



# 2023 Instructions for Massachusetts Premium Excise Return for Insurance Companies **Form 63-23P**

This form has an electronic filing requirement.  
See instructions.

# Major 2023 Tax Law Changes

For more up-to-date and detailed information and to view all of the public written statements referenced in these instructions, visit <http://www.mass.gov/dor>.

## Filing Due Dates

Massachusetts General Laws (MGL) ch 62C, §§ 11 and 12 require C corporations to file their tax returns on or before the 15th day of the fourth month following the close of each taxable year. The filing due date for S corporation tax returns is the 15th day of the third month following the close of each taxable year. For more information, see Technical Information Release (TIR) 17-5. For calendar year filers, April 15, 2024, when 2023 returns and payments would normally be due, is Patriots' Day, a legal holiday in the Commonwealth, and April 16, 2024 is Emancipation Day, a legal day in Washington D.C. As a result, returns, payments made with returns, and estimated payments otherwise due on April 15, 2024, will be treated as timely if they are filed and/or paid on or before April 17, 2024.

## Wind Power Incentive Jobs Credit

For tax years beginning on or after January 1, 2023, and until tax years ending on or before December 31, 2032, a business subject to tax under MGL ch 63 may, to the extent authorized by the offshore wind tax incentive program established in MGL ch 23J, § 8A(d), be allowed a refundable credit in an amount determined by the Massachusetts Clean Energy Technology Center, in consultation with the Department of Revenue. A business taking this credit must commit to the creation of a minimum of 50 net new permanent full-time employees in Massachusetts. See TIR 23-6 and MGL ch 63, § 38LL for additional information.

## Wind Power Incentive Investment Credit

For tax years beginning on or after January 1, 2023, and until tax years ending on or before December 31, 2032, a business subject to tax under MGL ch 63 may, to the extent authorized by the offshore wind tax incentive program established in MGL ch 23J, § 8A(d), be allowed a refundable credit in an amount, as determined by the Massachusetts Clean Energy Technology Center, of up to 50 percent of its total capital investment in an offshore wind facility. See TIR 23-6 and MGL ch 63, § 38MM for additional information.

## National Guard Hiring Tax Credit

For tax years beginning on or after January 1, 2023, a business subject to tax under MGL ch 63 that employs not more than 100 employees may be allowed a credit equal to \$2,000 for each member of the Massachusetts National Guard hired by the business after July 1, 2022. The credit cannot reduce a business's corporate excise liability below the minimum corporate excise amount. See TIR 23-6 and MGL ch 63, § 38KK for additional information.

## Disability Hire Tax Credit

For tax years beginning on or after January 1, 2023, businesses subject to tax under MGL ch 63 that hire employees with a disability who live and work in Massachusetts may be eligible for a credit. The credit is equal to the lesser of \$5,000 or 30% of the wages paid to a qualified employee in the first year of employment, and the lesser of \$2,000 or 30% of the wages paid to a qualified employee in each subsequent year of employment. The credit cannot reduce a business's corporate excise liability below the minimum corporate excise amount. For additional information, see 830 CMR 63.38JJ.1: Disability Employment Tax Credit.

## Extension of Brownfields Tax Credit

The brownfields tax credit, previously scheduled to expire on August 5, 2023, has been extended for five additional years. To qualify for a brownfields tax credit, a taxpayer must commence the environmental response action on or before August 5, 2028, and incur net response and removal costs before January 1, 2029. See TIR 23-12 for more information.

## Federal Conformity

Massachusetts generally conforms to the IRC as currently in effect for Massachusetts corporate and financial institution excise purposes. For more up-to-date and detailed information on tax changes and federal conformity, visit DOR's website at [www.mass.gov/dor](http://www.mass.gov/dor).

# General Instructions

## Extension Due Dates

C corporations are allowed an automatic extension to file their tax returns if they satisfy the payment requirements stated in TIR 15-15. Tax returns filed on extension are due 6 months from the due date (October 15 in the case of C corporations filing on a calendar year basis). See TIR 17-5.

Form 63-23P filers will receive an automatic six-month extension of time to file Form 63-23P provided they meet certain payment requirements.

DOR has adopted an automated process for extensions of time to file tax returns for corporate excise taxpayers, as part of the MassTaxConnect system. Consistent with current rules, insurance companies meeting certain payment requirements will be given an automatic six-month extension. For further information, see TIR 15-15.

Note: An extension of time to file is not valid if the corporation fails to pay at least 50% of the total tax liability or the minimum tax of \$456, which ever is greater, through estimated payments or an extension payment, by or before the due date of the original return.

## Electronic Filing and Payment Requirements

Insurance companies are required to file and pay their taxes electronically. Taxpayers should file their tax returns online at [mass.gov/masstaxconnect](http://mass.gov/masstaxconnect). For further information, see TIR 21-9.

## Who Must File Form 63-23P?

All domestic insurance companies subject to MGL ch 63, §§ 22 and 22A must file Form 63-23P. Life insurance companies and ocean marine business companies do not file this form. See instructions for Form 63-20P and Form 63-29A.

A domestic company is a company incorporated or formed in the Commonwealth.

All classes of foreign insurance companies subject to MGL ch 63, §§ 23 and 24A must file Form 63-23P. Life insurance companies that are taxable under MGL ch 63, § 20, 21 or 23 and marine business companies taxable under MGL ch 63, § 29A do not file this form. See instructions for Form 63-20P and Form 63-29A.

A foreign company is any company organized or formed in any state or country other than Massachusetts.

All domestic or foreign organizations that offer preferred provider arrangements under MGL ch 176I are required to file this form.

If you are a domestic property and casualty insurer, complete lines 1 through 5 on page 1. Also complete any applicable lines on page 2 and 3 of Form 63-23P. In addition, complete the sections Part 1, Premium Excise and Part 2, Gross Investment income.

If you are a foreign property and casualty insurer, complete lines 6 through 14 on page 1. Also complete any applicable lines on page 2 and 3 of Form

63-23P. In addition, complete the section Part 3, Computation of Retaliatory Tax.

If you are an insured preferred provider and casualty insurer subject to MGL ch 176I, complete lines 15 through 20 on page 1 and all applicable lines on pages 2 and 3 of Form 63-23P. You are not required to complete Parts 1, 2 or 3.

Only in rare circumstances should you fill out more than one section on page 1.

## What Are the Penalties for Late Returns?

Insurance excise returns that are not filed and/or paid on or before the due date are subject to interest and penalty charges. The penalty for failure to pay the total amount due with this form is 1% of the balance due per month (or fraction thereof), up to a maximum of 25%. A late payment penalty does not apply to amended returns when the amount shown on the original return was paid.

The penalty for failure to file a return by the due date is 1% of the balance due per month (or fraction thereof), up to a maximum of 25%.

Any tax not paid on or before the due date — without regard to the extension — is subject to interest.

## What is a Valid Return?

A valid return is one upon which all required amounts have been entered for all of the appropriate items on the form. Applicable forms and documents may be enclosed to explain these amounts. Referencing enclosed items instead of properly entering all amounts onto the return is not sufficient. **Note:** An exact copy of the taxpayer's federal tax return (including all applicable schedules and any other documentation required to substantiate entries made on this return) **must** be submitted along with Form 63-23P.

If a copy of the taxpayer's federal tax return is unavailable at the time of filing Form 63-23P because the taxpayer has requested an extension of time to file their federal tax return, the taxpayer must instead submit a copy of their application for extension. An exact copy of U.S. Form 1120, including all applicable schedules and any other documentation required to substantiate entries made on this return, must be made available to DOR upon request.

## Documentation of Premiums

Domestic property and casualty insurers should include the following schedules:

- ▶ Exhibit of Premiums and Losses (Statutory page 14) for Business in the State of Massachusetts; and

- ▶ Schedule T, Exhibit of Premiums Written from the NAIC Annual Statement; and

- ▶ Exhibit of Net Investment Income.

Foreign property and casualty insurers should include the following schedules:

- ▶ Exhibit of Premiums and Losses (Statutory page 14) for Business in the State of Massachusetts; and

- ▶ Schedule T, Exhibit of Premiums Written from the NAIC Annual Statement.

Preferred provider arrangements should include:

- ▶ Any schedule, spreadsheet and/or correspondence with the Massachusetts Division of Insurance verifying the premiums declared.

Reproduction of returns must be approved by DOR prior to filing and meet the criteria provided in TIR 95-8.

Failure to meet any of the requirements detailed in this section may result in a penalty for filing an insufficient return. Such a penalty may be assessed at double the amount of the excise due.

## When are Estimated Tax Payments Required?

Any insurance company which reasonably estimates its excise to be in excess of \$1,000 for the taxable year is required to make estimated tax payments to the Commonwealth. Estimated payments must be made in quarterly installments of 40%, 25%, 25% and 10% of the estimated annual tax liability.

**Note:** New corporations in their first full taxable year with less than 10 employees have different estimated payment percentages — 30%, 25%, 25% and 20% respectively.

Insurance companies that underpay, or fail to pay, their estimated taxes may incur an additional penalty on the amount of the underpayment for the period of the underpayment. Form M-2220, Underpayment of Massachusetts Estimated Tax by Corporations, is used to compute the additional charge.

Any corporation having \$1 million or more of federal taxable income in any of its three preceding taxable years (as defined in Internal Revenue Code (IRC) § 6655(g)) may only use its prior year's tax liability to calculate its first quarterly estimated tax payment. Any reduction in the first installment payment that results from using this method must be added to the second installment payment.

A company that claims the exception to the underpayment penalty of equaling the prior year's tax liability must provide federal tax returns (front

page only) for the three preceding taxable years to verify that federal taxable income is less than \$1 million.

**Note:** Any insurance company required to file more than one type of excise return must also file separate estimated tax payments since each type of tax is governed by a different section of the Massachusetts General Laws.

For more information on corporate estimated taxes, refer to MGL ch 63B.

## How Is the Excise Determined?

Domestic insurance companies are taxed both on premiums written and finance charges imposed on those premiums in Massachusetts. These companies are also taxed on premiums in other jurisdictions where no tax is paid. A tax is also imposed on gross investment income.

Foreign insurance companies are taxed on gross premiums written or renewed, and finance charges imposed on those premiums in Massachusetts.

Organizations conducting preferred provider business are taxed on gross premiums received for persons residing in Massachusetts.

## Filing an Amended Return

**New-Supporting Statement.** If you are filing an amended return for any reason you **must** attach a statement to the amended return with an explanation of why you are filing the amended return, including the basis for submitting it.

If you need to change a line item on your return, complete a return with the corrected information and fill in the **Amended return** oval. An amended return can be filed to either increase or decrease your tax. Generally, an amended return must be filed within three years of the date that your original return was filed. Electronic filing requirements apply to amended returns and disputes. See TIR 21-9 for further information.

## Federal Changes

If this is an amended Massachusetts return and it does not report changes that result from the filing of a federal amended return or from a federal audit (e.g., if the amended Massachusetts return is reporting only a change in the apportionment calculation or an additional tax credit), fill in only the **Amended return** oval. If this is an amended return that includes changes you have reported on an amended federal return filed with the IRS for the same tax year, fill in both the **Amended return** oval and the **Amended return due to federal change** oval. If the amended Massachusetts return incorporates changes that are the result of an IRS audit, enclose a complete copy of the federal audit report and supporting schedules. If your amended return

is being submitted due to an IRS BBA Partnership Audit then fill in the **Amended return due to IRS BBA Partnership Audit** oval.

### **Schedule DRE. Disclosure of Disregarded Entity**

A corporation doing business in Massachusetts (including through the means of activities conducted by a disregarded entity that such corporation owns) and that is also the owner of a disregarded entity for any portion of the taxable year for which a return is being filed must identify each such disregarded entity by filing Schedule DRE with its return. A separate Schedule DRE is required for each such disregarded entity. See Schedule DRE instructions for additional information.

### **Massachusetts Schedule FCI. Foreign Corporation Income**

Fill in the oval and enclose Schedule FCI (Foreign Corporation Income) if the corporation is required to complete and file Schedule FCI with Form 63-23P. All taxpayers with foreign corporation income (including GILTI income) must complete Schedule FCI. Detailed instructions for completing Schedule FCI are available on DOR's website. See Schedule FCI and Instructions.

### **Enclosing Schedule TDS. Inconsistent Filing Position Penalty**

Fill in the oval and enclose Schedule TDS, Taxpayer Disclosure Statement, if you are disclosing any inconsistent filing positions. Schedule TDS is available on our website at [mass.gov/dor](http://mass.gov/dor). The inconsistent filing position penalty (see TIR 06-5, section IV) applies to taxpayers that take an inconsistent position in reporting income. These taxpayers must disclose the inconsistency when filing their Massachusetts return. If such inconsistency is not disclosed, the taxpayer will be subject to a penalty equal to the amount of tax attributable to the inconsistency. This penalty is in addition to any other penalties that may apply.

A taxpayer is deemed to have taken an inconsistent position when the taxpayer pays less tax in Massachusetts based upon an interpretation of Massachusetts law that differs from the position taken by the taxpayer in another state where the taxpayer files a return and the governing law in that other state is the same in all material respects as the Massachusetts law. The Commissioner may waive or abate the penalty if the inconsistency or failure to disclose was attributable to reasonable cause and not willful neglect.

### **Federal Change to Prior Year Taxable Income**

Fill in the oval if the federal government has changed your taxable income for any prior year which has not yet been reported to Massachusetts.

### **Consent to Extend the Time to Act on an Amended Return treated as Abatement Application**

In certain instances, an amended return showing a reduction of tax may be treated by DOR as an abatement application. Under such circumstances, by filing an amended return you are giving your consent for the Commissioner of Revenue to act upon the abatement application after six months from the date of filing. See TIR 16-11. You may withdraw such consent at any time by contacting the DOR in writing. If consent is withdrawn, any requested reduction in tax will be deemed denied either at the expiration of six months from the date of filing or the date consent is withdrawn, whichever is later.

### **Filing an Application for Abatement**

File an Application for Abatement, Form ABT, only to dispute one of the following:

- ▶ Penalties
- ▶ Audit assessments
- ▶ Responsible person determinations

Insurance companies are required to file a dispute online at [mass.gov/masstaxconnect](http://mass.gov/masstaxconnect).

Visit [mass.gov/info-details/amend-your-tax-return-or-request-an-abatement-of-tax](http://mass.gov/info-details/amend-your-tax-return-or-request-an-abatement-of-tax) for additional information about filing an application for abatement.

### **Are There Special Tax Credits Available In Massachusetts?**

Yes. Massachusetts offers several special credits to corporations. See instructions for Credit Manager Schedule (Schedule CMS) beginning on page 6.

### **Line Instructions**

#### **Should the Whole Dollar Method be Used?**

Yes. All amounts entered must be rounded off to the nearest dollar.

**Note:** Ocean marine premiums reported on your 2023 Ocean Marine Profits Tax Return are deductible from net direct premiums.

### **Computation of Excise**

#### **Line 1**

Multiply the amount from Part 1, line 5 by 0.0228 and enter in line 1. If amount is negative, enter 0.

Taxable premiums are derived from net direct premiums subject to tax in Massachusetts from Schedule T of the NAIC Annual Statement, and net direct premiums from other states or countries where no tax has been paid. Include in this amount any finance and service charges from Schedule T.

Form 63-23P filers are allowed a dividend deduction for premiums returned or credited to policyholders in Massachusetts as dividends on direct business from Schedule T of the NAIC Annual Statement.

Net direct premiums are gross premiums, exclusive of reinsurance assumed as written in:

▶ All policies issued or renewed (including dividends applied to payment of renewals, and policy and membership fees whether or not actually received by the company);

▶ All additional premiums charged on policies issued in this or in previous years; and

▶ All assessments made upon policyholders, for insurance of property or interests in Massachusetts or which are subjects of insurance issued through companies or agents in this state;

Less

▶ Premiums on direct policies written but not taken or canceled through default of payment; and

▶ Premiums returned to policyholders on canceled policies of direct insurance, but without deduction or exclusion in any manner of reinsurance ceded, dividends, commissions, expenses or losses.

#### **Line 2**

Enter in the subtotal section of line 2 the amount from Part 2, line 10. Multiply this amount by the applicable tax rate checked in the registration section. Property and casualty insurers may reduce their tax rate on gross investment income from the 1% tax rate if they contribute the required amount to the initiative over a five-year period. The reduced rate schedule is as follows: 0.8% for the first year on or after January 1, 1999, in which it makes the required contribution and 0.6% for the second year it makes the required contribution or 0.4% for the third year it makes the required contribution. The tax rate is 0.2% in the fourth year it makes the required contribution. No



gross investment income tax shall be due for the tax years beginning on or after the fifth year in which said company contributes its full proportionate share. A Certificate of Contribution issued by the Property and Casualty Insurance Company Initiative must accompany the return if claiming the lower rate. A company that does not make the required contribution in any year will continue to be taxed at the rate for the last year in which it did make the required contribution.

### Line 3

Domestic companies should report the amount of FAIR Plan disbursement check received from the Massachusetts Property Insurance Underwriting Association and/or Crime Insurance Program.

### Lines 4, 13 and 19

If the corporation is required to recapture any amount of previously claimed EOAC, Low-Income Housing Credit Brownfields Credit or Historic Rehabilitation Credit, complete the Credit Recapture Schedule and enter the result. Current year credits can then be used to offset the total excise due which will include the recapture amount.

Include in the total on lines 4, 13 and 19 the tax amount representing an interest charge on the deferred tax on gain from certain installment sales with a sales price over \$150,000 if you are not a dealer and the aggregate face amount of installment obligations arising during the tax year and outstanding as of the close of the tax year exceeds \$5,000,000. For more information see MGL ch 62C, § 32A(a) and IRC § 453A(a)(c).

Also include in the total the tax amount representing interest on the deferred gain from the installment sale of timeshares and residential lots, if the sale meets one of the following criteria: 1) the sale is of a timeshare right for 6 weeks or less; 2) the sale is for the recreational use of specified campgrounds; or 3) the sale is for a residential lot and neither the dealer nor someone related to the dealer is obligated to make any improvements on the lot. For more information see MGL ch 62C, § 32A(b) and IRC § 453(l)(2)(B).

If you are a partner in a partnership or a shareholder in an S corporation, the entity will be sending you the information you need to calculate the addition to tax under this provision. For more information see TIR 10-11.

### Line 7

Taxpayers receiving disbursement checks from the Massachusetts Property Insurance Underwriters Association in January 2023 must place the premiums associated with the check on line 7. For

example, if the taxpayer receives a disbursement check for \$100, DOR would expect the taxpayer to report premiums of \$4,386 on line 7. If the taxpayer has included FAIR Plan premiums on their Schedule T, they must include a letter stating (1) the amount of the disbursement check and (2) the amount of allocated premiums that were included on Schedule T.

### Line 9

Enter the total of dividend deductions for premiums returned or credited to policyholders in Massachusetts as dividends on direct business from Schedule T of the NAIC Annual Statement.

### Line 12

Use Part 3 of Form 63-23P to calculate your excise using the same method and rate used by the state in which you are incorporated and would be imposed on a like Massachusetts insurance company, or its agents, if doing business to the same extent. If the computation in the state of your incorporation is in every respect the same as your Massachusetts computation, a statement to that effect should be made. Enter this amount in line 12. Retaliatory tax provisions are provided under MGL ch 63, §§ 23 and 24A.

### Line 21

A company that contributes its full and proportionate share to the Property and Casualty Initiative may receive a credit against the premium tax equal to increasing percentages of the retaliatory taxes paid during the preceding taxable year attributable to the surtax. If the aggregate cumulative investment by domestic property and casualty companies in the Property and Casualty Initiative reaches \$100,000,000, the credit shall equal 100% of the retaliatory taxes attributable to the surcharge. The amount of the credit is 20% for the tax year beginning on or after January 1, 1999, or the first year in which a participating property and casualty company contributes its full proportionate share. The amount of the credit is 40% for the tax year beginning on or after January 1, 2000, or the second year in which a participating property and casualty company contributes its full proportionate share. The amount of credit is 60% for the tax year beginning on or after January 1, 2001, or the third year in which the participating property and casualty company contributes its full proportionate share. The amount of credit is 80% for the tax year beginning on or after January 1, 2002, or the fourth year in which the participating property and casualty company contributes its full proportionate share. The amount of the credit is 100% for the year beginning on or after January

1, 2003, or the fifth year in which a participating property and casualty company contributes its full proportionate share.

The total amount of the credit shall not exceed \$8,000,000 for all domestic property and casualty companies. The amount of each property and casualty company's credit shall be limited to that company's credit share. A company seeking the credit must provide the Commissioner of Revenue with the amount of its retaliatory taxes attributable to the surtax and payable for the preceding taxable year, before application for the credit, by December 31 of the current taxable year. The commissioner of revenue shall be responsible for reporting to each company its credit share amount by February 15 of the current taxable year. A certificate of contribution issued by the Property and Casualty Initiative must accompany the return.

### Line 22

A company shall be allowed a credit against the premium tax equal to 1.5% (0.015) of such company's total capital contribution in excess of their full proportionate share which shall mean an investment in the Massachusetts Property and Casualty Insurance Company Community and Economic Development Initiative.

This credit is effective for tax years in which the aggregate cumulative investment in the Property and Casualty Initiative reaches \$100,000,000 or the tax year 2004, whichever is later.

### Line 24

Enter 10% of the assessment for each of five years following the year in which the assessment was paid. If the sum of offsets exceeds \$3,000,000, the excess may be carried forward and may be used in a year in which the \$3,000,000 is not exceeded. If the total offsets exceed \$3,000,000 in a year, DOR will assess each member with an additional tax equal to the amount of the offset which exceeds \$3,000,000 of such members pro rata share. If the total offsets do not exceed \$3,000,000 in a year, DOR will calculate each members' pro rata share to determine the amount of refund due each member and issue a refund to each member.

### Line 25

Enter the total amount of other credits claimed from the Schedule CMS. Do not include refundable credits that you will be reporting below on line 35 in the total reported on this line.

### Line 28

Any corporation that wishes to contribute any amount to the Natural Heritage and Endangered Species Fund may do so on this form. This

amount is added to the excise due. It increases the amount of the corporation's payment or reduces the amount of its refund.

The Natural Heritage and Endangered Species Fund is administered by the Department of Fisheries, Wildlife and Environmental Law Enforcement to provide for conservation programs for rare, endangered and nongame wildlife and plants in the Commonwealth.

#### **Line 34**

Enter the amount of any withholding tax from pass-through entities. Be sure to include the taxpayer identification number of the person or entity submitting the withholding payment on behalf of the taxpayer.

#### **Lines 30 through 36**

Enter in line 30 any overpayment credited from 2022 to 2023. Enter estimated tax payments made in 2023 in line 31. Any extension payment should be entered in line 32. Enter refundable credits from the Schedule CMS on line 35. Line 36 should reflect the total payments made for the entire year.

#### **Lines 37 through 39**

If the amount in line 36 is larger than the amount in line 29, enter the amount overpaid in line 37.

The overpayment may be applied in part or in full to 2024 estimated taxes by entering in line 38 the amount to be credited to 2024 estimated tax payments. Enter the amount to be refunded in line 39.

**Note:** The due dates for estimated tax payments are not the same as the return due dates for corporations. An overpayment from the prior year return applied to the following year's estimated tax will be credited on the 15th day of the fourth month; one month after the due date for the first installment.

An overpayment of excise cannot be applied as a credit to the tax of another account of this company or to the tax of another company.

#### **Line 40**

If line 29 is larger than line 36, enter the balance due in line 40.

#### **Lines 41a through 42**

Any company that has an underpayment of estimated tax will incur a penalty on the underpayment for the period of the underpayment. Enclose a copy of Form M-2220. For more information, refer to the section, When Are Estimated Tax Payments Required?

Any company that fails to file a timely return will be subject to a late filing penalty of 1% per month,

or fraction thereof, and a late payment penalty of 1% per month, or fraction thereof, on the amount required to be shown as the tax due on the return. For more information, refer to the section, What Are the Penalties for Late Returns?

Any company that fails to pay its tax when due will be subject to interest on the unpaid balance.

#### **Line 43**

Enter the total payment due. Insurance companies are required to submit any payment due electronically. See TIR 21-9.

### **Schedule CMS: Tax Credits**

Financial institutions, insurance companies, business corporations, and other taxpayers subject to tax under MGL ch 63 may be eligible for certain tax credits in Massachusetts. Credits may be used to offset a tax due, may be passed or shared with another person or entity, or, in some cases credits may be fully or partially refundable. MGL ch 63 taxpayers with credits available for use in the current taxable year must file a Schedule CMS to claim most credits.

For each credit claimed on a Schedule CMS, report the amount of the credit available for use and the amount of credit claimed to reduce tax for the current taxable year. For pass-through entities, report the amount of credit distributed to partners/shareholders/beneficiaries in the credit shared column. Taxpayers also report the amount of a refundable credit they are using to request a refund of tax. See the Credit Manager Schedule Instructions for more information on how to complete the Schedule CMS and claim the credits.

Credits reported on the Schedule CMS are generally identified either by a certificate number assigned by the issuing agency (which may be the DOR) or by the tax period end date in which the credit originated. If a credit has been assigned a certificate number, the certificate number must be included on the Schedule CMS. A taxpayer that does not include an assigned certificate number on the Schedule CMS will not be allowed the credit on the tax return and will have their tax liability adjusted by the DOR. Be sure to omit hyphens, spaces, decimals and other special symbols when entering the certificate number. Also, enter the number from left to right.

Likewise, a taxpayer that is required to complete a separate schedule to claim a credit must include the separate schedule with the taxpayer's return filing. Failure to do so may result in the credit being disallowed.

If, by operation of MGL ch 63, § 32C or another provision of law, a credit normally identified by tax period end date is eligible for indefinite carryover, the credit should be reported as "non-expiring" and identification of the tax period of origin is not necessary.

### **Overview of Schedule CMS**

The following is a brief overview of the Schedule CMS sections and where certain credits should be reported. If a taxpayer is using a credit to reduce a taxpayer's current year tax liability, whether it is a non-refundable credit or a refundable credit, the credit should be reported in Section 1 or 3 of the Schedule CMS. Only a refundable credit that the taxpayer is seeking a refund for should be reported in either Section 2 or 4 of the Schedule CMS. Generally, a credit should only be reported in one section on the Schedule CMS unless a portion of it is being used to offset a tax and a portion is being refunded.

#### **Section 1. Non-Refundable Credits**

Section 1 is for reporting credits the taxpayer is using (i) to offset or reduce the taxpayer's total tax due (ii) to pass to any partner, shareholder or beneficiary of the taxpayer or (iii) to share with taxpayer affiliates. The Brownfields Credit, Film Incentive Credit, or Medical Device Credit should always be included in Section 1, unless the taxpayer is requesting a refund of the Film Incentive Credit. However, a taxpayer that received a credit on a Massachusetts K-1 schedule from a pass-through entity or a credit transfer should report such credit in Section 3 or 4, as applicable.

#### **Section 2. Refundable Credits**

Section 2 is for reporting refundable credits the taxpayer is using to request a refund. The Film Incentive Credit should always be included in Section 2 to the extent that the taxpayer is requesting a refund. However, a taxpayer that received a refundable credit on a Massachusetts K-1 from a pass-through entity or a credit transfer should report such credit in Section 4, to the extent that the taxpayer is requesting a refund. For each refundable credit, report the amount of the credit available after taking into consideration any amount of the credits that may have been taken to offset a tax or shared as reported in Section 1 of this schedule. Enter the amount by which the available credit balance is being reduced and the amount to be treated as a refundable credit, which may be either 90% or 100% of the reduction. See TIR 13-6, Example 3, for an illustration.

### Section 3. Non-Refundable Credits Received from Massachusetts K-1 Schedules

Section 3 is for reporting credits the taxpayer received on a Massachusetts K-1 schedule (SK-1, 2K-1 or 3K-1) that the taxpayer is using (i) to offset or reduce the taxpayer's total tax due (ii) to pass to any partner, shareholder or beneficiary of the taxpayer or (iii) to share with taxpayer affiliates. The Brownfields Credit, Film Incentive Credit, or Medical Device Credit should never be included in Section 3.

**Note:** Do not report the Brownfields Credit, Film Incentive Credit, and Medical Device Credit in this section because these credits are issued new certificate numbers from the DOR when they are received from a pass-through entity or a credit transfer. These credits should always be reported in Section 1, unless the taxpayer is requesting a refund of the Film Incentive Credit.

### Section 4. Refundable Credits Received from Massachusetts K-1 Schedules

Section 4 is for reporting credits the taxpayer received on a Massachusetts K-1 schedule (SK-1, 2K-1 or 3K-1) and that the taxpayer is using to request a refund. The Film Incentive Credit should never be included in Section 4. For each refundable credit, report the amount of the credit available after taking into consideration any amount of the credits that may have been used to offset a tax or shared as reported in Section 3 of this schedule. Enter the amount by which the available credit balance is being reduced and the amount to be treated as a refundable credit, which may be either 90% or 100% of the reduction. See TIR 13-6, Example 3, for an illustration.

**Note:** Do not report the refundable Film Incentive Credit in this section because these credits are issued new certificate numbers from the DOR when they are received from a pass-through entity or a credit transfer. If the taxpayer is requesting a refund of the Film Incentive Credit, it should be reported in Section 2.

### Credit Table

The Credit Table located at the end of these instructions lists all of the Massachusetts credit types with their respective attributes. Credits that may be available to a taxpayer subject to tax under MGL ch 63 must be claimed on Schedule CMS.

The taxpayer should refer to this table for guidance when completing Schedule CMS. For additional information regarding tax credits that may be available to a taxpayer subject to tax under MGL ch 63 go to the Business Tax Credits web page on DOR's website at [mass.gov/dor](http://mass.gov/dor).

### Credit Recapture Schedule

The Credit Recapture Schedule (CRS), which eliminates Schedule RF, lists each credit for which a recapture calculation must be made.

Certain Massachusetts tax credits are subject to recapture as specified in the statute authorizing the credit (e.g. the investment tax credit is subject to recapture under MGL ch 63, § 31A(e) if an asset for which the credit was taken is disposed of before the end of its useful life). Recapture may also be triggered if the corporation no longer qualifies for the credit (as when a manufacturing corporation ceases to qualify as such or a corporation's status as a Life Sciences Company is terminated as discussed in TIR 13-6.)

If a recapture calculation is required, the amount of the credit allowed is redetermined and the reduction in the amount of credit allowable is recaptured to the extent the credit was taken or used in a prior year. See DD 89-7. Taxpayers who have a recapture calculation must complete this schedule whether or not a recapture tax is determined to be due.

For credits tracked by certificate numbers, enter each certificate number and the associated credits separately. For credits not tracked by certificate number, enter credits separately by type and the year to which they relate. List only those credits and certificate numbers or tax years for which a reduction in the credit is being calculated.

For more information and examples, see the Credit Recapture Schedule instructions.

### Signature and Declaration

The completed return must be signed by the treasurer or assistant treasurer or, in their absence or incapacity, by any other principal corporate officer. If you are filing as an authorized delegate of the appropriate corporate officer enclose a copy of Massachusetts Form M-2848, Power of Attorney with the return. Form M-2848 should be uploaded through MassTaxConnect or electronically filed using other authorized software.

### Paid Preparer Authorization

If you want to allow the DOR to discuss your 2023 business tax return with the paid preparer who signed it, fill in the Yes oval in the signature area of the form at the bottom of page 1. This authorization applies only to the individual whose signature appears in the paid preparer section of your return. It does not apply to the firm (if any) shown in that section. If you fill in the Yes oval you are authorizing DOR to call the paid preparer to answer any questions that may arise during the processing of your return. You are also authorizing the paid preparer to:

- Give DOR any information that is missing from your return;
- Call DOR for information about the processing of your return or the status of your refund or payment(s); and
- Respond to certain DOR notices that you have shared with the preparer about math errors, offsets and return preparation. The notices will not be sent to the preparer.

You are not authorizing the paid preparer to receive any refund check, to bind you to anything (including any additional tax liability) or otherwise represent you before DOR. If you want to expand the paid preparer's authorization, see Form M-2848, Power of Attorney and Declaration of Representative. Form M-2848 is available at [mass.gov/dor](http://mass.gov/dor).

The authorization cannot be revoked. However, the authorization will automatically end no later than the due date (without regard to extensions) for filing your 2024 tax return.

### Credit Table

| Credit name              | Requirements                           | Refundable?            | Credit type | a. MGL Chapter | Section | b. MGL Chapter | Section |
|--------------------------|--|------------------------|-------------|----------------|---------|----------------|---------|
| Angel Investor           | Certificate number*                    | No                     | AGLCRD      | 62             | 6(t)    |                |         |
| Apprenticeship           | Certificate number                     | Yes, at 100%           | APPCRD      | 62             | 6(v)    | 63             | 38HH    |
| Brownfields              | Certificate number                     | No                     | BRWFLD      | 62             | 6(j)    | 63             | 38Q     |
| Certified Housing        | Certificate number                     | No                     | CRTHOU      | 62             | 6(q)    | 63             | 38BB    |
| Community Investment     | Certificate number                     | Yes, at 100%           | CMMINV      | 62             | 6M      | 63             | 38EE    |
| Conservation Land        | Certificate number                     | Yes, at 100%           | CNSLND      | 62             | 6(p)    | 63             | 38AA    |
| Cranberry Bog Renovation | Certificate number                     | Yes, at 100%           | CRBCRD      | 62             | 6(w)    | 63             | 38II    |
| Dairy Farm               | Certificate number                     | Yes, at 100%           | DAIFRM      | 62             | 6(o)    | 63             | 38Z     |
| Disability Employment    | Period end date                        | Yes                    | DETCRD      | 62             | 6(Z)    | 63             | 38JJ    |
| EDIP                     | Certificate number and Schedule EDIP** | If authorized, at 100% | EDIPCR      | 62             | 6(g)    | 63             | 38N     |
| EDIP-Vacant Store Front  | Certificate number                     | Yes, at 100%           | VACSTR      | 62             | 6(g)    | 63             | 38N     |
| EOAC                     | Period end date and Schedule EOAC**    | If authorized          | EOACCR      | 62             | 6(g)    | 63             | 38N     |
| Farming and Fisheries    | Period end date and Schedule FAF**     | No                     | FRMFSH      | 62             | 6(s)    |                |         |
| Film Incentive           | Certificate number                     | If authorized, at 90%  | FLMCRD      | 62             | 6(l)    | 63             | 38X     |
| Harbor Maintenance***    | Period end date                        | No                     | HRBMNT      |                |         | 63             | 38P     |
| Historic Rehabilitation  | Certificate number                     | No                     | HISRHB      | 62             | 6J      | 63             | 38R     |
| Investment Tax           | Period end date and Schedule H**       | No                     | INVTAX      |                |         | 63             | 31A     |
| Lead Paint               | Period end date and Schedule LP**      | No                     | LEDPNT      | 62             | 6(e)    |                |         |
| Life Science (FDA)       | Period end date and Schedule RLSC**    | If authorized, at 90%  | LFSFDA      | 62             | 6(n)    | 63             | 31M     |
| Life Science (ITC)       | Period end date and Schedule RLSC**    | If authorized, at 90%  | LFSITC      | 62             | 6(m)    | 63             | 38U     |
| Life Science (Jobs)      | Period end date and Schedule RLSC**    | If authorized, at 90%  | LFSJOB      | 62             | 6(r)    | 63             | 38CC    |
| Life Science (RD)        | Period end date and Schedule RLSC**    | If authorized, at 90%  | LFSRDC      |                |         | 63             | 38W     |
| Low-Income Housing       | Certificate number                     | No                     | LOWINC      | 62             | 6I      | 63             | 31H     |

\* As of 2023 the method for reporting the Angel Investor credit on Schedule CMS is by certificate number. Prior to 2023 the method of reporting was by period end date.

\*\* A schedule is required when the credit is generated or awarded in the current year.

\*\*\* Eligibility for obtaining the Harbor Maintenance Tax Credit has been repealed for tax years beginning on or after January 1, 2022. Taxpayers must continue to report available carryover credits to the extent they are allowed to use them.



### Credit Table

| Credit name                                   | Requirements                      | Refundable? | Credit type | a. MGL Chapter | Section | b. MGL Chapter | Section |
|---|-----------------------------------|-------------|-------------|----------------|---------|----------------|---------|
| Low-Income Housing Donation                   | Certificate number                | No          | LIHDON      | 62             | 6I      | 63             | 31H     |
| Medical Device****                            | Certificate number                | No          | MEDDVC      | 62             | 61/2    | 63             | 31L     |
| National Guard Employee                       | Certificate number                | No          | NGHCRD      | 62             | 6(aa)   | 63             | 38KK    |
| Offshore Wind Facility Capital Investment     | Period end date                   | Yes         | OSWITC      | 62             | 6(cc)   | 63             | 38MM    |
| Offshore Wind Jobs                            | Period end date                   | Yes         | OSWJTC      | 62             | 6(bb)   | 63             | 38LL    |
| Pass-Through Entity Excise Tax (Form 63D-ELT) | Period end date                   | Yes*****    | ELTCRD      | 63D            | 2       |                |         |
| Research                                      | Period end date and Schedule RC** | No          | REARCH      |                |         | 63             | 38M     |
| Septic  | Period end date and Schedule SC** | No          | SEPTIC      | 62             | 6(i)    |                |         |
| Solar and Wind Energy                         | Period end date and Schedule EC** | No          | SLRWND      | 62             | 6(d)    |                |         |
| Vanpool                                       | Period end date and Schedule VP** | No          | VANPOL      |                |         | 63             | 31E     |
| Veteran's New Hire                            | Certificate number                | No          | VETHIR      | 62             | 6(u)    | 63             | 38GG    |

\*\* A schedule is required when the credit is generated or awarded in the current year.

\*\*\*\* Eligibility for obtaining the Medical Device Tax Credit has been repealed for tax years beginning on or after January 1, 2022. Taxpayers must continue to report available carryover credits to the extent they are allowed to use them.

\*\*\*\*\* Shareholders, partners, or beneficiaries of an eligible pass-through entity (qualified members) may claim a refundable credit equal to 90% of their allocable share of PTE Excise paid by such pass-through entity. See MGL ch 63D §§ 1-7; TIR 22-6 Pass-through Entity Excise. See also Elective pass-through entity excise FAQs.

**Note:** Certified life sciences companies with a Research Credit exceeding the amount of credit that may be claimed under section 38M for a taxable year may, to the extent authorized under the Life Sciences Tax Incentive Program, elect to make 90% of the balance of remaining credits refundable. See MGL ch 63, § 38M(j).