.9	13.7	14.3	14.9	15.5
Exemption for Materials, Tools, Fuels and Machinery Used in Commercial Radio and TV Broadcasting	3.310	N.A.	N.A.	N.A.	N.A.	N.A.

**EXEMPTIONS FOR SPECIFIED USES OF PRODUCTS/SERVICES**

Exemptions for Specified Uses of Products/Services	3.400	1,078.2	1,125.3	1,121.7	1,130.4	1,170.1
Exemption for Electricity	3.401	310.0	315.5	311.9	310.4	309.0
Exemption for Fuel Used for Heating Purposes	3.402	64.0	68.0	57.2	53.4	66.7
Exemption for Piped and Bottled Gas	3.403	173.3	184.2	179.4	180.0	192.4
Exemption for Steam	3.404	14.4	14.4	14.4	14.4	14.4
Exemption for Certain Energy Conservation Equipment	3.405	N.A.	N.A.	N.A.	N.A.	N.A.
Exemption for Funeral Items	3.406	12.9	13.1	13.4	13.6	13.9
Exemption for a Motor Vehicle for a Paraplegic	3.407	1.3	1.3	1.3	1.3	1.3
Exemption for Textbooks	3.408	54.3	54.7	55.1	55.9	57.4
Exemption for Books Used for Religious Worship	3.409	N.A.	N.A.	N.A.	N.A.	N.A.
Exemption for Containers	3.410	198.0	201.7	206.0	211.0	216.3
Exemption for Certain Sales by Typographers, Compositors, Color Separators	3.411	N.A.	N.A.	N.A.	N.A.	N.A.
Exemption for Sales of Building Materials and Supplies to be Used in Connection with Certain Construction Contracts	3.412	201.0	215.8	227.1	234.9	243.0
Exemption for Commuter Boats	3.417	N.A.	N.A.	N.A.	N.A.	N.A.
Exemption for Fuels, Supplies and Repairs for Vessels Engaged in Interstate or Foreign Commerce	3.418	0.7	0.7	0.8	0.8	0.8
Exemption for Fuel Used in Operating Aircraft and Railroads	3.419	48.3	55.9	55.1	54.7	54.8
Exemption for Sales of Certain New or Used Buses	3.420	N.A.	N.A.	N.A.	N.A.	N.A.
Exemption for Films	3.421	N.A.	N.A.	N.A.	N.A.	N.A.

**MISCELLANEOUS EXEMPTIONS**

Miscellaneous Exemptions	3.600	131.9	162.8	166.4	170.1	174.0
Exemption for Casual or Isolated Sales	3.601	N.A.	N.A.	N.A.	N.A.	N.A.
Exemption for Vending Machine Sales	3.602	1.3	1.3	1.3	1.3	1.4
Exemption for Certain Meals	3.603	13.5	14.2	14.8	15.5	16.2
Exemption for Certain Bed and Breakfast Establishments from Sales Tax on Meals and Room Occupancy Excise	3.604	N.A.	N.A.	N.A.	N.A.	N.A.
Exemption for Certain Summer Camps from Sales Tax on Meals and Room Occupancy Excise	3.605	1.4	1.5	1.6	1.6	1.6
Exemption for Trade-in Allowances for Motor Vehicles and Trailers	3.606	98.0	100.1	101.7	104.2	106.6
Exemption for Publications of Tax-Exempt Organizations	3.607	17.6	18.5	19.1	19.2	19.4
Exemption for Gifts of Scientific Equipment	3.608	N.A.	N.A.	N.A.	N.A.	N.A.
Exemption for Vessels or Barges of 50 Tons or Over	3.609	N.A.	N.A.	N.A.	N.A.	N.A.
Exemption for Rental Charges for Refuse	3.610	N.A.	N.A.	N.A.	N.A.	N.A.

## FY2022 Governor's Budget Recommendation

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<b>Tax Expenditure</b>	<b>Item Number</b>	<b>FY2018</b>	<b>FY2019</b>	<b>FY2020</b>	<b>FY2021</b>	<b>FY2022</b>
Containers						
Exemption for Honor Trays	3.611	N.A.	N.A.	N.A.	N.A.	N.A.
Sales Tax Holiday	3.612	N.A.	27.2	27.8	28.3	28.9



## ***Appendix D - Non-Tax Expenditure Budget Items***

### **Fiscal Year 2022 Tax Expenditure Budget – Appendix D Non-TEB Items**

In July 2012 legislation was enacted stating explicitly that “sales that do not involve tangible personal property shall not result in tax expenditures”. See St 2012, c.165, §112. Pursuant to this legislation, from fiscal year 2014 on, we remove some items from our tax expenditure estimates, which we regularly reported in prior years. But to facilitate comparison to tax expenditure estimates in prior years, we list these items in this appendix.

#### **Items:**

#### **3.203 Exemption for Hotel/Motel Rooms**

Rental charges for real property are exempt from sales tax. However, rentals of rooms in hotels, motels or lodging houses are subject to a state excise at a rate of 5.7% of the rental price, and, at a municipality’s option, to a local excise of up to 6% of the rental price (6.5% in the city of Boston). A Convention Center financing fee of 2.75% is also included in certain areas.

Origin: General exclusion of real property transactions  
Estimate: \$121.9

Comment: Revenues collected under the budgeted state room occupancy excise were \$168.8 million in Fiscal Year 2019 and \$146.6 million in Fiscal Year 2020. Beginning July 1, 2019, the room occupancy excise also applies to short-term rentals of property for 31 days or less.

#### **3.422 Exemption for Telephone Services**

Sales of residential telecommunications services of up to \$30 per month are exempt from sales tax.

Origin: M.G.L. c. 64H, § 6(i)  
Estimate: \$24.1

Comment: Telegraph services are also exempt but are not included in this estimate.

#### **3.501 Nontaxation of Transfers of Real Property**

Real estate is exempt from sales tax but is subject to a deeds excise at a rate of 0.456% of the taxable price of the property (0.342% in Barnstable County). The estimate represents revenues that would be collected under the sales tax if sales of real property were taxed at 6.25%.

Origin: General exclusion of real property transactions  
Estimate: \$3,846.9

Comment: Revenues collected under the Deeds Excise Tax (including Secretary State Deeds) were \$318.3 million in Fiscal Year 2019 and \$314.2 million in Fiscal Year 2020.

#### **3.502 Nontaxation of Rentals of Real Property**

Rental charges for real property, whether for residential or business purposes, are exempt from sales tax.

**FY2022 Governor's Budget Recommendation**

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Origin: General exclusion of real property transactions  
 Estimate: \$2,121.1

Comment: This estimate excludes rentals of hotel/motel rooms, which are separately stated under item 3.203.

3.503 Nontaxation of Certain Services  
 Certain services are not subject to sales tax. This estimate includes a range of services to individuals and businesses which are excluded from taxation by their omission from the statutory definition of services.

Origin: M.G.L. c. 64H § 1  
 Estimate: \$17,237.8

3.504 Nontaxation of Internet Access and Related Services  
 Internet access services, electronic mail services, electronic bulletin board services, web hosting services or similar on-line computer services are not subject to the sales and use tax.

Origin: M.G.L. c. 64H § 1  
 Estimate: \$176.1

**Summary:**

Description of Item	Former TEB number	FY2018	FY2019	FY2020	FY2021	FY2022
Exemption for Hotel/Motel Rooms	3.203	174.0	185.1	160.8	129.2	121.9
Exemption for Telephone Services	3.422	27.9	25.6	24.1	24.1	24.1
Nontaxation of Transfers of Real Property	3.501	4,332.1	4,743.2	4,680.7	3,920.8	3,846.9
Nontaxation of Rentals of Real Property	3.502	1,890.5	1,948.7	2,006.2	2,065.5	2,121.1
Nontaxation of Certain Services	3.503	15,777.1	16,518.9	17,288.0	17,314.9	17,237.8
Nontaxation of Internet Access and Related Services	3.504	147.2	146.9	158.3	172.4	176.1

## ***Budget Recommendation Summary***

<b>Account</b>	<b>Description</b>	<b>FY2021 GAA</b>	<b>FY2022 House 1</b>	<b>Comment</b>
0320-0003	Supreme Judicial Court	10,138,042	10,138,042	
0320-0010	Suffolk County Supreme Judicial Court Clerks Office	1,975,405	1,975,405	
0321-0001	Commission on Judicial Conduct	999,196	999,196	
0321-0100	Board of Bar Examiners	1,853,730	1,853,730	
0321-1500	Committee for Public Counsel Services	70,647,321	70,647,321	
0321-1510	Private Counsel Compensation	161,369,013	165,455,738	
0321-1520	Indigent Persons Fees and Court Costs	24,162,707	24,162,707	
0321-1600	Massachusetts Legal Assistance Corporation	29,000,000	29,000,000	
0321-2000	Mental Health Legal Advisors Committee	2,085,321	2,085,321	
0321-2100	Prisoners' Legal Services	2,208,332	2,208,332	
0321-2205	Suffolk County Social Law Library	2,344,147	2,344,147	
0322-0100	Appeals Court	13,881,671	13,881,671	
0330-0101	Superior Court Justice Salaries	76,194,054	76,194,054	
0330-0300	Administrative Staff	269,120,148	269,931,100	
0330-0344	Veterans Court Program Admin and Transportation	220,115	220,115	
0330-0410	Alternative Dispute Resolution Services	1,082,273	1,082,273	
0330-0441	Permanency Mediation Services Probate	500,000	500,000	
0330-0500	Trial Court Video Teleconferencing	247,500	247,500	
0330-0599	Recidivism Reduction Pilot Program	1,474,160	948,707	Eliminated FY21 one-time costs.
0330-0601	Specialty Drug Courts	6,485,245	6,485,245	
0330-0612	Substance Abuse Model	182,649	182,649	
0330-0613	CSG Justice Reinvestment Reserve	6,562,500	7,562,500	Increased funding to support new initiatives or investments.
0331-0100	Superior Court	35,317,910	34,068,977	
0332-0100	District Court	77,540,004	77,540,004	
0333-0002	Probate and Family Court	35,466,829	35,107,177	
0334-0001	Land Court	4,496,087	4,373,998	
0335-0001	Boston Municipal Court	14,687,359	14,207,328	
0336-0002	Housing Court	11,846,938	13,173,916	Increased funding to meet projected need.
0337-0002	Juvenile Court	20,915,217	20,513,446	
0339-1001	Commissioner of Probation	164,521,637	164,521,637	
0339-1003	Office of Community Corrections	25,889,514	25,889,514	
0339-1005	Divert Juveniles from Criminal Justice	500,000	500,000	

## FY2022 Governor's Budget Recommendation

Account	Description	FY2021 GAA	FY2022 House 1	Comment
0339-1011	Community-based Re-entry Programs	6,520,000	6,520,000	
0339-2100	Jury Commissioner	3,138,517	3,138,517	
0340-0100	Suffolk District Attorney	24,030,109	24,030,272	
0340-0198	Suffolk District Attorney State Police Overtime	390,923	390,923	
0340-0200	Northern (Middlesex) District Attorney	20,357,990	20,357,990	
0340-0203	Drug Diversion and Drug Prevention Education Programming	499,950	499,950	
0340-0298	Northern District Attorney State Police Overtime	579,256	579,256	
0340-0300	Eastern (Essex) District Attorney	12,182,058	12,182,058	
0340-0398	Eastern District Attorney State Police Overtime	556,480	556,480	
0340-0400	Middle (Worcester) District Attorney	13,295,586	13,295,586	
0340-0498	Middle District Attorney State Police Overtime	463,754	463,754	
0340-0500	Hampden District Attorney	13,570,326	13,570,326	
0340-0598	Hampden District Attorney State Police Overtime	381,209	381,209	
0340-0600	Northwestern District Attorney	8,477,424	8,477,424	
0340-0698	Northwestern District Attorney State Police Overtime	330,008	330,008	
0340-0700	Norfolk District Attorney	12,139,064	12,139,064	
0340-0798	Norfolk District Attorney State Police Overtime	479,239	479,239	
0340-0800	Plymouth District Attorney	10,767,518	10,767,518	
0340-0898	Plymouth District Attorney State Police Overtime	481,860	481,860	
0340-0900	Bristol District Attorney	11,759,094	11,759,094	
0340-0998	Bristol District Attorney State Police Overtime	564,958	564,958	
0340-1000	Cape and Islands District Attorney	5,374,615	5,385,688	
0340-1098	Cape and Islands District Attorney State Police Overtime	312,609	312,609	
0340-1100	Berkshire District Attorney	5,043,524	5,043,524	
0340-1198	Berkshire District Attorney State Police Overtime	254,837	254,837	
0340-2100	District Attorneys' Association	2,288,168	2,289,634	
0340-2117	Assistant District Attorney Retention	750,000	750,000	
0340-8908	District Attorneys' Wide Area Network	1,795,282	1,795,282	
0411-1000	Office of the Governor	5,751,345	5,751,345	
0511-0000	Secretary of the Commonwealth Administration	6,739,289	6,739,289	
0511-0001	State House Gift Shop Retained Revenue	15,000	15,000	
0511-0002	Corporations Division	352,868	352,868	

Account	Description	FY2021 GAA	FY2022 House 1	Comment
0511-0003	Chargeback for Publications and Computer Library Services	16,000	16,000	
0511-0200	State Archives	670,213	670,213	
0511-0230	State Records Center	35,469	35,469	
0511-0250	State Archives Facility	298,581	298,581	
0511-0260	Commonwealth Museum	233,350	233,350	
0511-0270	Census Data Technical Assistance	1,250,000	988,801	Eliminated FY21 one-time costs.
0511-0420	Address Confidentiality Program	136,971	136,971	
0517-0000	Public Document Printing	510,639	510,639	
0521-0000	Elections Division Administration	13,416,208	5,789,038	Eliminated FY21 one-time costs.
0521-0001	Central Voter Registration Computer System	6,407,994	5,366,405	Eliminated FY21 one-time costs.
0521-0002	Early Voting	3,016,019		Eliminated FY21 one-time costs.
0524-0000	Information to Voters	1,442,738	389,270	Eliminated FY21 one-time costs.
0526-0100	Massachusetts Historical Commission	942,051	942,051	
0527-0100	Ballot Law Commission	10,384	10,384	
0528-0100	Records Conservation Board	36,396	36,396	
0540-0900	Essex Registry of Deeds - Northern District	1,289,551	1,289,551	
0540-1000	Essex Registry of Deeds - Southern District	2,927,833	2,927,833	
0540-1100	Franklin Registry of Deeds	641,798	641,798	
0540-1200	Hampden Registry of Deeds	1,927,509	1,927,509	
0540-1300	Hampshire Registry of Deeds	817,094	817,094	
0540-1400	Middlesex Registry of Deeds - Northern District	1,218,625	1,218,625	
0540-1500	Middlesex Registry of Deeds - Southern District	3,700,303	3,700,303	
0540-1600	Berkshire Registry of Deeds - Northern District	276,721	276,721	
0540-1700	Berkshire Registry of Deeds - Central District	476,652	476,652	
0540-1800	Berkshire Registry of Deeds - Southern District	235,102	235,102	
0540-1900	Suffolk Registry of Deeds	2,201,802	2,201,802	
0540-2000	Worcester Registry of Deeds - Northern District	706,436	706,436	
0540-2100	Worcester Registry of Deeds - Worcester District	2,300,531	2,300,531	
0610-0000	Office of the Treasurer and Receiver-General	11,197,324	11,252,038	
0610-0010	Economic Empowerment	670,396	610,395	
0610-0050	Alcoholic Beverages Control Commission	4,980,041	4,980,041	

## FY2022 Governor's Budget Recommendation

Account	Description	FY2021 GAA	FY2022 House 1	Comment
0610-0051	Alcoholic Beverages Control Commission Grant Retained Revenue	248,000	248,000	
0610-0060	ABCC Investigation and Enforcement	147,307	147,307	
0610-2000	Welcome Home Bill Bonus Payments	2,803,626	2,803,626	
0611-1000	Bonus Payments to War Veterans	44,500	44,500	
0612-0105	Public Safety Employees Line of Duty Death Benefits	600,000	600,000	
0640-0000	State Lottery Commission	86,495,868	86,495,868	
0640-0005	State Lottery Commission - Monitor Games	3,032,859	3,032,859	
0640-0010	Lottery Advertising	4,500,000	4,500,000	
0640-0096	State Lottery Commission - Health and Welfare Benefits	497,310	497,310	
0640-0300	Massachusetts Cultural Council	18,180,000	16,298,039	Eliminated FY21 one-time costs.
0699-0005	Revenue Anticipation Notes Premium Debt Service RR	50,000,000	50,000,000	
0699-0014	CTF Special Obligations Program Debt	215,888,267	220,736,803	
0699-0015	Consolidated Long Term Debt Service	2,043,185,688	2,106,418,567	
0699-0018	Agency Debt Service Programs	35,604,892	36,988,299	
0699-2005	Central Artery Tunnel Debt Service	143,336,389	156,519,741	
0699-9100	Short Term Debt Service and Costs of Issuance	28,681,484	28,681,484	
0710-0000	Office of the State Auditor Administration	16,437,986	16,437,986	
0710-0100	Division of Local Mandates	381,474	381,474	
0710-0200	Bureau of Special Investigations	1,890,812	1,890,812	
0710-0225	Medicaid Audit Unit	1,274,449	1,274,449	
0710-0300	Enhanced Bureau of Special Investigation	483,320	483,320	
0810-0000	Office of the Attorney General	26,586,322	26,712,686	
0810-0004	Compensation to Victims of Violent Crimes	2,466,514	2,466,514	
0810-0013	False Claims Recovery Retained Revenue	3,250,000	3,250,000	
0810-0014	Public Utilities Proceedings Unit	2,519,632	2,519,632	
0810-0016	Clean Water and Air Enforcement Retained Revenue	250,000	250,000	
0810-0021	Medicaid Fraud Control Unit	4,369,880	4,369,880	
0810-0045	Wage Enforcement Program	5,236,334	5,236,334	
0810-0061	Litigation and Enhanced Recoveries	2,631,645	2,631,645	
0810-0098	Attorney General State Police Overtime	450,000	450,000	
0810-0201	Insurance Proceedings Unit	1,469,594	1,469,594	

Account	Description	FY2021 GAA	FY2022 House 1	Comment
0810-0338	Automobile Insurance Fraud Investigation and Prosecution	447,210	447,210	
0810-0399	Workers' Compensation Fraud Investigation and Prosecution	292,494	292,494	
0810-1204	Gaming Enforcement Division	442,364	442,364	
0810-1205	Combating Opioid Addiction	1,836,180	1,836,180	
0810-1206	Civil Penalties Retained Revenue Revolving Fund	1,500,000	1,500,000	
0840-0100	Victim and Witness Assistance Board	1,357,790	1,357,790	
0840-0101	Domestic Violence Court Advocacy Program	1,315,788	1,315,788	
0900-0100	State Ethics Commission	2,583,694	2,583,694	
0910-0200	Office of the Inspector General	3,522,851	3,530,667	
0910-0210	Public Purchasing Certified Program RR	975,000	975,000	
0910-0220	Bureau of Program Integrity	588,084	588,084	
0910-0300	MassDOT Special Audit Unit	577,604	577,604	
0910-0330	Division of State Police Oversight	388,250	388,250	
0920-0300	Office of Campaign and Political Finance	1,839,644	1,839,644	
0930-0100	Office of the Child Advocate	2,912,000	2,914,443	
0940-0100	Massachusetts Commission Against Discrimination	4,169,189	4,169,189	
0940-0101	Fair Housing Assistance Type 1 Retained Revenue	1,100,000	1,100,000	
0940-0102	Discrimination Prevention Program Retained Revenue	410,000	410,000	
0940-0103	Equal Employment Opportunity Commission Retained Revenue	2,520,000	2,520,000	
0950-0000	Commission on the Status of Women	206,473	206,473	
0950-0030	Commission on Grandparents Raising Grandchildren	163,697	163,697	
0950-0050	GLBT Commission	800,000	800,000	
0950-0080	Commission on the Status of Asian Americans	170,000	170,000	
1000-0001	Office of the State Comptroller	9,645,019	9,645,019	
1000-0005	Chargeback for Single State Audit	1,773,930	1,773,930	
1000-0008	Chargeback for MMARS	4,150,485	4,150,485	
1000-0601	Chargeback for HRCMS Functionality	2,300,000	2,300,000	
1050-0140	Payments to Cities and Towns for Local Racing Tax Revenue	721,350	721,350	
1070-0840	Cannabis Control Commission	12,400,000	12,412,539	
1070-0842	Cannabis Control Commission Medical Marijuana	2,796,869	2,796,869	
1100-1100	Office of the Secretary of Administration and Finance	3,298,347	3,604,628	
1100-1201	Commonwealth Performance Accountability and Transparency	369,271	369,271	

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Account	Description	FY2021 GAA	FY2022 House 1	Comment
1100-1700	Administration and Finance IT Costs	27,302,157	27,813,638	
1100-1701	Administration and Finance IT Chargeback	22,751,121	22,751,121	
1102-1128	State House Accessibility	145,702	145,702	
1102-3199	Office of Facilities Management	11,632,709	13,342,319	Increased funding to meet projected need.
1102-3205	State Office Building Rents Retained Revenue	10,387,647	10,387,647	
1102-3224	Chargeback for Saltonstall Lease and Occupancy Payments	13,531,934	13,531,934	
1102-3226	Chargeback for State Buildings Operation and Maintenance	7,092,319	7,612,919	
1102-3232	Contractor Certification Program Retained Revenue	300,000	300,000	
1102-3331	Office of the State House Superintendent	3,432,112	3,532,112	
1102-3400	Security Operations at the State House	100,000	100,000	
1106-0064	Caseload and Economic Forecasting Office	129,023	129,023	
1107-2400	Massachusetts Office on Disability	845,169	869,214	
1107-2501	Disabled Persons Protection Commission	7,896,579	7,896,742	
1108-1011	Civil Service Commission	623,938	625,406	
1108-5100	Group Insurance Commission	4,385,239	4,385,239	
1108-5200	Group Insurance Premium and Plan Costs	1,747,367,959	1,826,778,807	
1108-5201	Municipal Partnership Act Implementation Retained Revenue	2,196,745	2,196,745	
1108-5500	Group Insurance Dental and Vision Benefits	9,662,385	10,759,967	Increased funding to meet projected need.
1110-1000	Division of Administrative Law Appeals	1,440,308	1,440,308	
1110-1002	Administrative Law Appeals Fee Retained Revenue	70,000	70,000	
1120-4005	George Fingold Library	1,031,784	1,031,784	
1201-0100	Department of Revenue	83,689,202	83,674,041	
1201-0122	Low Income Tax Clinics	500,000	287,000	Eliminated FY21 one-time costs.
1201-0130	Additional Auditors Retained Revenue	27,938,953	27,938,953	
1201-0160	Child Support Enforcement Division	38,887,046	38,887,046	
1201-0164	Child Support Enforcement Federal Reimbursed Retained Revenue	6,630,551	6,630,551	
1201-0400	Task Force on Illegal Tobacco	1,036,905	1,036,905	
1201-0911	Expert Witnesses and Their Expenses	294,030	294,030	
1231-1000	Sewer Rate Relief Funding	1,500,000		Eliminated program.
1232-0100	Underground Storage Tank Reimbursements	10,000,000	10,000,000	



Account	Description	FY2021 GAA	FY2022 House 1	Comment
1232-0200	Underground Storage Tank Administrative Review Board	1,767,011	1,767,011	
1233-2000	Tax Abatements for Veterans Widows Blind Persons and Elderly	24,038,075	24,038,075	
1233-2350	Unrestricted General Government Local Aid	1,128,617,436	1,168,119,046	
1233-2400	Reimbursement to Cities in Lieu of Taxes on State Owned Land	31,000,000	31,000,000	
1233-2401	Chapter 40S Education Payments	500,000	500,000	
1310-1000	Appellate Tax Board	2,251,140	2,251,140	
1310-1001	Tax Assessment Appeals Fee Retained Revenue	400,000	400,000	
1410-0010	Veterans' Services Administration and Operations	4,637,822	4,637,822	
1410-0012	Veterans' Outreach Centers Including Homeless Shelters	8,699,022	8,699,022	
1410-0015	Women Veterans' Outreach	116,243	116,243	
1410-0018	Agawam and Winchendon Cemeteries Retained Revenue	690,000	690,000	
1410-0024	Veteran Service Officer Training and Certification	362,695	362,695	
1410-0075	Train Vets to Treat Vets	250,000	250,000	
1410-0250	Assistance to Homeless Veterans	3,582,655	3,582,655	
1410-0251	New England Shelter for Homeless Veterans	2,742,470	2,742,470	
1410-0400	Veterans' Benefits	72,209,878	72,209,878	
1410-0630	Agawam and Winchendon Veterans' Cemeteries	1,251,150	1,251,150	
1410-1616	War Memorials	400,000	400,000	
1450-1200	Health Policy Commission	10,001,120	10,015,938	
1595-0115	Civics Education Trust Fund	1,500,000	1,500,000	
1595-0508	Affordable Housing Trust Fund	10,000,000		Eliminated FY21 one-time costs.
1595-1068	Medical Assistance Trust Fund	505,250,000	456,471,300	Decreased funding to match projected need.
1595-1069	Health Information Technology Trust Fund	14,177,900	14,177,900	
1595-1070	Safety Net Provider Trust Fund	93,245,500	171,170,750	Increased funding to meet projected need.
1595-1071	Community Behavioral Health Trust Fund Transfer	200,000		Eliminated FY21 one-time costs.
1595-1075	Transfer to Workforce Competitiveness Trust Fund	10,000,000	7,000,000	Eliminated FY21 one-time costs.
1595-4506	Childhood Lead Poisoning Prevention Trust Fund	2,700,000	2,700,000	
1595-4512	Behavioral Health Access Outreach and Support Trust	10,000,000		Eliminated FY21 one-time costs.
1595-5819	Commonwealth Care Trust Fund	84,068,536	94,068,536	Increased funding to meet projected need.
1595-6368	Massachusetts Transportation Trust Fund	381,038,615	401,587,919	

## FY2022 Governor's Budget Recommendation

Account	Description	FY2021 GAA	FY2022 House 1	Comment
1595-6369	Commonwealth Transportation Fund Transfer to the MBTA	127,000,000	127,000,000	
1595-6370	Commonwealth Transportation Fund Transfer to RTAs	94,000,000	90,500,000	Decreased funding in recognition of federal funds availability.
1595-6379	Merit Rating Board	10,968,209	11,267,069	
1595-7066	STEM Pipeline Fund	1,500,000	1,500,000	
1595-9168	Social Innovation Financing	5,300,000		Decreased funding to meet projected need.
1599-0026	Municipal Regionalization and Efficiencies Incentive Reserve	10,475,000	11,750,000	Increased funding to meet projected need.
1599-0093	Clean Water Trust Contract Assistance	63,383,680	39,014,000	Decreased funding to meet projected need.
1599-0105	Medically-Assisted Treatment at County Correctional Facilities	15,000,000	15,000,000	
1599-0999	Organization Transformation Reserve	-	1,000,000	Increased funding to support new initiatives or investments.
1599-1214	Section 35 Treatment and Facility Investments	-	15,000,000	Increased funding to support new initiatives or investments.
1599-1970	Massachusetts Department of Transportation Contract Assistance	125,000,000	125,000,000	
1599-1977	Commonwealth Infrastructure Investment Assistance Reserve	12,838,487	12,400,000	
1599-2003	Uniform Law Commission	50,000		Eliminated FY21 one time costs.
1599-2040	Chargeback for Prior-Year Deficiencies	50,000,000	50,000,000	
1599-3100	Chargeback for Unemployment Compensation	38,000,000	38,000,000	
1599-3101	Chargeback for Family and Employment Security	30,000,000	30,000,000	
1599-3234	South Essex Sewer District Debt Service	33,914	33,914	
1599-3384	Judgments Settlements and Legal Fees	10,000,000	10,000,000	
1599-3856	Massachusetts IT Center Operational Expenses	500,000	500,000	
1599-4417	EJ Collins Jr Center for Public Management	250,000		Eliminated FY21 one time costs.
1599-6152	State Retiree Benefits Trust Fund	500,000,000	500,000,000	
1599-6903	Chapter 257 and Human Service Reserve	160,000,000	79,000,000	Decreased funding to meet projected need; FY21 funding transferred to relevant budgetary accounts.
1599-7104	UMass Dartmouth Visual and Performing Arts-Bristol CC	2,700,000	2,700,000	
1750-0100	Human Resources Division	6,868,014	6,986,014	
1750-0101	Chargeback for Training	245,748	245,748	
1750-0102	Civil Service and Physical Abilities Exam Fee Retained Revenue	2,511,299	2,511,299	
1750-0103	Training and Career Ladder Programs	780,000	780,000	

<b>Account</b>	<b>Description</b>	<b>FY2021 GAA</b>	<b>FY2022 House 1</b>	<b>Comment</b>
1750-0105	Chargeback for Workers' Compensation	66,172,050	66,172,050	
1750-0106	Chargeback for Workers' Compensation Litigation Unit Services	934,914	934,914	
1750-0119	Former County Employees Workers' Compensation	8,151	54,666	Increased funding to meet projected need.
1750-0300	Dental and Vision Contribution	33,541,007	33,651,721	
1750-0600	Chargeback for Human Resources Modernization	4,321,999	4,321,999	
1750-0928	Civil Service and Physical Abilities Exam Space	500,000	500,000	
1775-0115	Statewide Contract Fee	11,072,720	10,910,581	
1775-0124	Human Services Provider Overbilling Recovery Retained Revenue	106,730	106,730	
1775-0200	Supplier Diversity Office	990,881		Funding transferred to 1780-0100.
1775-0600	Surplus Sales Retained Revenue	455,886	455,886	
1775-0700	Reprographic Services Retained Revenue	60,000	60,000	
1775-0800	Chargeback for Purchase Operation and Repair of State Vehicles	7,694,293	7,694,293	
1775-0900	Federal Surplus Property Retained Revenue	22,000	22,000	
1775-1000	Chargeback for Reprographic Services	769,172	769,172	
1780-0100	Supplier Diversity Office	-	2,477,963	Funding transferred from 1775-0200 and increased to support new initiatives or investments.
1790-0100	Executive Office of Technology Services and Security	3,105,778	3,105,778	
1790-0200	Technology Shared Services Chargeback	68,904,081	75,836,100	Increased funding to meet projected need.
1790-0201	Technology Pass Through Chargeback	30,000,000	30,000,000	
1790-0300	Technology Shared Services for the Public	2,733,931	2,733,931	
1790-0400	Print and Mail Services Chargeback	2,904,232	2,904,232	
1790-1700	Core Technology Services and Security	43,108,383	44,191,850	
1790-1701	Core Technology Services and Security Chargeback	37,734,891	37,734,891	
2000-0100	Energy and Environmental Affairs Administration	11,427,197	11,427,197	
2000-0101	Climate Adaptation and Preparedness	2,213,999	2,213,999	
2000-1011	Handling Charge Retained Revenue	40,000	40,000	
2000-1700	Energy and Environmental Affairs Information Technology Costs	14,210,087	15,008,716	

## FY2022 Governor's Budget Recommendation

Account	Description	FY2021 GAA	FY2022 House 1	Comment
2000-1701	Energy and Environmental Affairs Chargeback	3,150,000	3,150,000	
2030-1000	Environmental Law Enforcement	12,337,788	12,587,788	
2030-1004	Environmental Law Enforcement Detail Retained Revenue	530,000	530,000	
2100-0012	Department of Public Utilities	18,131,196	18,131,196	
2100-0013	Transportation Oversight Division	344,801	344,801	
2100-0016	Steam Distribution Oversight	388,894	388,894	
2100-0017	Transportation Network Company Oversight	1,910,854	1,910,854	
2200-0100	Environmental Protection Administration	40,115,000	33,124,295	Eliminated FY21 one-time costs.
2200-0102	Wetlands Retained Revenue	650,150	650,150	
2200-0107	Recycling and Solid Waste	499,997	499,997	
2200-0109	Compliance and Permitting	2,500,000	2,500,000	
2200-0112	Compliance and Permitting Retained Revenue	2,500,000	2,500,000	
2210-0106	Toxics Use Retained Revenue	2,886,472	2,886,472	
2220-2220	Clean Air Act Administration	900,523	900,523	
2220-2221	Clean Air Act Operating Permit Program	1,613,230	1,613,230	
2250-2000	Safe Drinking Water Compliance	2,253,276	2,253,276	
2260-8870	Hazardous Waste Cleanup	14,789,058	13,789,058	
2260-8872	Brownfields Site Audit	1,270,848	1,270,848	
2260-8881	Board of Registration of Hazardous Waste Site Cleanup	394,695	394,695	
2300-0100	Department of Fish and Game Administration	1,049,242	1,049,242	
2300-0101	Riverways Protection and Access	2,600,000	2,000,000	Eliminated FY21 one-time costs.
2310-0200	Division of Fisheries and Wildlife	16,081,736	16,081,736	
2310-0300	Natural Heritage and Endangered Species Program	500,000	154,222	Eliminated FY21 one-time costs.
2310-0306	Hunter Safety Program	504,730	504,730	
2310-0316	Wildlife Habitat Purchase	1,500,000	1,500,000	
2310-0317	Waterfowl Management	65,000	65,000	
2320-0100	Fishing and Boating Access	621,062	621,062	
2330-0100	Division of Marine Fisheries	6,845,501	7,122,714	
2330-0120	Marine Recreational Fishing	808,034	808,034	
2330-0121	Sportfish Restoration Fund	217,989	217,989	
2330-0150	Shellfish Purification Plant Retained Revenue	75,000	75,000	
2330-0199	Ventless Trap Retained Revenue	250,000	250,000	
2330-0300	Saltwater Sportfish Licensing	1,746,763	1,746,763	
2511-0100	Agricultural Resources Administration	8,533,887	8,176,467	
2511-0103	Cannabis and Hemp Agricultural Oversight	1,091,942	959,015	Decreased funding to meet projected need.

<b>Account</b>	<b>Description</b>	<b>FY2021 GAA</b>	<b>FY2022 House 1</b>	<b>Comment</b>
2511-0105	Emergency Food Assistance	30,380,000	20,000,000	Eliminated FY21 one-time costs.
2511-3002	Integrated Pest Management	67,392	68,710	
2800-0100	Conservation and Recreation Administration	4,607,205	4,482,205	
2800-0101	Watershed Management Program	1,524,408	1,524,408	
2800-0401	Stormwater Management	466,948	466,948	
2800-0500	Beach Preservation	1,229,660	939,660	Eliminated FY21 one-time costs.
2800-0501	DCR Seasonals	16,524,419	16,524,419	
2800-0700	Office of Dam Safety	641,043	641,043	
2810-0100	State Parks and Recreation	51,535,000	47,385,283	
2810-2042	DCR Retained Revenue	21,279,999	25,080,000	Increased appropriation to equal projected retained revenue.
2820-0101	State House Park Rangers	2,293,057	2,293,057	
2820-2000	Street Lighting	3,150,000	3,150,000	
3000-1000	Department of Early Education and Care	6,544,822	6,394,823	
3000-1020	Quality Improvement	44,601,119	44,551,119	
3000-1042	Center-Based Child Care Rate Increase	20,000,000		Funding transferred to relevant budgetary accounts.
3000-1044	EEC Parent Fee Reserve	40,000,000		Eliminated FY21 one-time costs.
3000-1045	EEC COVID-19 Workforce and Support Reserve	25,000,000		Eliminated FY21 one-time costs.
3000-2000	Access Management	11,100,000	10,086,311	
3000-2050	Children's Trust Fund Operations	1,734,725	1,234,725	Eliminated FY21 one-time costs.
3000-3060	DCF and DTA Related Child Care	350,928,901	358,928,901	Funding transferred from 3000-1042.
3000-4060	Income-Eligible Child Care	286,702,892	298,702,892	Funding transferred from 3000-1042.
3000-5000	Grants to Head Start Programs	15,000,000	12,000,000	Eliminated FY21 one-time costs.
3000-6025	Commonwealth Preschool Partnership Initiative	5,000,000	5,000,000	
3000-6075	Early Childhood Mental Health Consultation Services	2,500,000	2,500,000	
3000-7000	Children's Trust Fund	16,438,152	15,438,152	
3000-7040	EEC Contingency Contract Retained Revenue	185,185	320,000	Increased appropriation to equal projected retained revenue.
3000-7050	Family and Community Engagement Services	11,539,190	14,042,000	Funding transferred from 3000-7052 and decreased to meet projected need.
3000-7052	Parent-Child Plus Program	3,000,000		Funding transferred to 3000-7050
3000-7055	Neighborhood Villages Pilot Program	1,000,000		Eliminated FY21 one-time costs.
3000-7066	EEC Provider Higher Education Opportunities	10,000,000	5,000,000	Eliminated FY21 one-time costs.

## FY2022 Governor's Budget Recommendation

Account	Description	FY2021 GAA	FY2022 House 1	Comment
3000-7070	Reach Out and Read	1,000,000	1,000,000	
4000-0005	Safe and Successful Youth Initiative	10,000,000	10,000,000	
4000-0007	Unaccompanied Homeless Youth Services	8,000,000	5,000,000	Eliminated FY21 one-time costs.
4000-0009	Office of Health Equity	100,000	100,000	
4000-0014	Edward M Kennedy Community Health Center	200,000		Eliminated FY21 one-time costs.
4000-0020	Nursing and Allied Health Workforce Development	350,000		Eliminated FY21 one-time costs.
4000-0050	Personal Care Attendant Council	1,704,157	1,704,157	
4000-0051	Family Resource Centers	500,000		Eliminated FY21 one-time costs.
4000-0052	Inpatient Behavioral Health Beds	10,000,000		Eliminated FY21 one-time costs.
4000-0102	Human Services Transportation Chargeback	14,220,595	14,220,595	
4000-0103	Core Administration Chargeback	27,546,186	27,546,186	
4000-0250	HIX Retained Revenue	15,000,000	15,000,000	
4000-0300	EOHHS and Medicaid Administration	118,759,922	114,234,923	
4000-0320	MassHealth Retained Revenue	225,000,000	225,000,000	
4000-0321	EOHHS Contingency Contracts Retained Revenue	60,000,000	60,000,000	
4000-0430	MassHealth CommonHealth Plan	187,175,522	191,450,151	
4000-0500	MassHealth Managed Care	5,943,277,046	5,595,703,670	
4000-0601	MassHealth Senior Care	3,894,496,052	3,672,225,668	
4000-0641	MassHealth Nursing Home Supplemental Rates	395,400,000	395,400,000	
4000-0700	MassHealth Fee for Service Payments	3,372,875,665	2,918,528,635	Decreased funding to meet projected need and transferred funding to 4000-1426.
4000-0875	MassHealth Breast and Cervical Cancer Treatment	29,621,936	18,000,000	Decreased funding to meet projected need.
4000-0880	MassHealth Family Assistance Plan	391,145,078	448,183,863	Increased funding to meet projected need.
4000-0885	Small Business Employee Premium Assistance	34,042,020	34,042,020	
4000-0940	MassHealth Affordable Care Act Expansion Populations	2,915,195,837	2,970,596,600	
4000-0950	Children's Behavioral Health Initiative	268,301,633	266,796,471	
4000-0990	Children's Medical Security Plan	15,435,000	16,206,750	
4000-1400	MassHealth HIV Plan	12,191,803	12,000,000	
4000-1420	Medicare Part D Phased Down Contribution	404,296,078	490,313,069	Increased funding to meet projected need.
4000-1425	Hutchinson Settlement	191,931,310		Funding transferred to 4000-1426.
4000-1426	MassHealth Acquired Brain Injury and Moving Forward Plan Waivers	-	314,445,456	Funding transferred from 4000-0700 and 4000-1425 and increased to meet projected need.

<b>Account</b>	<b>Description</b>	<b>FY2021 GAA</b>	<b>FY2022 House 1</b>	<b>Comment</b>
4000-1700	Health and Human Services Information Technology Costs	140,106,725	143,366,526	
4000-1701	Chargeback for Health and Human Services IT	32,302,729	32,302,729	
4003-0122	Low-Income Citizenship Program	1,741,575	1,026,574	Eliminated FY21 one-time costs.
4100-0060	Center for Health Information and Analysis	31,070,586	31,070,586	
4100-0061	All Payer Claims Database Retained Revenue	250,000	250,000	
4110-0001	Administration and Program Operations	1,513,379	1,131,134	Decreased funding to meet projected need.
4110-1000	Community Services for the Blind	7,799,905	6,359,783	Eliminated FY21 one-time costs.
4110-2000	Turning 22 Program and Services	14,080,794	15,308,797	
4110-3010	Vocational Rehabilitation for the Blind	3,158,520	2,831,545	Decreased funding to meet projected need.
4120-0200	Independent Living Centers	7,146,117	6,947,455	
4120-1000	Massachusetts Rehabilitation Commission	405,515	414,690	
4120-2000	Vocational Rehabilitation for People with Disabilities	18,454,910	18,136,586	
4120-3000	Employment Assistance	2,442,939	2,454,312	
4120-4000	Independent Living Assistance	11,884,414	11,423,514	
4120-4001	Accessible Housing Registry for People with Disabilities	80,000	80,000	
4120-4010	Turning 22 Program and Services	329,390	331,626	
4120-5000	Home Care Services for People with Multiple Disabilities	4,976,362	5,151,387	
4120-6000	Head Injury Treatment Services	21,651,939	22,621,122	
4125-0100	Massachusetts Commission for the Deaf and Hard of Hearing	6,857,791	7,194,951	
4125-0122	Chargeback for Interpreter Services	450,000	368,589	Decreased funding to meet projected need.
4180-0100	Soldiers' Home in Massachusetts Administration and Operations	29,531,989	35,500,637	Increase funding to meet projected need.
4180-1100	License Plate Sales Retained Revenue	600,000	600,000	
4190-0100	Soldiers' Home in Holyoke Administration and Operations	25,490,867	25,759,986	
4190-0101	Holyoke Antenna Retained Revenue	5,000	5,000	
4190-0102	Pharmacy Co-Payment Fee Retained Revenue	110,000	110,000	
4190-0200	Holyoke Telephone and Television Retained Revenue	50,000	50,000	
4190-0300	Holyoke 12 Bed Retained Revenue	802,327	804,385	
4190-1100	License Plate Sales Retained Revenue	400,000	400,000	
4200-0010	Department of Youth Services Administration and Operations	4,453,708	4,554,266	

## FY2022 Governor's Budget Recommendation

Account	Description	FY2021 GAA	FY2022 House 1	Comment
4200-0100	Non-Residential Services for Committed Population	24,288,247	24,804,987	
4200-0200	Residential Services for Detained Population	27,888,602	27,359,610	
4200-0300	Residential Services for Committed Population	112,386,434	106,877,080	
4200-0500	Department of Youth Services Teacher Salaries	3,059,187	3,059,187	
4200-0600	Department of Youth Services Overnight Arrest Program	2,408,161	2,416,081	
4400-1000	Dept of Transitional Assistance Administration and Operation	67,775,512	67,172,971	
4400-1001	Food Stamp Participation Rate Programs	3,923,548	3,573,032	
4400-1004	Healthy Incentives Program	13,000,000	5,000,000	Eliminated FY21 one-time costs; expect a portion of FY21 funding to be available to support program in FY22.
4400-1020	Secure Jobs Connect	3,000,000	2,000,000	Eliminated FY21 one-time costs.
4400-1025	Domestic Violence Specialists	1,757,895	1,790,076	
4400-1100	Caseworkers Reserve	80,402,615	83,205,763	
4400-1979	Pathways to Self Sufficiency	1,000,000	1,000,000	
4401-1000	Employment Services Program	16,498,554	14,103,103	Eliminated FY21 one-time costs.
4401-1003	Two Generation Economic Mobility Programs for High	2,500,000		Eliminated FY21 one-time costs.
4403-2000	Transitional Aid to Families with Dependent Children Grant Pmt	240,967,007	254,588,139	
4403-2007	Supplemental Nutritional Program	300,000	300,000	
4403-2008	Transportation Benefits for SNAP Work Program Participants	500,000	250,000	Eliminated FY21 one-time costs.
4403-2119	Teen Structured Settings Program	9,438,466	9,675,624	
4405-2000	State Supplement to Supplemental Security Income	210,393,938	202,480,784	
4408-1000	Emergency Aid to the Elderly Disabled and Children	89,983,226	83,444,967	
4510-0020	Food Protection Program Retained Revenue	162,229	162,229	
4510-0025	SEAL Dental Program Retained Revenue	896,060		Decreased funding to meet projected need.
4510-0040	Pharmaceutical and Medical Device Marketing Regulation RR	73,734	73,734	
4510-0100	Public Health Critical Operations and Essential Services	22,128,620	21,049,963	
4510-0108	Chargeback for State Office Pharmacy Services	54,164,907	57,955,333	
4510-0110	Community Health Center Services	3,341,113	2,002,548	Eliminated FY21 one-time costs.
4510-0112	Postpartum Depression Pilot Program	300,000		Eliminated FY21 one-time costs.
4510-0600	Environmental Health Assessment and Compliance	5,516,490	5,345,491	



**Line Item Summary**

<b>Account</b>	<b>Description</b>	<b>FY2021 GAA</b>	<b>FY2022 House 1</b>	<b>Comment</b>
4510-0615	Nuclear Power Reactor Monitoring Fee Retained Revenue	1,916,576	1,932,791	
4510-0616	Prescription Drug Registration and Monitoring Fee RR	1,103,078	1,125,952	
4510-0710	Division of Health Care Quality and Improvement	13,547,011	13,547,011	
4510-0712	Division of Health Care Quality Health Facility Licensing Fee	3,287,324	3,327,459	
4510-0721	Board of Registration in Nursing	852,327	879,152	
4510-0722	Board of Registration in Pharmacy	1,276,809	1,285,529	
4510-0723	Board of Registration in Medicine and Acupuncture	177,332	177,332	
4510-0724	Board of Registration in Medicine Retained Revenue	300,503	300,503	
4510-0725	Health Boards of Registration	443,172	453,260	
4510-0790	Regional Emergency Medical Services	1,000,000	500,000	Eliminated FY21 one-time costs.
4510-0810	Sexual Assault Nurse Examiner (SANE) and PediatricSANE Program	6,825,374	6,000,448	Eliminated FY21 one-time costs.
4510-3008	ALS Registry	290,027	290,027	
4510-3010	Down Syndrome Clinic	150,000		Eliminated FY21 one-time costs.
4512-0103	HIV/AIDS Prevention Treatment and Services	30,761,580	28,220,405	
4512-0106	HIV/AIDS Drug Program Manufacturer Rebates Retained Revenue	15,000,000	15,000,000	
4512-0200	Bureau of Substance Addiction Services	169,221,698	142,834,091	Eliminated FY21 one-time costs and decreased funding to meet projected need; expect a portion of FY21 funding to be available to support program in FY22.
4512-0201	Substance Abuse Step-Down Recovery Services	4,533,180	4,533,180	
4512-0202	Secure Treatment Facilities for Opiate Addiction	1,350,000	1,350,000	
4512-0203	Substance Abuse Family Intervention and Care Pilot	1,440,450	1,440,450	
4512-0204	Nasal Naloxone Pilot Expansion	1,020,000	1,020,000	
4512-0205	Substance Abuse Grants	707,000		Eliminated FY21 one-time costs.
4512-0206	Harm Reduction through Syringe Access	4,750,000	3,834,282	Decreased funding to meet projected need.
4512-0225	Compulsive Behavior Treatment Program Retained Revenue	1,000,000	1,000,000	
4512-0500	Dental Health Services	1,784,246	1,737,206	
4512-2020	DPH Public Safety Reform Matching Grants	2,500,000		Eliminated FY21 one-time costs.
4512-2021	Vaccine Planning Distribution Awareness	1,000,000		Eliminated FY21 one-time costs.
4512-2022	Grants to Local Boards of Health	10,000,000	10,000,000	

## FY2022 Governor's Budget Recommendation

Account	Description	FY2021 GAA	FY2022 House 1	Comment
4512-2023	Local COVID-19 Supports	1,975,000		Eliminated FY21 one-time costs.
4513-1000	Family Health Services	13,703,566	12,481,850	
4513-1002	Women Infants and Children Nutrition Services	11,911,761	11,911,761	
4513-1012	Women Infants and Children Program Manufacturer Rebates RR	27,400,000	27,400,000	
4513-1020	Early Intervention Services	36,359,772	30,305,914	Decreased funding to meet projected need.
4513-1023	Newborn Hearing Screening Program	87,463	87,463	
4513-1026	Suicide Prevention and Intervention Program	6,725,000	4,743,371	Eliminated FY21 one-time costs.
4513-1027	Samaritans Inc Suicide Prevention Services	400,000	400,000	
4513-1098	Services to Survivors of Homicide Victims	200,000	200,000	
4513-1111	Health Promotion and Disease Prevention	3,707,520	3,428,656	
4513-1121	Stop Stroke Program	500,000		Eliminated FY21 one-time costs.
4513-1130	Domestic Violence and Sexual Assault Prevention and Treatment	50,341,295	50,341,295	
4513-1131	Healthy Relationships Grant Program	1,050,000	1,000,000	
4513-2020	Behavioral Health Supports	5,795,000		Eliminated FY21 one-time costs.
4516-0263	Blood Lead Testing Fee Retained Revenue	1,200,727	1,223,828	
4516-1000	State Laboratory and Communicable Disease Control Services	16,999,953	17,890,893	
4516-1005	STI Billing Retained Revenue	1,001,867	1,025,177	
4516-1010	Matching funds for a Federal Emergency Preparedness Grant	1,519,315	1,519,315	
4516-1022	State Laboratory Tuberculosis Testing Fee Retained Revenue	292,546	292,546	
4516-1037	Mobile Integrated Health Retained Revenue	270,000	49,569	Reduced appropriation to equal projected retained revenue.
4516-1039	Health Care Industry Plan Review Retained Revenue	401,141	403,074	
4518-0200	Vital Records Research Cancer and Community Data Ret Rev	855,744	855,744	
4530-9000	Teenage Pregnancy Prevention Services	3,117,547	2,721,148	Eliminated FY21 one-time costs.
4580-1000	Universal Immunization Program	2,293,688	2,402,819	
4590-0250	School-Based Health Programs	14,123,583	12,062,038	Eliminated FY21 one-time costs.
4590-0300	Smoking Prevention and Cessation Programs	5,118,155	4,618,792	
4590-0901	Chargeback for Consolidated Public Health Hospitals	150,000	150,000	

<b>Account</b>	<b>Description</b>	<b>FY2021 GAA</b>	<b>FY2022 House 1</b>	<b>Comment</b>
4590-0903	Chargeback for Medical Services for County Corrections Inmates	3,800,000	3,901,388	
4590-0912	Western Massachusetts Hospital Federal Reimbursement Ret Rev	24,703,932	25,140,258	
4590-0913	Shattuck Hospital Private Medical Vendor Retained Revenue	507,937	507,937	
4590-0915	Public Health Hospitals	166,052,256	170,972,689	
4590-0917	Shattuck Hospital Department of Correction Inmate Retained Rev	4,552,181	4,684,524	
4590-0918	State Office Pharmacy Services Department of Correction RR	28,741,278	30,933,369	
4590-0924	Tewksbury Hospital Retained Revenue	1,934,285	1,946,945	
4590-0925	Prostate Cancer Research	800,000		Eliminated FY21 one-time costs.
4590-0930	Municipal Naloxone Bulk Purchase Program	500,000	533,000	
4590-1503	Pediatric Palliative Care	6,516,582	4,816,582	Eliminated FY21 one-time costs.
4590-1504	Neighborhood Gun & Violence Prevention	500,000		Decreased funding to meet projected need.
4590-1506	Violence Prevention Grants	3,155,000	2,009,183	Eliminated FY21 one-time costs.
4590-1507	Youth At-Risk Matching Grants	7,775,000	1,400,000	Eliminated FY21 one-time costs.
4590-2001	Tewksbury Hospital DDS Client Retained Revenue	3,789,691	3,840,294	
4800-0015	Clinical Support Services and Operations	114,559,681	114,081,233	
4800-0016	Roca Retained Revenue for Cities and Towns	2,000,000	2,000,000	
4800-0025	Foster Care Review	4,531,259	4,556,124	
4800-0030	DCF Local and Regional Management of Services	8,037,425	8,037,425	
4800-0036	Sexual Abuse Intervention Network	841,534	841,534	
4800-0038	Services for Children and Families	307,005,812	299,600,800	
4800-0040	Family Support and Stabilization	67,066,570	67,066,570	
4800-0041	Congregate Care Services	293,443,452	307,776,535	
4800-0058	Foster Adoptive and Guardianship Parents Campaign	750,000	750,000	
4800-0091	Child Welfare Training Institute Retained Revenue	2,827,731	2,840,730	
4800-0151	Placement Services for Juvenile Offenders	151,252		Funding transferred to relevant budgetary accounts.
4800-0200	DCF Family Resource Centers	17,450,000	16,014,559	
4800-1100	Social Workers for Case Management	265,309,813	263,999,416	
5011-0100	Department of Mental Health Administration and Operations	29,553,995	29,823,790	
5042-5000	Child and Adolescent Mental Health Services	94,790,000	97,134,089	

## FY2022 Governor's Budget Recommendation

Account	Description	FY2021 GAA	FY2022 House 1	Comment
5046-0000	Adult Mental Health and Support Services	501,097,324	504,914,141	
5046-2000	Statewide Homelessness Support Services	22,734,301	22,737,573	
5046-4000	CHOICE Program Retained Revenue	125,000	125,000	
5047-0001	Emergency Services and Mental Health Care	22,139,598	22,246,669	
5055-0000	Forensic Services Program for Mentally Ill Persons	11,066,817	11,094,542	
5095-0015	Inpatient Facilities and Community-Based Mental Health	229,635,223	255,779,455	Increased funding to meet projected need.
5095-1016	Occupancy Fees Retained Revenue	500,000		Reduced appropriation to equal projected retained revenue.
5911-1003	DDS Service Coordination and Administration	80,431,659	81,293,290	
5911-2000	Transportation Services	33,287,751	20,095,451	Decreased funding to meet projected need and transferred funds to 5920-5000.
5920-2000	Community Residential Services	1,287,631,748	1,408,349,243	
5920-2003	Supportive Technology for Individuals	500,000	500,000	
5920-2010	State Operated Residential Services	237,801,317	240,537,467	
5920-2025	Community Day and Work Programs	239,563,699	204,962,246	Decreased funding to meet projected need and transferred funds to 5920-5000.
5920-3000	Respite Family Supports	77,853,898	77,853,898	
5920-3010	Autism Division	7,429,571	5,933,900	Decreased funding to meet projected need and transferred funds to 5920-5000.
5920-3020	Autism Omnibus	38,586,296	36,607,971	
5920-3025	Aging with Developmental Disabilities	100,000	100,000	
5920-5000	Turning 22 Program and Services	25,051,713	79,948,997	Increased funding to meet projected need and consolidated funds from other line items.
5930-1000	State Facilities for People with Intellectual Disabilities	104,291,771	103,743,275	
7000-9101	Board of Library Commissioners	1,579,876	1,585,250	
7000-9401	Regional Libraries Local Aid	12,516,000	12,516,000	
7000-9402	Talking Book Program Worcester	482,264	482,264	
7000-9406	Talking Book Program Watertown	2,745,774	2,745,774	
7000-9501	Public Libraries Local Aid	12,000,000	12,000,000	
7000-9506	Library Technology and Automated Resource-Sharing Networks	4,386,770	4,386,770	
7000-9508	Center for the Book	225,000	225,000	
7002-0010	Executive Office of Housing and Economic Development	3,456,480	2,331,480	Eliminated FY21 one-time costs.
7002-0012	Summer Jobs Program for At-Risk Youth	20,000,000	16,240,000	Eliminated FY21 one-time costs.

<b>Account</b>	<b>Description</b>	<b>FY2021 GAA</b>	<b>FY2022 House 1</b>	<b>Comment</b>
7002-0017	Housing and Economic Development IT Costs	3,241,089	3,439,297	
7002-0018	Chargeback for Housing and Economic Development IT Costs	7,683,573	7,683,573	
7002-0020	Workforce Development Grant	2,600,000	2,500,000	
7002-0025	Community Action Agency Operating and Outreach Support	5,000,000		Eliminated FY21 one-time costs.
7002-0032	Massachusetts Technology Collaborative	2,500,000	2,500,000	
7002-0036	Urban Agenda Economic Development Grants	2,500,000	2,500,000	
7002-0040	Small Business Technical Assistance Grant Program	5,125,000	4,000,000	Eliminated FY21 one-time costs.
7002-1080	Learn to Earn	1,000,000	300,000	Decreased funding to meet projected need.
7002-1091	Career Technical Institutes	4,000,000	15,379,600	Increased funding to meet projected need and support new initiative.
7002-1502	Transformative Development Fund	1,000,000	250,000	Eliminated FY21 one-time costs.
7002-1503	Massachusetts Cybersecurity Innovation Fund	950,000	950,000	
7002-1508	MTC - Entrepreneur Training Programs	1,500,000	1,350,000	
7002-1509	Entrepreneur in Residence Pilot Program	50,000		Eliminated FY21 one-time costs.
7002-1512	Big Data Innovation and Workforce Fund	500,000		Eliminated FY21 one-time costs.
7002-2020	Economic Recovery Planning and Response	46,350,000		Eliminated FY21 one-time costs.
7002-2021	Community Empowerment and Reinvestment Grant Program	15,000,000		Eliminated FY21 one-time costs.
7002-2022	Community Foundation Grants	5,000,000		Eliminated FY21 one-time costs.
7003-0100	Office of the Secretary	1,692,620	792,620	Eliminated FY21 one-time costs.
7003-0101	Labor and Workforce Development Shared Services	11,972,362	12,378,242	
7003-0150	Demonstration Workforce Development Program	1,500,000	1,000,000	Eliminated FY21 one-time costs.
7003-0151	Registered Apprenticeship Expansion	500,000	500,000	
7003-0200	Department of Labor Standards	3,536,254	3,536,254	
7003-0201	Asbestos Deleading EA Services	413,297	413,297	
7003-0500	Department of Industrial Accidents	19,438,736	18,986,939	
7003-0606	Massachusetts Manufacturing Extension Partnership	2,000,000		Eliminated FY21 one-time costs.
7003-0607	Employment Program for Young Adults with Disabilities	250,000	250,000	
7003-0608	Health Care Worker Training	200,000		Eliminated FY21 one-time costs.
7003-0800	MassHire Department of Career Services	2,064,979	2,064,979	

## FY2022 Governor's Budget Recommendation

Account	Description	FY2021 GAA	FY2022 House 1	Comment
7003-0803	MassHire Career Centers	5,000,000	3,960,051	Eliminated FY21 one-time costs.
7003-0900	Department of Labor Relations	2,860,158	2,860,158	
7003-0902	Joint Labor Management Committee for Municipal Police and Fire	250,000	250,000	
7003-1206	Massachusetts Service Alliance	1,400,000	1,400,000	
7003-1207	AFL-CIO Workforce Development Programs	150,000		Eliminated FY21 one-time costs.
7004-0001	Indian Affairs Commission	136,394	136,394	
7004-0099	Dept of Housing and Community Development Admin	8,553,502	7,596,502	Eliminated FY21 one-time costs.
7004-0100	Operation of Homeless Programs	6,098,712	6,233,744	
7004-0101	Emergency Assistance Family Shelters and Services	180,904,755	195,885,750	
7004-0102	Homeless Individual Shelters	56,425,000	53,355,000	
7004-0104	Home and Healthy for Good Program	3,890,000	2,890,000	Eliminated FY21 one-time costs.
7004-0106	New Lease for Homeless Families Program	250,000	250,000	
7004-0108	HomeBASE	27,158,178	25,970,612	
7004-0202	Homeless Individuals Rapid Re-Housing Program	5,000,000	4,890,148	
7004-1010	Down Payment Assistance Program	5,000,000		Eliminated FY21 one-time costs.
7004-3036	Housing Services and Counseling	4,750,000	4,750,000	
7004-3045	Tenancy Preservation Program	1,500,000	1,300,000	Eliminated FY21 one-time costs.
7004-4314	Service Coordinators Program	3,000,000	550,401	Eliminated FY21 one-time costs.
7004-9005	Subsidies to Public Housing Authorities	80,000,000	75,000,000	
7004-9007	Public Housing Reform	1,000,000	1,000,000	
7004-9024	Massachusetts Rental Voucher Program	125,501,294	122,645,860	
7004-9030	Alternative Housing Voucher Program	10,621,601	5,621,601	Eliminated FY21 one-time costs.
7004-9031	Accessible Affordable Housing Grants	2,500,000		Eliminated FY21 one-time costs.
7004-9033	Rental Subsidy Program for DMH Clients	10,548,125	10,548,125	
7004-9315	Low-Income Housing Tax Credit Fee Retained Revenue	2,598,163	2,598,163	
7004-9316	Residential Assistance for Families in Transition	50,000,000	16,274,232	Eliminated FY21 one-time costs.
7006-0000	Office of Consumer Affairs and Business Regulation	1,304,849	1,304,849	
7006-0010	Division of Banks	19,675,873	19,840,873	
7006-0011	Loan Originator Administration and Consumer Counseling Program	2,850,000	1,500,000	Decreased funding to meet projected need.
7006-0020	Division of Insurance	14,575,751	14,575,751	

<b>Account</b>	<b>Description</b>	<b>FY2021 GAA</b>	<b>FY2022 House 1</b>	<b>Comment</b>
7006-0029	Health Care Access Bureau Assessment	1,060,793	1,060,793	
7006-0040	Division of Professional Licensure	6,305,132	7,105,132	Increased funding to meet projected need and support new initiative.
7006-0043	Home Improvement Contractors Retained Revenue	500,000	500,000	
7006-0060	Division of Standards	638,656	638,656	
7006-0064	Motor Vehicle Repair Shop Licensing	320,000	320,000	
7006-0065	Division of Standards RR	507,468	566,219	Funding transferred from 7006-0067.
7006-0066	Item Pricing Inspections	160,372	160,372	
7006-0067	Weights and Measures Law Enforcement Fee Retained Revenue	58,751		Funding transferred to 7006-0065.
7006-0071	Department of Telecommunications and Cable	2,970,097	2,970,097	
7006-0142	Office of Public Safety and Inspections	16,084,593	16,034,593	
7006-0151	Occupational Schools Oversight	475,642	475,642	
7006-1001	Conservation Service Program	234,560	234,560	
7006-1003	Energy Resources Assessed	4,276,817	4,276,817	
7007-0150	Regional Economic Development Grants	6,000,000	1,000,000	Eliminated FY21 one-time costs.
7007-0300	Massachusetts Office of Business Development	1,951,313	1,701,313	Eliminated FY21 one-time costs.
7007-0500	For Massachusetts Biotechnology Research	750,000		Eliminated FY21 one-time costs.
7007-0800	Small Business Development Center at UMass	1,426,222	1,426,222	
7007-0801	Microlending	800,000		Eliminated FY21 one-time costs.
7007-0952	Commonwealth Zoological Corporation	5,225,000	4,000,000	Eliminated FY21 one-time costs.
7007-1641	Small Business Association Layoff Aversion Grant Program	250,000		Eliminated FY21 one-time costs.
7008-0900	Massachusetts Office of Travel and Tourism	163,175	163,175	
7008-1116	Local Economic Development Projects Earmarks	5,665,000		Eliminated FY21 one-time costs.
7008-1300	Massachusetts International Trade Council	124,204	122,274	
7009-1700	Education Information Technology Costs	18,833,481	19,143,528	
7009-1701	Chargeback for Education Information Technology Costs	1,860,363	1,860,363	
7009-6379	Executive Office of Education	2,189,528	2,189,528	
7009-6600	Early College Programs	2,500,000	2,500,000	
7010-0005	Department of Elementary and Secondary Education	12,736,260	11,796,260	

## FY2022 Governor's Budget Recommendation

Account	Description	FY2021 GAA	FY2022 House 1	Comment
7010-0012	Programs to Eliminate Racial Imbalance - METCO	25,600,000	25,600,000	
7010-0033	English Language and Literacy Programs	2,454,731	4,300,603	Funding transferred from 7027-1004 and decreased to meet projected need.
7010-1193	Civics Education Programs	1,000,000		Eliminated FY21 one-time costs.
7010-1194	Financial Literacy Education	250,000		Eliminated FY21 one-time costs.
7010-1202	DESE Computer Science Education	1,000,000		Eliminated FY21 one-time costs.
7027-0019	School-to-Career Connecting Activities	6,400,000	6,000,000	
7027-1004	English Language Acquisition	4,533,474		Funding transferred to 7010-0033.
7028-0031	School-age in Institutional Schools and Houses of Correction	8,430,007	7,973,837	
7035-0001	Career and Technical Education Program	1,500,000	1,500,000	
7035-0002	Adult Basic Education	46,385,000	40,606,883	Eliminated FY21 one-time costs.
7035-0006	Transportation of Pupils - Regional School Districts	82,178,615	75,856,506	
7035-0007	Non-Resident Pupil Transportation	250,000	250,000	
7035-0008	Homeless Student Transportation	13,449,605	11,099,500	Eliminated FY21 one-time costs.
7035-0035	Advanced Placement Math and Science Programs	3,292,809	2,892,809	Eliminated FY21 one-time costs.
7053-1909	School Lunch Program	5,314,176	5,314,176	
7053-1925	School Breakfast Program	4,916,445	4,566,445	
7061-0008	Chapter 70 Aid to Cities and Towns	5,283,651,632	5,481,304,643	Increased funding to support new initiatives or investments.
7061-0012	Special Education Circuit Breaker Reimbursement	345,154,803	367,654,803	Increased funding to support new initiatives or investments.
7061-0027	One-Time COVID -19 Response Remote Learning and Student Sup	53,060,000		Eliminated FY21 one-time costs.
7061-0029	Educational Quality and Accountability	1,016,512	925,214	
7061-0033	Public School Military Mitigation	1,400,000	1,300,000	
7061-9010	Charter School Reimbursement	117,357,887	143,500,000	Increased funding to support new initiatives or investments.
7061-9200	Education Data Services	578,231	1,078,231	Increased funding to support new initiatives or investments.
7061-9400	Student and School Assessment	32,235,270	32,235,270	
7061-9401	Assessment Consortium	200,000		Eliminated FY21 one-time costs.
7061-9406	Statewide College and Career Readiness Program	875,000		Eliminated FY21 one-time costs.
7061-9408	Targeted Intervention	14,077,049	12,555,706	Eliminated FY21 one-time costs.
7061-9412	Extended Learning Time Grants	9,323,255	3,988,087	Eliminated FY21 one-time costs.



<b>Account</b>	<b>Description</b>	<b>FY2021 GAA</b>	<b>FY2022 House 1</b>	<b>Comment</b>
7061-9601	Teacher Certification Retained Revenue	2,300,000	2,300,000	
7061-9607	Recovery High Schools	2,700,000	2,600,000	
7061-9611	After-School and Out-of-School Grants	11,242,017	2,577,017	Eliminated FY21 one-time costs.
7061-9612	Safe and Supportive Schools	510,684	510,684	
7061-9619	Franklin Institute of Boston	1	1	
7061-9624	School of Excellence	1,500,000	1,500,000	
7061-9626	YouthBuild Grants	3,000,000	2,400,000	Eliminated FY21 one-time costs.
7061-9634	Mentoring Matching Grants	1,000,000	1,000,000	
7061-9650	Student Wellness School Supports	2,000,000		Eliminated FY21 one-time costs.
7061-9809	School District Regionalization Grants	500,000	500,000	
7061-9812	Child Sex Abuse Prevention	600,000	600,000	
7061-9813	Rural School Aid	3,000,000	1,500,000	Eliminated FY21 one-time costs.
7061-9814	Summer Learning	1,000,000	500,000	Eliminated FY21 one-time costs.
7066-0000	Department of Higher Education	5,186,847	2,436,847	Eliminated FY21 one-time costs.
7066-0009	New England Board of Higher Education	368,250	368,250	
7066-0015	Workforce Development Grants to Community Colleges	1,450,000		Eliminated FY21 one-time costs.
7066-0016	Foster Care Financial Aid	1,485,000	1,485,000	
7066-0019	Dual Enrollment Grant and Subsidies	3,000,000	2,000,000	Eliminated FY21 one-time costs.
7066-0021	Foster Care and Adopted Fee Waiver	7,294,911	7,294,911	
7066-0025	Performance Management Set Aside	2,552,157	2,552,157	
7066-0036	STEM Starter Academy	4,750,000	4,750,000	
7066-0040	Bridges to College	500,000		Eliminated FY21 one-time costs.
7066-1400	Massachusetts State Universities	5,469,870		Eliminated FY21 one-time costs.
7066-9600	Inclusive Concurrent Enrollment	2,002,977	2,002,977	
7070-0065	Massachusetts State Scholarship Program	120,000,000	116,300,000	
7070-0066	High Demand Scholarship Program	1,500,000	1,500,000	
7077-0023	Tufts School of Veterinary Medicine Program	5,500,000	5,500,000	
7100-0200	University of Massachusetts	560,454,919	560,454,919	
7100-0700	Office of Dispute Resolution Operations	2,700,000	1,090,000	Eliminated FY21 one-time costs.
7100-0801	MA Technology Transfer Center	400,000		Eliminated FY21 one-time costs.
7100-0901	Innovation Voucher Program Fund	2,000,000	2,000,000	

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Account	Description	FY2021 GAA	FY2022 House 1	Comment
7100-4000	Massachusetts Community Colleges	5,883,238		Eliminated FY21 one-time costs.
7100-4002	Community College SUCCESS Fund	7,000,000		Eliminated FY21 one-time costs.
7109-0100	Bridgewater State University	51,141,209	50,176,535	
7110-0100	Fitchburg State University	33,197,515	33,197,515	
7112-0100	Framingham State University	32,545,150	32,545,150	
7113-0100	Massachusetts College of Liberal Arts	18,354,298	18,354,298	
7114-0100	Salem State University	50,183,982	50,183,982	
7115-0100	Westfield State University	30,992,952	30,592,953	
7116-0100	Worcester State University	30,471,800	30,071,801	
7117-0100	Massachusetts College of Art	20,413,215	20,413,215	
7118-0100	Massachusetts Maritime Academy	18,974,172	18,974,172	
7502-0100	Berkshire Community College	12,133,233	12,133,233	
7503-0100	Bristol Community College	23,850,661	23,400,891	
7503-0101	Affordable Housing Trust Fund Transfer	50,000		Eliminated FY21 one-time costs.
7504-0100	Cape Cod Community College	13,701,230	13,701,230	
7505-0100	Greenfield Community College	11,665,050	11,665,050	
7506-0100	Holyoke Community College	22,697,040	22,697,040	
7507-0100	Massachusetts Bay Community College	17,779,141	17,779,141	
7508-0100	Massasoit Community College	24,064,288	23,764,288	
7509-0100	Mount Wachusett Community College	16,214,046	16,214,046	
7509-0101	Brewer Center for Civic Learning and Community	150,000		Eliminated FY21 one-time costs.
7510-0100	Northern Essex Community College	21,986,040	21,986,040	
7511-0100	North Shore Community College	24,154,641	24,154,641	
7512-0100	Quinsigamond Community College	23,835,425	23,485,425	
7514-0100	Springfield Technical Community College	27,976,805	27,976,805	
7515-0100	Roxbury Community College	11,894,587	11,744,587	
7515-0120	Reggie Lewis Track and Athletic Center	925,000	925,000	
7515-0121	Reggie Lewis Track and Athletic Center Retained Revenue	529,843	529,843	
7516-0100	Middlesex Community College	26,169,599	26,169,599	
7518-0100	Bunker Hill Community College	29,624,168	29,224,168	
7518-0120	PACE Initiative	300,000		Eliminated FY21 one-time costs.
7520-0424	Health and Welfare Reserve for Higher Education Personnel	5,317,214	5,317,214	
8000-0038	Witness Protection Board	250,000	250,000	
8000-0070	Commission on Criminal Justice	128,780	128,780	
8000-0105	Office of the Chief Medical Examiner	12,839,554	12,862,676	

Account	Description	FY2021 GAA	FY2022 House 1	Comment
8000-0110	Criminal Justice Information Services	2,182,051	2,196,381	
8000-0111	CORI Retained Revenue	3,500,000	3,500,000	
8000-0122	Chief Medical Examiner Fee Retained Revenue	6,000,000	6,000,000	
8000-0125	Sex Offender Registry Board	5,652,343	5,663,416	
8000-0202	Sexual Assault Evidence Kits	86,956	86,956	
8000-0600	Executive Office of Public Safety	4,144,795	3,614,796	Eliminated FY21 one-time costs.
8000-0655	Pre-and Post-Release Services Grant Program	4,000,000		Decreased funding to meet projected need
8000-1001	Boston Regional Intelligence Center	850,000	850,000	
8000-1127	Nonprofit Security Grant Pilot Program	1,000,000	1,000,000	
8000-1225	Office of Grants and Research	-	100,000	Increased funding to meet projected need.
8000-1700	Public Safety Information Technology Costs	12,741,786	12,309,728	
8000-1701	Chargeback for Public Safety Information Technology Costs	11,464,504	11,464,504	
8100-0002	Chargeback for State Police Details	50,948,913	50,948,913	
8100-0003	Chargeback for State Police Telecommunications	156,375	156,375	
8100-0006	Private Detail Retained Revenue	31,250,000	31,250,000	
8100-0012	Special Event Detail Retained Revenue	2,200,000	3,500,000	Increased appropriation to meet projected retained revenue
8100-0018	Federal Reimbursement Retained Revenue	3,205,922	3,205,922	
8100-0102	Troop F Retained Revenue	45,000,000	45,000,000	
8100-0111	Gang Prevention Grant Program	11,330,000	11,330,000	
8100-0515	New State Police Class	5,672,623	2,000,000	Decreased funding to meet projected need.
8100-1001	Department of State Police	288,543,254	306,821,663	
8100-1004	State Police Crime Laboratory	23,085,769	23,085,769	
8100-1005	UMASS Drug Lab	393,553	393,553	
8200-0200	Municipal Police Training Committee	3,564,682	3,577,545	
8200-0222	Municipal Recruit Training Program Fee Retained Revenue	1,800,000	1,800,000	
8324-0000	Department of Fire Services Administration	31,897,644	29,392,332	
8324-0304	Department of Fire Services Retained Revenue	8,500	8,500	
8324-0500	Boiler Inspection Retained Revenue	2,200,000	2,200,000	
8700-0001	Military Division	11,236,893	11,152,525	
8700-1140	Armory and Missions Retained Revenue	1,900,000	1,900,000	
8700-1145	Chargeback for Armory Rentals	100,000	100,000	

## FY2022 Governor's Budget Recommendation

Account	Description	FY2021 GAA	FY2022 House 1	Comment
8700-1150	National Guard Tuition and Fee Waivers	10,430,745	10,430,745	
8700-1160	Welcome Home Bonus Life Insurance Premium Reimbursement	1,175,964	1,175,964	
8800-0001	Massachusetts Emergency Management Agency	1,903,781	4,080,283	Increased funding to meet projected need and support new initiative.
8900-0001	Department of Correction Facility Operations	687,433,991	701,771,356	
8900-0002	Massachusetts Alcohol and Substance Abuse Center	20,503,114	20,503,114	
8900-0003	Behavioral Health and Residential Treatment	4,803,797	4,803,797	
8900-0010	Prison Industries and Farm Services Program	5,401,897	5,401,897	
8900-0011	Prison Industries Retained Revenue	5,600,000	5,600,000	
8900-0021	Chargeback for Prison Industries and Farm Program	14,650,000	14,650,000	
8900-0050	DOC Fees Retained Revenue	8,600,000	8,600,000	
8900-1100	Re-Entry Programs	1,580,000	800,000	Eliminated FY21 one-time costs.
8910-0102	Hampden Sheriff's Department	76,824,582	75,662,572	
8910-0104	Hampden Section 35	1,000,000	1,000,000	
8910-0105	Worcester Sheriff's Department	53,472,104	53,472,104	
8910-0107	Middlesex Sheriff's Department	70,555,134	69,791,597	
8910-0108	Franklin Sheriff's Department	18,145,028	17,745,028	
8910-0110	Hampshire Sheriff's Department	15,105,790	14,884,490	
8910-0145	Berkshire Sheriff's Department	18,783,125	18,512,496	
8910-0445	Dispatch Center Retained Revenue	400,000	400,000	
8910-0450	Middlesex Sheriff Community Programs Retained Revenue	100,000	100,000	
8910-0618	Essex Sheriff's Private Detail	-	1,850,000	Increased appropriation to equal projected retained revenue.
8910-0619	Essex Sheriff's Department	75,360,583	75,360,583	
8910-0760	Private Detail Retained Revenue	1,500,000	1,500,000	
8910-1000	Hampden Prison Industries Retained Revenue	3,500,000	3,500,000	
8910-1010	Hampden Sheriff's Regional Mental Health Stabilization Unit	1,223,650	1,091,247	Eliminated FY21 one-time costs.
8910-1020	Hampden Sheriff Inmate Transfers	614,032	608,834	
8910-1030	Western Mass Regional Women's Correctional Center	4,407,790	4,206,665	
8910-1100	Middlesex Prison Industries Retained Revenue	75,000	75,000	
8910-1101	Middlesex Sheriff's Mental Health Stabilization Unit	904,880	904,880	
8910-1112	Hampshire Regional Lockup Retained Revenue	167,352	167,352	

**Line Item Summary**

<b>Account</b>	<b>Description</b>	<b>FY2021 GAA</b>	<b>FY2022 House 1</b>	<b>Comment</b>
8910-7110	Massachusetts Sheriffs' Association	461,742	461,742	
8910-8200	Barnstable Sheriff's Department	30,010,686	29,847,859	
8910-8213	Barnstable Sheriff Communications Retained Revenue	1,000,000	1,000,000	
8910-8300	Bristol Sheriff's Department	54,210,419	54,210,419	
8910-8400	Dukes Sheriff's Department	3,600,298	3,600,298	
8910-8401	Dukes Sheriff Communications Retained Revenue	250,000	250,000	
8910-8500	Nantucket Sheriff's Department	792,009	780,731	
8910-8600	Norfolk Sheriff's Department	35,543,400	35,543,400	
8910-8629	Norfolk Sheriff Communications Retained Revenue	55,430	55,430	
8910-8630	Norfolk Sheriff Community Programs Retained Revenue	225,000	160,000	Reduced appropriation to equal projected retained revenue
8910-8700	Plymouth Sheriff's Department	64,708,624	64,708,624	
8910-8718	Plymouth Sheriff Communications Retained Revenue	300,000	300,000	
8910-8800	Suffolk Sheriff's Department	112,744,778	112,744,778	
8910-8900	Suffolk Regional Lockup Retained Revenue	1,800,000	1,800,000	
8950-0001	Parole Board	21,693,374	20,728,546	
8950-0002	Victim and Witness Assistance Program	215,140	215,140	
9110-0100	Elder Affairs Administration	2,226,520	2,245,094	
9110-0600	Community Choices	237,165,314	253,512,831	
9110-1455	Prescription Advantage	17,249,455	16,419,671	
9110-1604	Supportive Senior Housing Program	7,763,422	7,763,422	
9110-1630	Home Care Services	183,184,468	184,854,953	
9110-1633	Home Care Case Management and Admin	64,433,467	63,122,315	
9110-1635	Enough Pay to Stay	17,508,295		Eliminated FY21 one-time costs.
9110-1636	Protective Services	36,348,223	35,571,728	
9110-1637	Home Care Aide Training Grant Program	500,000	1,206,947	Increased funding to meet projected need.
9110-1640	Geriatric Mental Health Services Program	1,000,000	800,000	Eliminated FY21 one-time costs.
9110-1660	Congregate Housing	3,297,211	1,759,394	Eliminated FY21 one-time costs and decreased funding to meet projected need.
9110-1700	Elder Homeless Placement	286,000	286,000	
9110-1900	Nutrition Services Programs	10,458,808	9,658,808	
9110-9002	Grants to Councils On Aging	17,505,000	17,066,651	
9500-0000	Senate Operations	23,606,511	23,606,511	
9510-0000	Operations of Senate	750,000	750,000	
9600-0000	House of Representatives Operations	42,277,603	42,277,603	

## FY2022 Governor's Budget Recommendation

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<b>Account</b>	<b>Description</b>	<b>FY2021 GAA</b>	<b>FY2022 House 1</b>	<b>Comment</b>
9610-0000	Operations of House	769,897	769,897	
9700-0000	Joint Legislative Operations	9,767,085	9,767,085	

