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Financial Statements

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Fiscal Year 2018 Projected Financial Statement

		General	Workforce	Common wealth Transport ation	Mass Tourism	Gaming Local Aid	Stabilization and Other Funds
FINANCIAL STATEMENT	All Funds	Fund	Training	Fund		Fund	
Budgeted Funds (in millions)							
<u>FISCAL YEAR 2018 BEGINNING BALANCES</u>							
Undesignated Fund Balance	38.4	0.0	0.0	0.0	0.0	0.0	38.4
Stabilization Fund Balance	1,302.9	0.0	0.0	0.0	0.0	0.0	1,302.9
Designated for Continuing Appropriations into FY2018	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Designated for Debt Service	16.7	0.0	0.0	16.7	0.0	0.0	0.0
Subtotal, Fiscal Year 2018 Beginning Balances	1,358.0	0.0	0.0	16.7	0.0	0.0	1,341.3
<u>CURRENT YEAR REVENUES AND OTHER SOURCES</u>							
Gross Tax Revenues	27,358.0	25,928.7	22.9	1,353.9	0.0	0.0	52.5
Sales Tax Dedicated to the MBTA	-1,021.6	-1,021.6	0.0	0.0	0.0	0.0	0.0
Annual State Contribution to State Pension System	-2,394.5	-2,394.5	0.0	0.0	0.0	0.0	0.0
Sales Tax Dedicated to the SBA	-861.6	-861.6	0.0	0.0	0.0	0.0	0.0
Workforce Training Fund	-22.9	0.0	-22.9	0.0	0.0	0.0	0.0
Subtotal: Net Tax Revenue Available for Budget	23,057.4	21,651.0	0.0	1,353.9	0.0	0.0	52.5
Federal Reimbursements	11,437.0	11,430.8	0.0	0.0	0.0	0.0	6.2
Departmental Revenue	4,458.2	3,736.4	0.0	699.5	0.0	0.0	22.3
Consolidated Transfers	2,087.3	1,948.9	0.0	40.0	0.0	64.4	34.0
Subtotal, Fiscal Year 2018 Revenues	41,039.9	38,767.1	0.0	2,093.4	0.0	64.4	115.0
Total, Fiscal Year 2018 Available Resources	42,397.9	38,767.1	0.0	2,110.1	0.0	64.4	1,456.3
<u>EXPENDITURES AND USES</u>							
Estimated Spending	40,916.1	38,791.9	0.0	2,021.4	0.4	64.3	38.1
Collective Bargaining Contingency Reserve	44.2	44.2	0.0	0.0	0.0	0.0	0.0
Total, Fiscal Year 2018 Expenditures	40,960.3	38,836.1	0.0	2,021.4	0.4	64.3	38.1
<u>END OF FISCAL YEAR RESERVED BALANCES</u>							
Designated for Continuing Appropriations	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Designated for Debt Service	16.7	0.0	0.0	16.7	0.0	0.0	0.0
Fiscal Year 2018 UNDESIGNATED FUND BALANCE	1,420.9	-69.0	0.0	72.0	-0.4	0.0	1,418.2
Fund Balance Deficit Elimination Transfers	0.0	71.6	0.0	-72.0	0.4	0.0	0.0
UNDESIGNATED FUND BALANCE	1,420.9	2.6	0.0	0.0	0.0	0.0	1,418.2
Balances Reserved in Other Budgeted Funds	0.0	0.0	0.0	0.0	0.0	0.0	0.0
CONSOLIDATED NET SURPLUS	2.6	2.6	0.0	0.0	0.0	0.0	0.0
<u>FISCAL YEAR 2018 ENDING BALANCES</u>							
Undesignated Fund Balance	19.5	2.6	0.0	0.0	0.0	0.0	16.9
Stabilization Fund Balance	1,401.3	0.0	0.0	0.0	0.0	0.0	1,401.3
Designated for Continuing Appropriations into FY2019	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Designated for Debt Service	16.7	0.0	0.0	16.7	0.0	0.0	0.0
Totals, Fiscal Year 2018 Ending Balances	1,437.6	2.6	0.0	16.7	0.0	0.0	1,418.2

****Totals may not add due to rounding**

Fiscal Year 2017 Projected Financial Statement

FINANCIAL STATEMENT	All Funds	General Fund	Workforce Training	Commonwealth Transportation Fund	Mass Tourism	Gaming Local Aid Fund	Stabilization and Other Funds
Budgeted Funds (in millions)							
<u>FISCAL YEAR 2017 BEGINNING BALANCES</u>							
Undesignated Fund Balance	64.4	0.0	0.0	0.0	0.0	0.0	64.4
Stabilization Fund Balance	1,291.5	0.0	0.0	0.0	0.0	0.0	1,291.5
Designated for Continuing Appropriations into FY2017	109.4	103.9	0.0	0.0	0.0	0.0	5.5
Designated for Debt Service	16.7	0.0	0.0	16.7	0.0	0.0	0.0
Subtotal, Fiscal Year 2017 Beginning Balances	1,482.0	103.9	0.0	16.7	0.0	0.0	1,361.4
<u>CURRENT YEAR REVENUES AND OTHER SOURCES</u>							
Gross Tax Revenues	26,181.0	24,825.1	23.1	1,331.8	0.0	0.0	1.0
Sales Tax Dedicated to the MBTA	-992.2	-992.2	0.0	0.0	0.0	0.0	0.0
Annual State Contribution to State Pension System	-2,198.1	-2,198.1	0.0	0.0	0.0	0.0	0.0
Sales Tax Dedicated to the SBA	-813.2	-813.2	0.0	0.0	0.0	0.0	0.0
Workforce Training Fund	-23.1	0.0	-23.1	0.0	0.0	0.0	0.0
Subtotal: Net Tax Revenue Available for Budget	22,154.4	20,821.6	0.0	1,331.8	0.0	0.0	1.0
Federal Reimbursements	10,967.5	10,945.7	0.0	0.0	0.0	0.0	21.8
Departmental Revenue	4,192.4	3,483.4	0.0	688.3	0.0	0.0	20.7
Consolidated Transfers	2,243.6	2,139.0	0.0	40.0	0.0	64.4	0.2
Subtotal, Fiscal Year 2017 Revenues	39,557.8	37,389.7	0.0	2,060.1	0.0	64.4	43.7
Total, Fiscal Year 2017 Available Resources	41,039.8	37,493.6	0.0	2,076.8	0.0	64.4	1,405.1
<u>EXPENDITURES AND USES</u>							
Estimated Spending	39,693.2	37,470.1	0.0	2,094.5	0.4	64.4	63.8
Total, Fiscal Year 2017 Expenditures	39,693.2	37,470.1	0.0	2,094.5	0.4	64.4	63.8
<u>END OF FISCAL YEAR RESERVED BALANCES</u>							
Designated for Continuing Appropriations	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Designated for Debt Service	16.7	0.0	0.0	16.7	0.0	0.0	0.0
Fiscal Year 2017 UNDESIGNATED FUND BALANCE	1,329.9	23.5	0.0	-34.4	-0.4	0.0	1,341.3
Fund Balance Deficit Elimination Transfers	0.0	-34.8	0.0	34.4	0.4	0.0	0.0
UNDESIGNATED FUND BALANCE	1,329.9	-11.3	0.0	0.0	0.0	0.0	1,341.3
Balances Reserved in Other Budgeted Funds	1,341.3	0.0	0.0	0.0	0.0	0.0	1,341.3
Anticipated Spending and Revenue Management	11.3	11.3	0.0	0.0	0.0	0.0	0.0
CONSOLIDATED NET SURPLUS	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<u>FISCAL YEAR 2017 ENDING BALANCES</u>							
Undesignated Fund Balance	38.3	0.0	0.0	0.0	0.0	0.0	38.3
Stabilization Fund Balance	1,302.9	0.0	0.0	0.0	0.0	0.0	1,302.9
Designated for Continuing Appropriations into FY2018	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Designated for Debt Service	16.7	0.0	0.0	16.7	0.0	0.0	0.0
Totals, Fiscal Year 2017 Ending Balances	1,358.0	0.0	0.0	16.7	0.0	0.0	1,341.3

* Refer to the Commonwealth Information Statement Dated November 1, 2016 for more information

**Totals may not add due to rounding

Fiscal Year 2016 Financial Statement

<u>FINANCIAL STATEMENT</u>	
Budgeted Funds (in millions)	
<u>FISCAL YEAR 2016 BEGINNING BALANCES</u>	All Funds
Reserved or Designated	226.0
Stabilization Fund Balance	1,252.4
Undesignated Fund Balance	92.3
Subtotal, Fiscal Year 2015 Beginning Balances	1,570.7
 CURRENT YEAR REVENUES AND OTHER SOURCES	
Gross Tax Revenues	25,424.4
Sales Tax Dedicated to the MBTA	-986.2
Annual State Contribution to State Pension System	-2,001.1
Sales Tax Dedicated to the SBA	-798.5
Workforce Training Fund	-22.8
Subtotal: Net Tax Revenue Available for Budget	21,615.8
Federal Reimbursements	10,642.7
Departmental Revenue	4,257.2
Consolidated Transfers	1,848.7
Subtotal, Fiscal Year 2016 Revenues	38,364.4
Total, Fiscal Year 2016 Available Resources	39,935.1
 Total, Fiscal Year 2016 Expenditures	38,453.1
 <u>Fiscal Year 2016 Ending Balances</u>	
Undesignated Fund Balance	64.5
Stabilization Fund Balance	1,291.5
Designated for Continuing Appropriations into FY2017	126.0
Totals, Fiscal Year 2016 Ending Balances	1,482.0

** Refer to the Commonwealth Information Statement Dated November 1, 2016 for more information*

Operating Transfers

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, 2018. 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, 2018. 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 2018 Resource Summary (\$000)

Government Area	FY2018 Budgetary Recommendation
Administration and Finance	440,569
Health and Human Services	658,403
Transportation	561,007
Education	1,500
Total	1,661,479

Administration and Finance

Group Insurance Commission	440,569,153
1599-6152 STATE RETIREE BENEFITS TRUST FUND	440,569,153
For an operating transfer to the State Retiree Benefits Trust Fund, established pursuant to section 24 of chapter 32A of the General Laws	

Health and Human Services

Office of the Secretary of Health and Human Services	658,402,606
1595-1067 DELIVERY SYSTEM TRANSFORMATION INITIATIVES TRUST FUND	189,149,334
For an operating transfer to the Delivery System Transformation Initiatives Trust Fund established pursuant to section 35UU of chapter 10 of the General Laws; provided, that these funds shall be expended pursuant to the delivery system transformation initiative master plan and hospital-specific plans approved in the MassHealth demonstration waiver pursuant to section 1115 of the Social Security Act, as codified at 42 U.S.C. section 1315 for state fiscal year 2017; 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 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 make payments of up to \$49,338,667 from the fund to the Cambridge public health commission only after the Cambridge public health commission transfers up to \$24,669,334 of its funds to the fund using a federally-permissible source of funds which shall fully satisfy the non-federal share of the payment

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 2017 or 2018 or for public hospital transformation and incentive initiative payments for state fiscal year 2018 or for Medicaid managed care entities and accountable care organizations incentive payments for state fiscal year 2018; 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; provided further, that the secretary of health and human services shall notify, in writing, the house and senate committees on ways and means and the joint committee on healthcare financing of increases in payments within 15 days; and provided further, that the secretary of health and human services shall make payments of up to \$365,000,000 from the Medical Assistance Trust Fund to the Cambridge public health commission only after the Cambridge public health commission transfers the non-federal share of such payments to the Medical Assistance Trust Fund using a federally-permissible source of funds	452,400,000
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	13,853,272
1595-1310	COMMUNITY HOSPITAL REINVESTMENT TRUST FUND For an operating transfer to the Community Hospital Reinvestment Trust Fund established pursuant to section 2TTTT of chapter 29 of the General Laws	3,000,000

Transportation

Department of Transportation	561,006,975
1595-6368 MASSACHUSETTS TRANSPORTATION TRUST FUND	344,311,545
For an operating transfer to the Massachusetts Transportation Trust Fund, established under section 4 of chapter 6C of the General Laws	
1595-6369 COMMONWEALTH TRANSPORTATION FUND TRANSFER TO THE MBTA	127,000,000
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	
<i>Note: In addition to the operating transfer, the administration expects to make \$60,000,000 available to the MBTA for pay-go capital in the fiscal year 2018 capital budget. The sum of the operating transfer and state capital funding for fiscal year 2018 will equal the FY17 GAA funding total of \$187,000,000.</i>	
1595-6370 COMMONWEALTH TRANSPORTATION FUND TRANSFER TO REGIONAL TRANSIT	80,000,000
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, 2017, 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	
1595-6379 MERIT RATING BOARD	9,695,430
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	

Education

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 a 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 a 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 a 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 a 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 piggy back 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 piggybacking on 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 purchases 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 a 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 2018.

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 2018.

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 a 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.

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 56.6% of Department of Revenue tax collections in Fiscal Year 2016.

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 a 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. In tax year 2015, the rate was 5.15%; in tax year 2016, the rate was reduced to 5.10%; and the rate remains at 5.10% for tax year 2017. Based on tax revenue growth projections, the estimates in this document assume that the Part B rate will decline further to 5.05% for tax year 2018. 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.

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 estimates contained in this document assume that the tax rates on interest and dividend income and Part B income, which 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 year 2016 and 2017, will further decline to 5.05% for tax year 2018 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.

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:

<u>Holding Period</u>	<u>Tax Rate</u>
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%

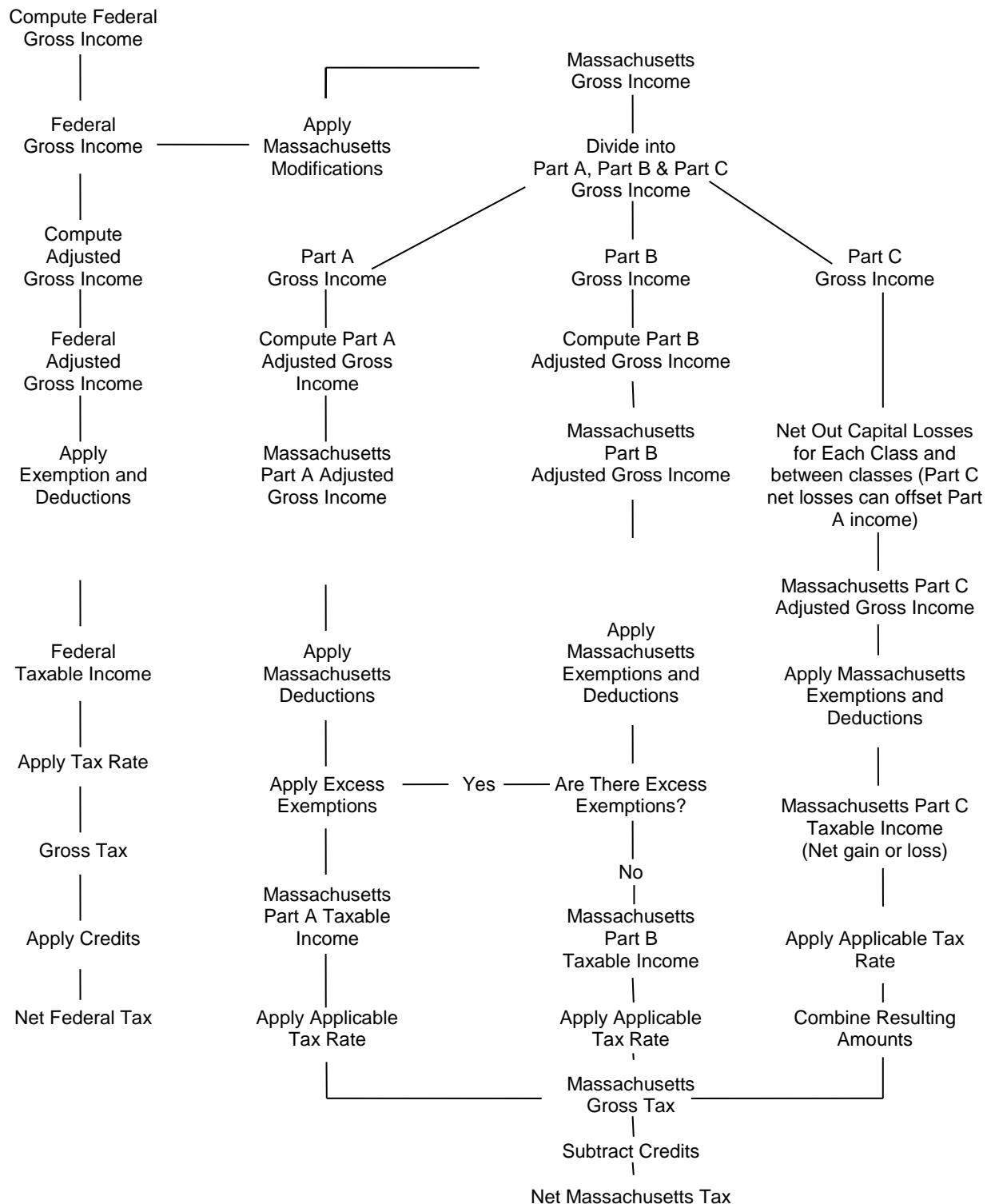
Assets acquired prior to January 1, 1996 were deemed to have been acquired on the later of January 1, 1995 or the actual date of acquisition. Note that capital assets held less than one year are considered Part A income, and are taxed at 12%.

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; as noted above, the Part B rate is assumed to be 5.05% for tax year 2018 and beyond as forecasted by this tax expenditure budget.

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



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 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 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 Insurance¹

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: \$28.6

1.002 Exemption of Premiums on Group-Term Life Insurance¹

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: \$20.5

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: \$223.8

1.004 Exemption of Employer Contributions for Medical Insurance Premiums and Medical Care¹

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: \$992.6

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 Plans²

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: \$364.9

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.

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: \$4.8

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: Rev. Rul. 71-425, 1971-2 C.B. 76

Estimate: \$200.4

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.

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

Origin: M.G.L. c. 62, § 2 (a)(2)(H)

Estimate: \$1,027.8

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: \$7.4

1.011 Exemption for Dependent Care Expenses¹

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: \$14.4

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

Estimate: \$3.3

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)

Estimate: Negligible

1.014 Exemption of Rental Value of Parsonages¹

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: \$2.8

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

Estimate: \$23.6

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 Work¹

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: \$14.3

1.019 Treatment of Business-Related Entertainment Expenses¹

With certain limitations, a business may take a deduction of up to 50% of the cost of business-related entertainment expenses. Generally, the value of the entertainment is not taxed as income to the persons who benefit from the expenditures. The effect is to provide the hosts and their guests with a nontaxable fringe benefit.

Origin: IRC § 162

Estimate: \$14.9

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 principal 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, 2014. Massachusetts does not adopt the extension of the exclusion because IRC § 108(a)(1)(E) was enacted after January 1, 2005.

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, 2014. Massachusetts does not adopt the extension of the exclusion because IRC § 108(a)(1)(E) was enacted after January 1, 2005.

Origin: IRC § 121

Estimate: \$384.5

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

See also item 1.106

Origin: IRC §§ 1001 and 1014

Estimate: \$705.6

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: \$48.9

1.024 Exemption of Benefits and Allowances to Armed Forces Personnel¹

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 recent 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 §§ 112-113

Estimate: \$31.6

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: \$36.8

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: \$0.7

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.

This tax treatment follows U.S. statutory law.

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

Estimate: \$10.0

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

Estimate: \$26.5

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 2017, the Massachusetts monthly exclusion amounts are \$255 for employer-provided parking and \$135 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 these 2017 tax year monthly exclusion amounts because they are based on the January 1, 2005 Code. For further discussion, see TIR 16-16.

Origin: IRC § 132(f)

Estimate: \$42.2

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 adopts the federal exclusion for employer-provided adoption expenses paid (or treated as paid under IRC sec. 137) on or after January 1, 2005. The federal government extended this exclusion temporarily for 2011. However, as Massachusetts follows the 2005 Code, and so 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

Estimate: \$12.1

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(m)

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. However, a federal Act subsequent to January 1, 1998, created differences between the Massachusetts and federal exclusion amounts. Massachusetts had allowed an exclusion for amounts received in tax years beginning after December 31, 1996, with respect to individuals dying after that date. As a result of the most recent Code update, Massachusetts adopts the federal exclusion as amended and in effect on January 1, 2005, that extends the exclusion for such annuities from, and including, individuals dying after December 31, 1996 to individuals dying on or before December 31, 1996.

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: Negligible

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.

Origin: IRC § 539 (f)

Estimate: \$8.5

1.100 DEFERRALS OF GROSS INCOME

1.101 Net Exemption of Employer Contributions and Earnings of Private Pension Plans²

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: \$1,368.5

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 §§ 421-425

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 Plans²

This includes exclusions from income for some retirement contributions; these exclusions and the earnings from them 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: \$299.7

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.

See also item 1.022 above.

Origin: IRC §§ 1001, 1015

Estimate: \$84.3

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: N.A.

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 §§ 613 and 613A as in effect January 1, 1985

Estimate: \$0.3

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.

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: \$20.7

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 §§ 167(j) and 168(b)

Estimate: \$7.2

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: \$62.8

1.305 Deduction for Excess First-Year Depreciation

Taxpayers may elect to expense certain business assets purchased during the taxable year. American Taxpayer Relief Act of 2012 (enacted January 1, 2013) increased the benefits, making changes to IRC sec. 179. For tax year 2012, Massachusetts adopts the increased federal amounts provided by IRC sec. 179. Hence, the total deduction cannot exceed \$500,000; for taxpayers whose investment in eligible assets exceeds \$2,000,000 in the year, the \$500,000 ceiling is reduced by \$1 for each dollar of investment above \$2,000,000. 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: \$13.1

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: \$0.5

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: \$1.4

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, 180 and 182 and Reg. §§ 1.61-4, 1.162-12 and 1.471-6

Estimate: \$0.4

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.

The estimate also covers item 1.402 below.

Origin: M.G.L. c. 62, § 3B(a)(3)

Estimate: \$332.8

1.402 Deduction for Employee Contributions to Public Pension Plans²

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) and (2)(C)

Estimate: \$32.0

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) and (2)(B)

Estimate: \$1.1

1.405 Dependents Exemption Where the Child Earns Income³

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.

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: \$130.7

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

Estimate: \$8.5

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.

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: \$20.3

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: \$135.3

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: \$139.2

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 B(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: \$4.1

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: M.G.L. c. 62, § 3B(a)(11),(12)

Estimate: \$42.0

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, so no tax expenditure is recorded for the current fiscal year.

Origin: M.G.L. c. 62, §3B (a)(13)

Estimate: Not Active

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)(19) 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 recently enacted 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 2016, the maximum deduction limit is \$3,350 for an individual plan and \$6,750 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: \$10.1

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: \$9.5

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: \$48.4

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. Note that while these may be extended at the federal level, these increases sunset in Massachusetts at 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: \$49.1

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, § 3 (a) (16)

Estimate: \$0.1

1.427 Prepaid Tuition or College Savings Plan Deduction

A new 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: \$8.6

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: An Act Relative to Economic Development Reorganization (St. 2010, c. 240), Section 111

Estimate: \$1.7

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: \$4.7

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: \$2.9

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: \$4.1

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.

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: \$216.9

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 three years. Credit is neither transferable nor refundable.

Origin: M.G.L. c. 62, § 6(i)

Estimate: \$8.9

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 non-refundable credit available to corporate excise and personal income taxpayers for the construction or development of low income housing. The amount of credit that a taxpayer may claim for a qualified Massachusetts project is allocated by the DHCD and is subject to an annual cap of \$100 million through 2020, 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.

Under prior law, the Massachusetts low-income housing tax credits were available only to taxpayers who had been allocated federal low-income housing tax credits. However, effective August 1, 2010, the legislature authorized DHCD to grant state low-income housing tax credits (within the annual cap) to otherwise eligible projects that do not receive a federal low-income housing credit.

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

Effective January 1, 2017, the LIHTC expanded to also provide a non-refundable, single year tax credit for corporate excise and personal income taxpayers that donate real or personal property to certain non-profit entities for use in purchasing, constructing, or rehabilitating a qualified Massachusetts project. 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: \$7.7

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.

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: \$3.6

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. The maximum base credit was \$385 for tax year (TY) 2001, \$790 for TY02, \$810 for TY03, \$820 for TY04, \$840 for TY05, \$870 for TY06, \$900 for TY07, \$930 for TY08, \$960 for TY09, \$970 for TY10, \$980 for TY11, \$1,000 for TY12 \$1,030 for TY13, \$1,050 for TY14, and \$1,070 for TY15 and TY16.

Income limits and the maximum credit are adjusted for inflation over a 1999 base year; the assessed home valuation base year is 2004. See "Appendix A" for current year values. The credits may not be sold or transferred to another taxpayer, but are refundable.

Origin: M.G.L. c. 62, § 6 (k)

Estimate: \$81.8

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.

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.

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: \$6.7

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 (l);

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, Ch. 145 of the Acts of 2006.

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 shall not exceed \$4 million annually. 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: \$3.4

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 \$50,000. 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), Ch. 509 Acts of 2008 § 1-4.

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 Department of Public Health will administer the credit program by: 1) determining standards for an Employer Wellness Program that will qualify for the credit; 2) approving a dollar amount of credit for a qualifying taxpayer and issue a certificate to be filed with the appropriate tax return; 3) by developing regulations and procedures with the Department of Revenue to implement the credit program. A business will apply to the Department of Public Health describing the proposed wellness program to be implemented by the business and providing an estimated budget and applicable taxpayer identification number. 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: \$3.8

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. It 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 Community Investment Credits is subject to a \$3 million cap in 2014, and an annual cap of \$6 million in 2015 to 2019, inclusive. This credit is refundable, but it is not transferrable and it may 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: \$3.0

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.

There is a \$5 million (\$10 million from January 1, 2015 to December 31, 2018) cap on the amount of credit that may be awarded under the program in a calendar year. The cap is part of an over-all \$25 million (\$30 million from January 1, 2015 to December 31, 2018) 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

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

¹ 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.

² 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
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Contributions:	Made out of income that is currently taxed to employees.
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Investment Income:	Taxed to the employee as "earned" income.
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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.
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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.

³ 3 FY18 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: \$327

Personal exemption for married couples: \$572

Personal exemption for married taxpayers filing separately: \$16

Dependents exemption: \$88

Personal exemption for heads of households: \$105

Limited income credits: \$12

No tax status: \$15

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 and the public utility excise are structured similarly to the corporate excise. They begin with federal net income with certain Massachusetts modifications, proceed to additional Massachusetts deductions, apply the appropriate apportionment percentage, apply the appropriate tax rate to compute the excise due before credits and apply credits to reach the final excise due. The revenue estimates for the items in the list will now reflect their use by financial institutions and public utilities. 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 2016, revenues from the corporate excise and the other business excises mentioned above represented 10.6% of total Department of Revenue tax collections. Together these taxes ranked third in Fiscal Year 2016 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: 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 2017) 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 2.90% for companies with total receipts greater than \$9 million, and 1.93% 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. No further change in tax rate is officially scheduled. However, it is anticipated and assumed that Part B personal income tax rate will further decrease to 5.05%, and tax rates for S-corporations, which are linked to Part B personal income tax rate, will increase accordingly (from 2.90% to 2.95% for companies with total receipts greater than \$9 million, and from 1.93% to 1.97% for companies with total receipts between \$6 million and \$9 million.) effective January 1, 2018.

Estimation of corporate tax expenditure items takes into account these tax rate changes.

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.

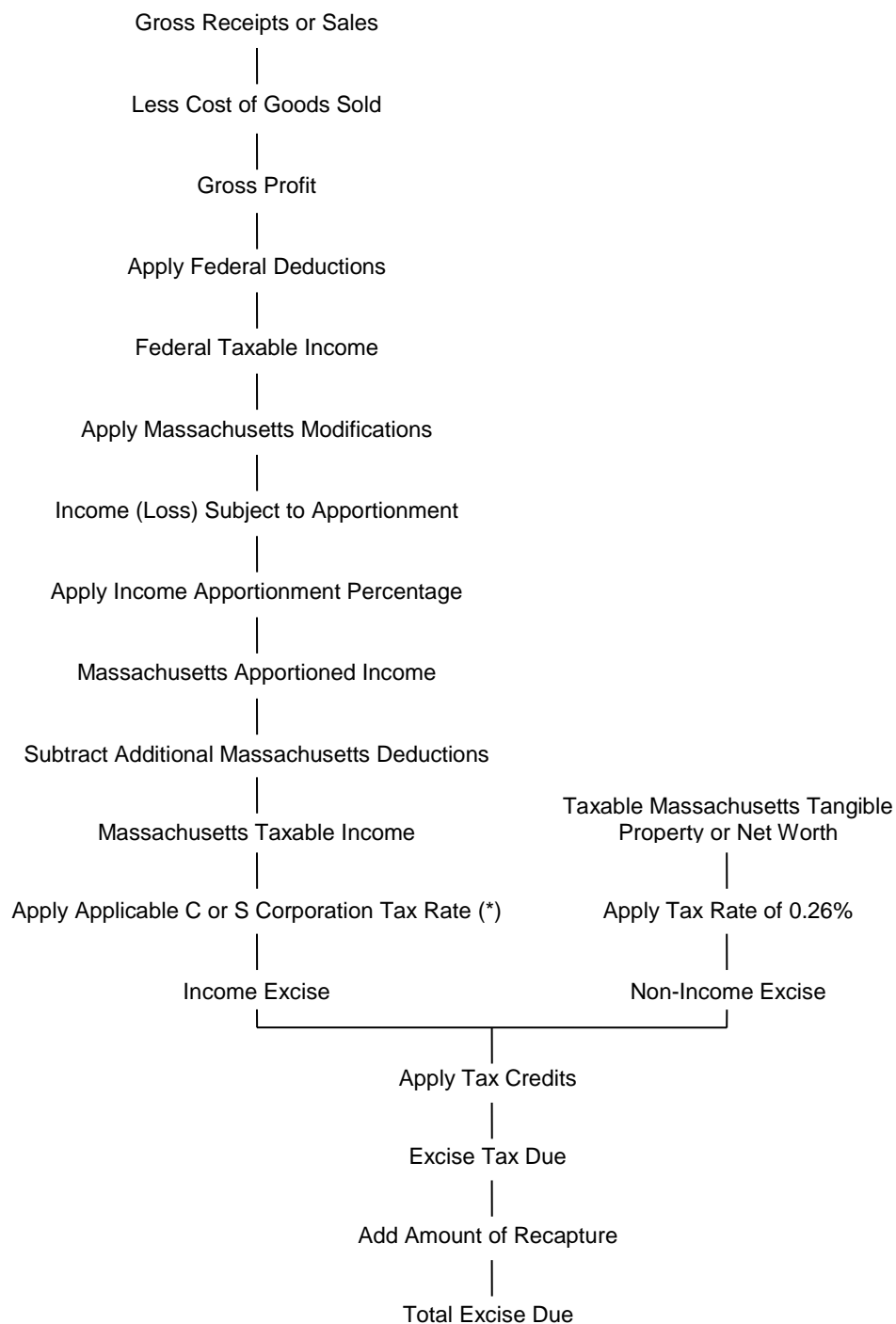
Interstate and International Aspects: All domestic and foreign corporations with nexus in Massachusetts are subject to the corporate excise. Corporations are required to apportion their net incomes if they have incomes from business activity that is taxable in another jurisdiction using a formula based 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

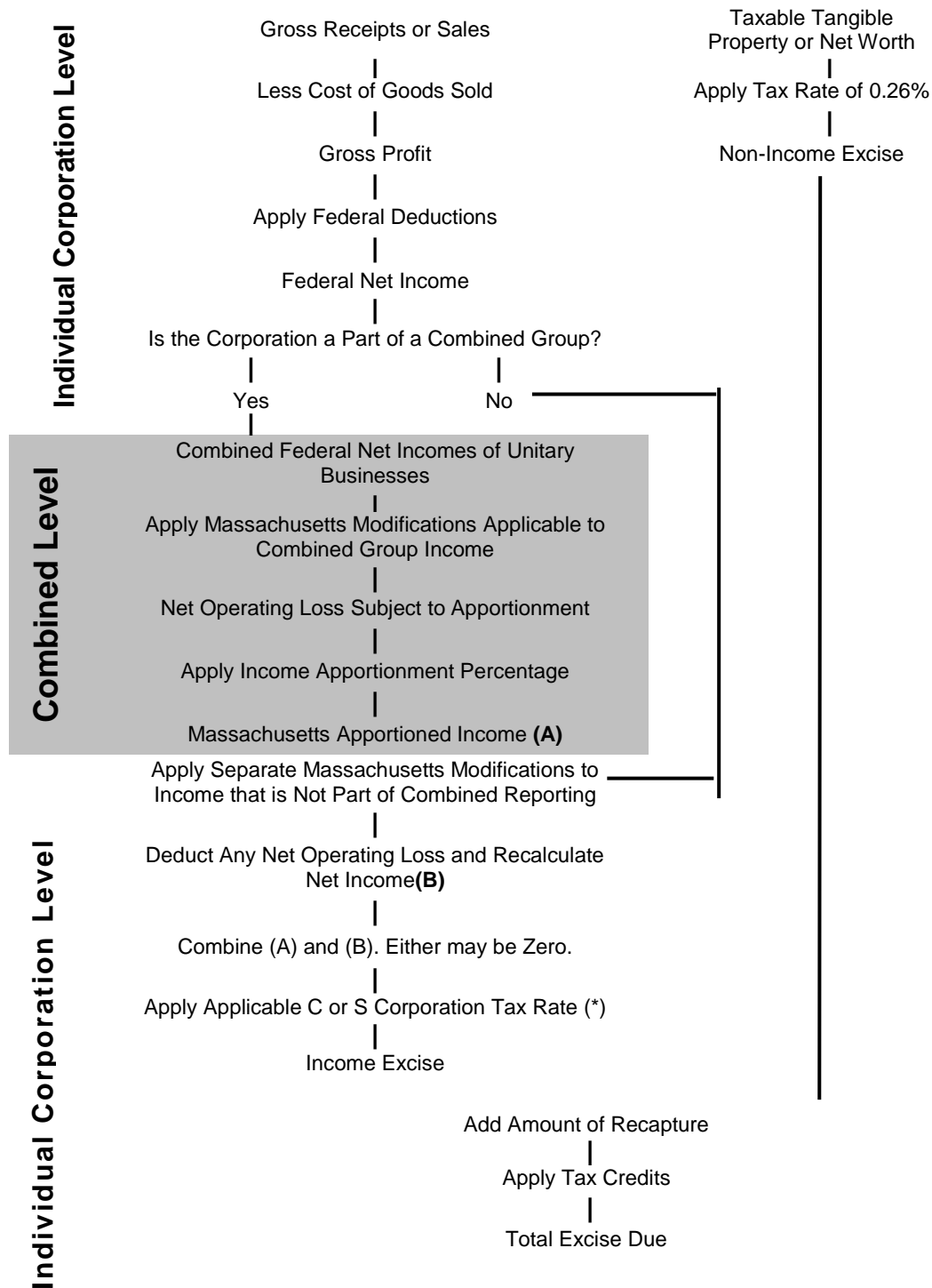
The other business excises possess some different features from the corporate excise. First, many of the financial institutions and public utilities still do not qualify for combined reporting, and no insurance companies are subject to combined reporting. Second, these businesses are not allowed to take net operating loss deductions. Third, financial institutions and public utility companies 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. Please note that, prior to January 1, 2014, public utility corporations were subject to an excise tax of 6.5% on net income. Legislation enacted in 2013 repealed the separate excise tax for utility corporations, which are now subject to the corporate excise imposed on business corporations.

Computation of Massachusetts Corporate Excise under Non-Combined Reporting



* See Appendix A for Further Details.

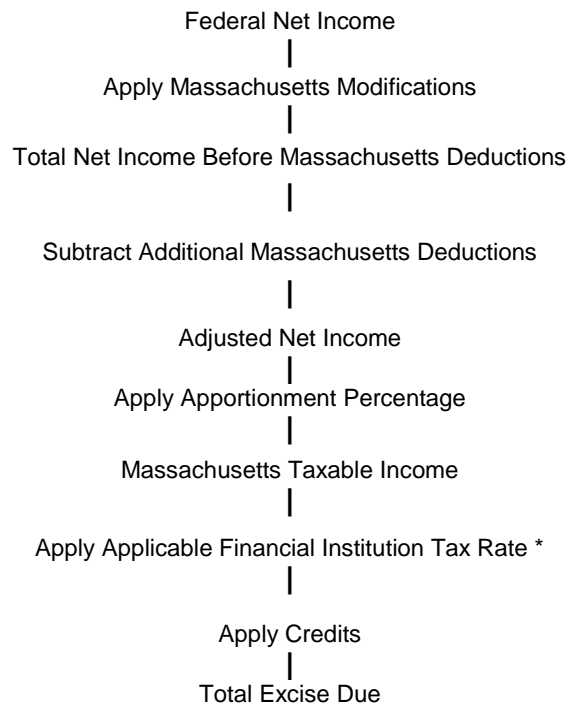
Computation of Massachusetts Corporate Excise under Combined Reporting



(*) 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)

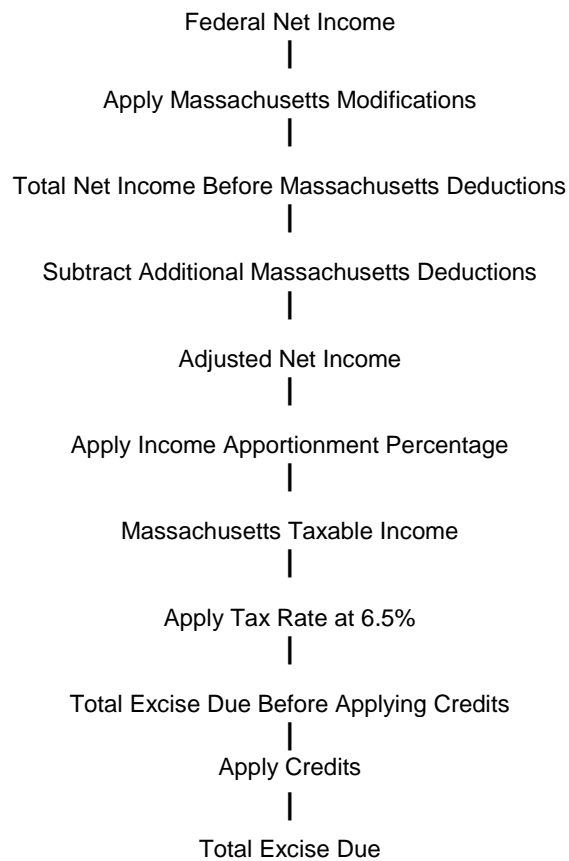
Financial Institution Excise



* See Appendix A for Details.

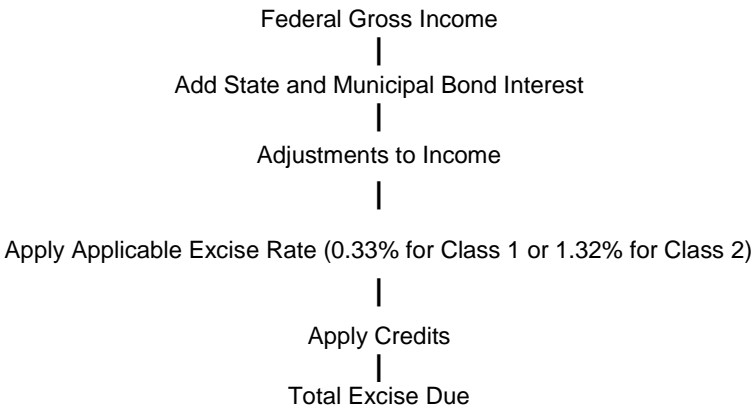
Computation of Massachusetts Public Utilities Organization Excises (Non-Combined Reporting)

Public Utility Company Excise



Computation of the Security Corporation Excise

Security Corporation Excise



Summary of 2016 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 corporate excise. Certain corporations with no more than 100 shareholders may elect to be taxed, for both federal and state tax purposes, as "S corporations."

There are two categories of income that are taxable to an S corporation at the entity level:

1) Income that is taxable to the S corporation at the entity level for federal purposes.

Generally, S corporations are not subject to an entity-level tax for federal purposes, but some categories of income are taxable. Those amounts are taxable to S corporations in Massachusetts at the regular corporate / financial institution rates; 2) Other income to the corporation is subject to the reduced corporate rates that apply only to S corporations.

More details about the tax on the second category of income are following. The earnings of S corporations with total receipts of less than \$6 million are not generally subject to taxation at the corporate level. As of 2016, S corporations with total receipts of \$6 million or more are subject to a corporate excise: 1.93%(*) for non-financial institutions and 2.60%(*) for financial institutions if receipts are \$6 million or more but less than \$9 million, and 2.90%(*) for non-financial institutions and 3.90%(*) for financial institutions if receipts are \$9 million or more. In addition, S corporation net earnings (and losses) are attributed directly to shareholders (whether or not they are distributed as dividends) and are taxed at the individual shareholder level, generally at the applicable personal income tax rate.

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 corporations in 1986.

(*) See Appendix A for further details on corporate excise rate change.

Origin: IRC, §§ 1361-1363; M.G.L. c. 62, § 17A; M.G.L. c. 63, §§ 23, 32D

Estimate: \$97.8

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

Income from the sale, lease or transfer of U.S. patents approved by the Massachusetts Department of Energy Resources for energy conservation, and royalties and income from the sale, lease or other transfer of property subject to such patents are excluded from gross income for a period of 5 years.

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 net income, which is set aside for construction, modernization, and major repair of ships.

Origin: IRC, § 7518

Estimate: \$0.8

2.200**DEDUCTIONS FROM GROSS INCOME****2.201****Charitable Contributions and Gifts Deduction**

In computing net income, corporations may deduct charitable donations up to 10% of taxable incomes computed without the deductions. There is a carryover of excess contributions available for 5 succeeding taxable years.

Origin: IRC, § 170 (b)(2)(A), (d)(2)(A)

Estimate: \$22.6

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

There has been a statutory expansion of the general NOL carry-forward period from 5 to 20 years for business corporations, for taxable years beginning on or after January 1, 2010. There has also been a change to the calculation of an NOL carry-forward for tax years beginning on or after January 1, 2010; all carry-forward losses of eligible business corporations are to be carried forward on a post-apportioned basis, after applying the apportionment percentages of the corporations for the taxable year in which the losses are sustained. For further discussion, see TIR 10-15.

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

Estimate: \$168.6

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, 65%) of net 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: \$2.2

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 Economic Opportunity Areas; Tax Deduction for Renovation of Abandoned Buildings

Businesses renovating eligible buildings in Economic Opportunity Areas 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 Economic Assistance Coordinating Council.

Origin: M.G.L. c. 63, §38O

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 31.5 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.

Origin: IRC, § 168

Estimate: \$3.9

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

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 up to \$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: \$0.4

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

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.

Origin: IRC, § 168

Estimate: \$263.0

2.306 Deduction for Excess First-Year Depreciation

Taxpayers may elect to expense certain business assets purchased during the taxable year. American Taxpayer Relief Act of 2012 which was enacted January 1, 2013 increased the benefits, making changes to IRC sec. 179. For tax year 2012, Massachusetts adopted the increased federal amounts provided by IRC sec. 179. The total deduction cannot exceed \$500,000; for taxpayers whose investment in eligible assets exceeds \$2 million in the year, the \$500,000 ceiling is reduced by \$1 for each dollar of investment above \$2 million. Any remaining cost may be depreciated according to MACRS as described in item 2.305. Federal legislation enacted in December of 2015 extended this benefit for calendar years 2015 through 2019. The annual deduction of \$500,000 which is available for 2015 will be indexed to inflation in the future. The immediate deduction constitutes a tax expenditure, resulting in a deferral of tax or an interest-free loan.

Origin: IRC, § 179

Estimate: \$6.4

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 1986, federal law requires straight-line depreciation over a 31.5 year life. The excess of accelerated depreciation over economic depreciation is a tax expenditure. For a more detailed description of accelerated depreciation, see the description for item 2.301.

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 immediately deductible expenses. Under generally accepted accounting principles, at least some of these costs would otherwise be treated as capital expenditures and depreciated or amortized over a period of years. Their immediate deduction constitutes a tax expenditure, resulting in a deferral of tax or an interest-free loan.

Origin: IRC, § 174

Estimate: \$140.4

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: \$1.3

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: \$1.4

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: \$0.6

2.400**ADJUSTMENTS TO APPORTIONMENT FORMULA****2.401****Unequal Weighting of Sales, Payroll, and Property in the Apportionment Formula**

Corporations with a presence in Massachusetts and other states allocate incomes to the Commonwealth using a three-factor apportionment formula. A corporation's sales, payroll, and property in Massachusetts are compared to those outside Massachusetts.

Exporters benefit from an apportionment formula that weights sales more heavily than the other factors. Effective January 1, 1996, eligible defense corporations are allowed to use a formula that weights sales 100%. For other qualified manufacturers, a 100% sales weight was phased-in over 5 years, and was fully effective January 1, 2000. Corporations other than mutual fund corporations will continue to use a formula that weights sales 50%. Financial institutions and public utility companies weigh all factors equally and do not result in a tax expenditure.

Effective January 1, 1997 mutual fund corporations are allowed to attribute mutual fund sales to Massachusetts based on the domicile of shareholders in the mutual funds. Effective July 1, 1997, mutual fund corporations are allowed to apportion their income to Massachusetts based solely on the percentage of sales to Massachusetts residents.

Comment: It is assumed that a standard apportionment formula gives equal weight to sales, property and payroll. The estimate measures the impact of departing from this standard formula.

It is assumed that a standard apportionment formula gives equal weight to sales, property and payroll. The estimate measures the impact of departing from this standard formula.

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

Estimate: \$346.2

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

In computing the state corporate excise on tangible property, property subject to tax at the local level is exempt. Generally, the state taxes only the machinery of manufacturing corporations and exempts business real estate and tangible personal property.

For purposes of estimating revenue loss from this tax expenditure, the state's non-income measure rate on property, \$2.60 per \$1,000, has been applied.

Origin: M.G.L. c. 63, § 30(7)

Estimate: \$347.0

2.600 **CREDITS AGAINST TAX**

2.602 Investment Tax Credit

Manufacturing corporations and corporations engaged primarily in research and development, agriculture or commercial fishing are allowed to take a credit of 3% of the cost or other basis for federal income tax purposes of qualifying tangible property acquired, constructed, reconstructed, or erected during the taxable year, after deduction of any federally authorized tax credit taken with respect to such property. Such property must have a useful life of four years or more. The property must be used and located in Massachusetts on the last day of the taxable year. A corporation cannot take the credit on property which it leases to another. A corporation can take the credit on property which it leases from another (for property leased and placed in service on or after July 1, 1994). Generally, eligible corporate lessees making qualifying leasehold improvements may claim the credit. A corporation may carry over to the next succeeding 3 years any unused portion of its Investment Tax Credit (ITC). The credit is neither transferable nor refundable.

Origin: M.G.L. c. 63, § 31A (i), (j)

Estimate: \$77.2

2.603 Vanpool Credit

Domestic and foreign corporations are allowed to take 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. This credit is neither transferable nor refundable, and cannot be carried forward.

Origin: M.G.L. c. 63, § 31E

Estimate: Negligible

A credit is allowed for corporations which made basic research payments and/or incurred qualified research expenses conducted in Massachusetts during the taxable year. A corporation taking the research credit is limited in the amount that can be taken against the excise in any year. The credit cannot reduce the tax to less than \$456. The amount of credit is equal to: 100% of the first \$25,000 of excise; and 75% of any amount of excise remaining after the first \$25,000. The deduction allowed to a corporation for any research expenses generating a Massachusetts Research Credit must be reduced by the amount of the credit generated. This amount is added back to income. Any corporation which is a member of a combined group may share excess research credits with other members of the combined group. Corporations which are members of a controlled group or which are under common control with any trade or business (whether or not incorporated) are treated as a single taxpayer for purposes of determining the allowable Research Credit. The credit may be carried forward for up to 15 years with certain restrictions, but is neither transferable nor refundable.

As a result of recent legislation, effective for tax years beginning on or after January 1, 2015, a business corporation may elect to calculate its research credit using one of two methods:

The first method revises the existing research credit by changing two definitions that affect the calculation of the credit, i.e., the definitions of "base amount" and "fixed base rate". The "base amount" is now defined as "the product of (i) the average annual gross receipts of the taxpayer for the 4 taxable years preceding the credit year"; and (ii) a 'fixed base ratio'." The "fixed-base ratio" is no longer tied to a corporation's aggregate Massachusetts qualified research expenditures for a fixed 5 year period during the 1980s. It is now defined as "the percentage which the average aggregate qualified research expenses for the taxpayer for the third and fourth taxable years preceding the credit year is of the annual average gross receipts for those years, provided, however, that the fixed base ratio shall not exceed 16 per cent". The amount of the credit is equal to the sum of 10% of the excess, if any, of the qualified research expenses for the taxable year over the base amount plus 15% of the basic research expenses determined under I.R.C. § 41(e)(1)(A).

The second method, which a taxpayer may elect to use in lieu of the method described above, provides for an alternative simplified research credit, which generally conforms to the methodology of the federal alternative simplified credit provided by I.R.C. § 41(c)(5), as amended and in effect for January 1, 2014.

See TIR 14-13 and TIR 14-16 for more information.

Origin: M.G.L. c. 63, § 38M

Estimate: \$242.4

2.605 Economic Development Incentive Program Credit

Under the provisions of the Economic Development Incentive Program (EDIP) established pursuant to M.G.L. c. 23A, the Economic Assistance Coordination Council (EACC) may authorize taxpayers participating in certified projects to claim tax credits under M.G.L. Ch. 62 § 6(g) and M.G.L. Ch. 63 § 38N. To be eligible, a project must be certified by EACC. The total dollar amount of the EDIP credit that may be used in a calendar year is \$25 million (\$30 million for each year from 2015 to 2018). From 2011 to 2016, the annual cap included amounts awarded pursuant to the certified housing development program authorized by G.L. c. 40V. See item 2.622.

For projects certified prior to January 1, 2010:

The project must be in an economic opportunity area and the credit is 5% of the cost of any property that qualified for the investment tax credit (ITC) allowed by G.L. c. 63, § 31A. To qualify for the 5% credit, the property must be used exclusively in a certified project within an economic opportunity area. The credit may be carried forward for up to 10 years or indefinitely with certain restrictions. The credit is neither transferable nor refundable.

For projects certified on or after January 1, 2010 and before January 1, 2017: Sections 21 to 24 and 47 of chapter 166 of the Acts of 2009 made significant changes to EDIP. Under the amended provisions of the EDIP, the EDIP credits must be awarded by the EACC and those credits were no longer limited to 5% (could be up to 40% of the cost of qualifying property). Further, it was no longer required that all certified projects be in an economic opportunity area. The EDIP credit for certain projects, if authorized by the EACC, may be refundable at the option of the taxpayer. This credit is not transferable.

For projects certified on or after January 1, 2017:

The credit is no longer calculated based on the cost of property that qualifies for the investment tax credit allowed under G.L. c. 63, § 31A and is instead determined by the EACC based on factors set out in M.G.L. c. 23A, § 3D. In addition, limitations on the maximum amount of the credit awarded to particular types of certified projects have been eliminated, and 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) and may specify the timing of the refund. For further information, see TIR 16-15.

For job creation projects certified on or after January 1, 2015 and before January 1, 2017: Effective for tax years beginning on or after January 1, 2015, the EDIP credit provisions have been expanded to include certified job creation projects. Individuals and entities pursuing certified job creation projects may be awarded a credit of up to \$1,000 per job created (up to \$5,000 in a Gateway Community as defined in section 3A of chapter 23A or within a city or town whose average seasonally adjusted unemployment rate, as reported by the executive office of labor and workforce development, is higher than the average seasonally adjusted unemployment rate of the commonwealth). The total award per project may not exceed \$1 million. The credit for a certified job creation project is allowed for the year subsequent to that in which the jobs are created.

Origin: M.G.L. c. 63, § 38N

Estimate: \$23.1

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 Tax 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.

Origin: M.G.L. c. 63, § 38P

Estimate: \$1.2

2.608 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.

Recent legislation extends the Brownfields credit to nonprofit organizations, extends the time frame for eligibility for the credit, and permits the credit to be transferred, sold, or assigned. Under prior law, net response and removal costs incurred by a taxpayer between August 1, 1998 and August 5, 2005, were eligible for the credit provided that the environmental response action before August 5, 2005. As a result of the recent legislation, the environmental response action commencement cut-off date is changed from August 5, 2005 to August 5, 2018, and the time for incurring eligible costs that qualify for the credit is extended to January 1, 2019. See TIR 13-15 for more information.

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: \$48.5

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 non-refundable credit available to corporate excise and personal income taxpayers for the construction or development of low income housing. The amount of credit that a taxpayer may claim for a qualified Massachusetts project is allocated by the DHCD and is subject to an annual cap of \$100 million through 2020, 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.

Under prior law, the Massachusetts low-income housing tax credits were available only to taxpayers who had been allocated federal low-income housing tax credits. However, effective August 1, 2010, the legislature authorized DHCD to grant state low-income housing tax credits (within the annual cap) to otherwise eligible projects that do not receive a federal low-income housing credit.

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

Effective January 1, 2017, the LIHTC expanded to also provide a non-refundable, single year tax credit for corporate excise and personal income taxpayers that donate real or personal property to certain non-profit entities for use in purchasing, constructing, or rehabilitating a qualified Massachusetts project. 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: M.G.L. c. 63, § 31H

Estimate: \$95.5

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.

Origin: M.G.L. c. 63, § 38R

Estimate: \$45.1

2.614 Film (or Motion Picture) Credit

For taxable years beginning on or after January 1, 2006 and before January 1, 2023, Massachusetts allows two credits for motion picture production companies who meet certain qualification requirements. Production companies who incur at least \$50,000 of production costs in Massachusetts are eligible for income and corporate excise tax credits equal to 25% of the total Massachusetts payroll for the production, excluding salaries of \$1 million and higher. In addition, production companies whose Massachusetts production expenses exceed 50% of the total production cost receive an income and corporate excise tax credit of 25% of the total Massachusetts production expense. Supporting documentation is available to the Department of Revenue upon request.

This tax credit is refundable at 90% of the approved credit amounts by the written election of the taxpayer or may be carried forward for up to 5 years. In addition, 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; 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 details.

Origin: M.G.L. c. 63, § 38X

Estimate: \$78.0

2.615 Medical Device User Fee Credit

The Medical Device Credit is equal to 100% of the user fees actually paid to the United States Food and Drug Administration (USFDA) by a medical device company during the taxable year for which the tax is due for pre-market submissions (e.g., applications, supplements, or 510(k) submissions) to market new technologies or upgrades, changes, or enhancements to existing technologies, developed or manufactured in Massachusetts. The credit may be carried forward for up to 5 years. Also the credit may be transferred or sold to another taxpayer, but is not refundable.

Origin: M.G.L. c. 63, § 31L

Estimate: \$1.9

2.617 Life Sciences Tax Incentive Program

On June 16, 2008, "An Act Providing for the Investment in and Expansion of the Life Sciences Industry in the Commonwealth" was passed. The Act established the Life Sciences Tax Incentive Program which initially included, among other things, the following credits: the life sciences research credit, the life sciences refundable research credit, the life sciences refundable investment tax credit, and the life sciences FDA user fees credit, effective from January 1, 2009 through December 31, 2018. Effective January 1, 2011, the life sciences refundable jobs credit was added to this program. Since the tax expenditures under this line item will be subject to approval and their composition will differ from year-to-year, it is not known what proportion will be in the form of corporate tax credits as opposed to income tax credits. However, because the Department of Revenue believes that the largest portion of the tax expenditures described in this line item will be in the form of corporate tax credits, it has placed it in this section of the tax expenditure budget. Except for the life sciences research credit, the other credits are refundable up to 90%.

Effective for tax years beginning on or after January 1, 2017, an angel investor credit is allowed for individual income taxpayers. The credit will be administered within the cumulative cap of \$25 million for all the life sciences incentives. See St. 2016, c. 219, § 72; TIR 16-15.

Accordingly, the addition of the angel investor credit is reflected in the tax expenditure estimation of the life sciences tax incentive program, though the angel investor credit will be claimed by individual income taxpayers.

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

Estimate: \$25.0

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 \$4 million annually.

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 Tax Credit

The 2012 Health Care Act established 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 Department of Public Health (DPH) will administer the credit program by: 1) determining standards for an Employer Wellness Program that will qualify for the credit; 2) approving a dollar amount of credit for a qualifying taxpayer and issue a certificate to be filed with the appropriate tax return; 3) by developing regulations and procedures with the Department of Revenue to implement the credit program. A business will apply to the DPH describing the proposed wellness program to be implemented by the business and providing an estimated budget and applicable taxpayer identification number.

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 DPH is subject to a \$15 million annual cap starting calendar year 2013. The Employer Wellness Program Tax Credit is neither refundable nor 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. DPH has promulgated a regulation, 105 CMR 216.000, entitled Massachusetts Wellness Tax Credit Incentive, which sets forth criteria for authorizing and certifying the credit.

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: \$3.8

2.621 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. It 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 Community Investment Credits is subject to a \$3 million cap in 2014, and an annual cap of \$6 million in 2015 to 2019, inclusive. This credit is refundable, but not transferrable and it could be carried over up to 5 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: \$3.0

2.622 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.

There is a \$5 million (\$10 million from January 1, 2015 to December 31, 2018) cap on the amount of credit that may be awarded under the program in a calendar year. The cap is part of an over-all \$25 million (\$30 million from January 1, 2015 to December 31, 2018) 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; G.L. c. 63, § 38BB

Estimate: \$9.0

2.700 ENTITY EXEMPT FROM TAXATION

2.701 Exemption of Credit Union Income

Credit unions, which are in effect mutual business organizations, are considered tax-exempt organizations for federal income tax purposes and therefore are generally exempt from the corporate excise, except are taxable on unrelated business income.

Comment: The estimate applies to only state-chartered credit unions.

The estimate applies to only state-chartered credit unions.

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

Estimate: \$6.2

2.702 Tax-Exempt Organizations

Corporations considered to be tax-exempt under section 501 of the Internal Revenue Code (such as religious, scientific or 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 on the minimum excise. This non-taxation creates a tax expenditure.

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

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

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 23.9% of total Department of Revenue tax collections for Fiscal Year 2016, 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 considered to 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*

Gross Receipts
From Taxable Sales

Apply 6.25% Tax

Sales Tax

* 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.

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.

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: \$506.7

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: \$0.3

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: \$701.8

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: \$267.8

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 sales of medical marijuana.

This estimate includes sales of medical marijuana.

Origin: M.G.L. c. 64H, § 6(l) and (z)

Estimate: \$543.8

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.

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

Origin: M.G.L. c. 64H, § 6(i)

Estimate: \$52.5

3.106 Exemption for Newspapers and Magazines

Newspapers and magazines are exempt from sales tax.

Origin: M.G.L. c. 64H, § 6(m)

Estimate: \$35.1

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: \$18.9

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 \$79.9 million in Fiscal Year 2015 and \$82.6 million in Fiscal Year 2016.

Revenues collected under the alcoholic beverages excise were \$79.9 million in Fiscal Year 2015 and \$82.6 million in Fiscal Year 2016.

Origin: M.G.L. c. 64H § 6(g)

Estimate: \$119.9

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 \$756.2 million in Fiscal Year 2015 and \$766.6 million in Fiscal Year 2016.

Revenues collected under the motor fuels excise were \$756.2 million in Fiscal Year 2015 and \$766.6 million in Fiscal Year 2016.

Origin: M.G.L. c. 64H, § 6(g)

Estimate: \$466.5

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: \$630.5

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 \$6.2 million for qualifying limited partnership engaged in research activities under Section 66 in St. 2014, c. 287.

This estimate includes sales /use tax exemption of \$6.2 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: \$90.7

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.

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: \$76.9

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: \$60.7

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).

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

Estimate: \$16.9

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: \$12.3

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: \$335.0

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.

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: \$57.6

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.

Estimate is for piped gas only.

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

Estimate: \$225.1

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: \$13.1

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: \$56.4

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: \$199.8

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: \$162.5

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: \$0.7

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.

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: \$32.7

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: N.A.

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.

Estimate is for meals served in schools only.

Origin: M.G.L. c. 64H, § 6(cc)

Estimate: \$13.5

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.

Estimate is for meals only.

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

Estimate: \$1.7

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: \$132.4

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: \$16.1

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 \$1 or more.

Comment: Honor trays are vending carts in workplaces from which snacks may be purchased on the honor system.

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.

KEY

ORIGIN

M.G.L.

ESTIMATES

Massachusetts General Laws

All estimates are in \$ millions.

Appendix A - Recent Law Changes Affecting Tax Expenditures

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

The Personal Income Tax:

Angel Investor Credit

St. 2016, c. 219 amends G.L. c. 62, § 6 by adding new subsection (t), which provides a credit against personal income tax equal to 20% of the amount of qualifying investments made by a taxpayer investor in a qualifying business generally, and 30% of the amount of qualifying investments made by a taxpayer investor in a qualifying business located in a "Gateway municipality," as defined in G.L. c. 23A, § 3A. For purposes of the credit, a taxpayer investor may invest up to \$125,000 per qualifying business per year up to a maximum of \$250,000. A taxpayer investor's total credits may not exceed \$50,000 in a single calendar year. The credit may be taken in either the tax year of the initial investment or it can be carried forward to any of the three subsequent taxable years, as long as the qualifying business maintains its principal place of business in Massachusetts. If the qualifying business does not maintain its principal place of business in Massachusetts for this three year period, the taxpayer investor must repay the total amount of credits claimed. The credit is administered and awarded by the Life Sciences Center, and is included in the annual cap of \$25 million applicable to other life sciences credits (so tax expenditure estimation for this credit is included in item 2.617). The credit may be allowed for tax years beginning on or after January 1, 2017. See TIR 16-15 for more information.

Tuition Deduction (TE item 1.414)

Effective for tax years beginning on or after January 1, 2017, non-residents and part year residents are no longer eligible for the tuition deduction. See TIR 16-15 for more information.

Prepaid Tuition or College Savings Plan Deduction (TE item 1.427) A new 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.

Circuit Breaker Tax Credit Increased (TE item 1.609) A credit is allowed to an owner or renter 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 \$1,070 (for tax year 2016). 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 must not exceed \$720,000. For tax year 2016, an eligible taxpayer's total income cannot exceed \$57,000 in the case of a single filer who is not a head of household filer, \$71,000 for a head of household filer, and \$86,000 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 16-8 for more information.

Farming and Fisheries Personal Income Tax Credit (TE item 1.618)

A new credit applies to personal income taxpayers who are primarily engaged in agriculture, farming or commercial fishing. G.L. c. 62, § 6(s). 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 that are located in Massachusetts, used solely for farming, agriculture or fishing, and are depreciable with a useful life of at least four years. The credit applies 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.”

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. Massachusetts does not adopt the federal deduction under IRC § 165(d) for gambling losses.

Changes to Economic Development Incentive Program (“EDIP”) Tax Credit

For projects certified on or after January 1, 2017, the economic development incentive program tax credit is no longer calculated based on the cost of property that qualifies for the investment tax credit allowed under G.L. c. 63, § 31A and is instead determined by the Economic Assistance Coordinating Council (EACC) based on factors set out in G.L. c. 23A, § 3D. In addition, limitations on the maximum amount of the credit awarded to particular types of certified projects have been eliminated, and 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) and may specify the timing of the refund. For further information, see TIR 16-15.

Changes to the Certified Housing Development Tax Credit

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.

Current Code Provisions 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 Massachusetts adopts on a current Code basis are (i) Roth IRAs, (ii) IRAs, (iii) the exclusion for gain on the sale of a principal residence, (iv) trade or business expenses, (v) travel expenses, (vi) meals and entertainment expenses, (vii) the maximum deferral amount of government employees’ deferred compensation plans, (viii) the deduction for health insurance costs of self-employed taxpayers, (ix) medical and dental expenses, (x) annuities, (xi) health savings accounts, (xii) employer-provided health insurance coverage, and (xiii) amounts received by an employee under a health and accident plan. See TIRs 98-8, 02-11, 07-4, and 09-21 for further details.

Parking, Combined Commuter Highway Vehicle Transportation and T-Pass Fringe Benefit — IRC sec. 132(f) (TE Item 1.030) Massachusetts follows IRC sec. 132(f) as amended and in effect under the January 1, 2005 Code. For taxable years beginning in 2017, the Massachusetts monthly exclusion amounts are \$255 for employer-provided parking and \$135 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 these 2017 tax year monthly exclusion amounts because they are based on the January 1, 2005 Code. For further discussion, see TIR 16-16.

Federal Deduction — Not Allowed Federal “Bonus” Depreciation — IRC sec.

168(k) Massachusetts specifically disallows the bonus depreciation deduction allowed under IRC § 168(k), as amended and in effect for the current taxable year. Therefore, Massachusetts does not adopt the 5 year extension through tax year 2019 of the federal bonus depreciation deduction pursuant to the Consolidated Appropriations Act of 2016 (P.L. 114-113). See TIRs 02-11 and 03-25 for further details.

Federal Deduction — Not Allowed Domestic Production Activity Deduction —

IRC sec. 199 For federal income tax purposes, under IRC § 199, a business entity that pays wages to employees and conducts qualified production activities is allowed a deduction for domestic production activities. Generally, in the case of a non-corporate taxpayer, the deduction allows a business with qualified production activities to deduct 9% of its U.S. adjusted gross income. Under G.L. c. 62 § 2(d)(1)(O), Massachusetts specifically disallows the domestic production activity deduction allowed under IRC § 199, as amended and in effect for the current taxable year. Therefore, Massachusetts does not adopt the 2 year extension through tax year 2016 of the deduction allowable for income attributable to domestic production activities in Puerto Rico pursuant to the Consolidated Appropriations Act of 2016 (P.L. 114-113). See TIR 05-5.

The Corporate and Other Business Excise:

Economic Development Incentive Program Tax Credit

For projects certified on or after January 1, 2017, the economic development incentive program tax credit is no longer calculated based on the cost of property that qualifies for the investment tax credit allowed under G.L. c. 63, § 31A and is instead determined by the Economic Assistance Coordinating Council (EACC) based on factors set out in G.L. c. 23A, § 3D. In addition, limitations on the maximum amount of the credit awarded to particular types of certified projects have been eliminated, and 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) and may specify the timing of the refund. For further information, see TIR 16-15.

Community Investment Tax Credit

Effective August 10, 2016, the community investment tax credit has been modified. A community partner may now claim a subsequent community investment tax credit 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.

Low-Income Housing Tax Credit

Effective January 1, 2017, the low-income housing tax credit has been expanded to also provide a non-refundable tax credit for individuals and corporations who donate real or personal property to certain non-profit entities for use in purchasing, constructing, or rehabilitating a qualified Massachusetts project. 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.

Historic Rehabilitation Tax Credit

Effective August 10, 2016, the historic rehabilitation tax credit has been modified to allow the Massachusetts Historical Commission to, subject to certain criteria, transfer the historic rehabilitation tax credit to corporate excise taxpayers that acquire a qualified historic structure. For multi-phased projects, the Massachusetts Historical Commission may transfer historic rehabilitation tax credit awards for any phase that meets the criteria. For further information, see TIR 16-15.

Certified Housing Development Tax Credit

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.

As the part B personal income tax rate has been reduced, tax rates for S corporations have changed accordingly. See below.

Corporations:

Tax Year	Non-income Measure Tax	Income Measure Tax		
		Rate on C Corps' income and S Corps' Qualified and Passive Income	S Corp. Rate (Gross Sales \$6M-\$9M)	S Corp. Rate (Gross Sales > \$9M)
2012	0.26%	8.00%	1.83%	2.75%
2013	0.26%	8.00%	1.83%	2.75%
2014	0.26%	8.00%	1.87%	2.80%
2015	0.26%	8.00%	1.90%	2.85%
2016	0.26%	8.00%	1.93%	2.90%
2017	0.26%	8.00%	1.93%	2.90%
2018*	0.26%	8.00%	1.97%	2.95%

S Corporations:

Large S Corp (Gross Sales > \$9M):

Medium S Corp (\$6M < Gross Sales < \$9M)

Small S Corp (Gross Sales < \$6M):

Rate is equal to:

C Corp rate minus Part B individual income tax rate

2/3 of Large S Corp rate

0%

* The part B personal income tax rate is assumed to decline to 5.05% effective January 1, 2018. The tax rates for S corporations are therefore assumed to change accordingly.

Financial Institutions:

Tax Year	Non-income Measure Tax	Income Measure Tax		
		Rate on C Corps' income and S Corps' Qualified and Passive Income	S Corp. Rate (Gross Sales \$6M-\$9M)	S Corp. Rate (Gross Sales > \$9M)
2012	No	9.00%	2.50%	3.75%
2013		9.00%	2.50%	3.75%
2014		9.00%	2.53%	3.80%
2015		9.00%	2.57%	3.85%
2016		9.00%	2.60%	3.90%
2017		9.00%	2.60%	3.90%
2018*		9.00%	2.63%	3.95%

S Corporations:

Large S Corp (Gross Sales > \$9M):

Medium S Corp (\$6M < Gross Sales < \$9M)

Small S Corp (Gross Sales < \$6M):

Rate is equal to:

C Corp rate minus Part B individual income tax rate

2/3 of Large S Corp rate

0%

* The part B personal income tax rate is assumed to decline to 5.05% effective January 1, 2018. The tax rates for S corporations are therefore assumed to change accordingly.

The Sales and Use Tax:

In June 2009 legislation was enacted that amended G.L. c. 64H (sales tax) and G.L. c. 64I (use tax), changing the rate of tax for sales and use of tangible personal property and telecommunications services from 5% to 6.25%. See Stat. 2009, c. 27, §§ 53, 55-57, 59. In addition, the new legislation repealed the exemption for alcoholic beverages, including beer, wine, and liquor, sold at retail by amending G.L. c. 64H, § 6(g) to omit reference to c. 138. These changes were effective on and after August 1, 2009. See TIR 09-11 for further details.

As the result of a referendum question on the November 2, 2010 ballot, the law extending the Massachusetts sales and use tax to alcoholic beverages sold at package stores and liquor stores for off-premises consumption, which was enacted on August 1, 2009, has been repealed, effective for sales on or after January 1, 2011. See TIR 10-24 for further details.

Effective July 1, 2011, physician-prescribed, medically necessary breast pumps are exempt from sales and use tax. See St. 2011, c. 68, § 72.

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, these items (3.203, 3.422, 3.501, 3.502, 3.503 and 3.504) have been listed in appendix D.

On September 27, 2013, the Governor signed a bill that repealed the expansion of the sales tax on computer software and systems design services that had been enacted by the Legislature on July 24, 2013, retroactive to its effective date, July 31, 2013.

Section 66 of St. 2014, c. 287 added subsection (d) to G.L. c. 63, § 42B. Effective August 13, 2014, solely for the purpose of claiming the sales tax exemption available to research and development corporations under chapters 64H and 64I, §§ 6(r) and 6(s), this change allows a limited partnership that is not a business corporation, but that would otherwise qualify as a research and development corporation under § 42B, to be considered a research and development corporation when all partners are corporations. See also TIR 14-13.

Chapter 369 of the Acts of 2012 legalized the sales of marijuana, products containing marijuana such as food, tinctures, aerosols, oils and ointments as well as related supplies or educational materials to qualifying patients or their personal caregivers in the Commonwealth by medical marijuana treatment centers. According to Directive 15-1 issued by the Department of Revenue, the sales tax exemption for medicine on prescription in G.L. c. 64H, § 6(l) applies to sales of marijuana and products containing marijuana to a qualifying patient or the patient's personal caregiver pursuant to a written certification by a licensed physician. Any other supplies, educational materials or other items sold by the medical marijuana treatment center are subject to tax unless another exemption applies.

The estimates for tax expenditure items for sales and use tax reflect these tax law changes.

Appendix B - Tax Expenditure Glossary

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 "Exemption".)

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.

Appendix C - Summary Table

Fiscal Year 2018 Tax Expenditure Budget: Appendix C Summary Table

The following table shows tax expenditure estimates for the three major taxes from Fiscal Year 2014 to Fiscal Year 2018. 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	FY2014	FY2015	FY2016	FY2017	FY2018
EXCLUSIONS FROM GROSS INCOME						
Exclusions from Gross Income	1.000	3,911.2	4,008.3	4,026.2	4,122.9	4,251.6
Exemption of Premiums on Accident and Accidental Death Insurance ¹	1.001	25.2	26.2	26.5	27.5	28.6
Exemption of Premiums on Group-Term Life Insurance ¹	1.002	20.0	20.4	20.2	20.7	20.5
Exemption of Interest on Life Insurance Policy and Annuity Cash Value	1.003	209.4	212.7	216.6	219.0	223.8
Exemption of Employer Contributions for Medical Insurance Premiums and Medical Care ¹	1.004	922.2	929.2	907.4	950.8	992.6
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 ²	1.006	333.5	340.8	347.9	357.0	364.9
Exemption of Railroad Retirement Benefits	1.007	4.2	4.3	4.4	4.6	4.8
Exemption of Public Assistance Benefits	1.008	181.5	184.3	188.9	194.6	200.4
Exemption of Social Security Benefits	1.009	898.5	928.2	958.8	995.2	1,027.8
Exemption of Workers' Compensation Benefits	1.010	6.6	6.7	6.9	7.1	7.4
Exemption for Dependent Care Expenses ¹	1.011	16.8	17.0	17.2	15.9	14.4
Exemption of Certain Foster Care Payments	1.012	3.4	3.4	3.4	3.3	3.3
Exemption of Payments Made to Coal Miners	1.013	Negligible	Negligible	Negligible	Negligible	Negligible
Exemption of Rental Value of Parsonages ¹	1.014	2.5	2.8	2.8	2.8	2.8
Exemption of Scholarships and Fellowships	1.015	20.1	20.5	21.6	22.1	23.6
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 ¹	1.018	12.9	13.4	13.3	13.8	14.3
Treatment of Business-Related Entertainment Expenses ¹	1.019	12.6	12.8	14.0	14.3	14.9
Exemption of Income from the Sale,	1.020	N.A.	N.A.	N.A.	N.A.	N.A.

Tax Expenditure	Item Number	FY2014	FY2015	FY2016	FY2017	FY2018
Lease, or Transfer of Certain Patents						
Exemption of Capital Gains on Home Sales	1.021	292.6	286.8	345.0	366.2	384.5
Nontaxation of Capital Gains at Death	1.022	746.9	802.1	726.6	696.5	705.6
Exemption of Interest from Massachusetts Obligations	1.023	50.7	44.1	45.6	46.9	48.9
Exemption of Benefits and Allowances to Armed Forces Personnel ¹	1.024	27.7	27.5	28.1	29.9	31.6
Exemption of Veterans' Pensions, Disability Compensation and G.I. Benefits	1.025	36.3	36.4	39.5	38.1	36.8
Exemption of Military Disability Pensions	1.026	0.5	0.8	0.7	0.7	0.7
Exemption of Compensation to Massachusetts-Based Nonresident Military Personnel	1.027	9.3	9.3	9.5	9.9	10.0
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	24.1	24.7	25.2	25.8	26.5
Parking, T-Pass and Vanpool Fringe Benefits	1.030	37.6	38.0	39.1	41.1	42.2
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	11.6	11.6	11.5	11.5	12.1
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	Negligible	Negligible	Negligible	Negligible	Negligible
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	4.3	4.3	5.5	7.3	8.5
DEFERRALS OF GROSS INCOME						
Deferrals of Gross Income	1.100	939.6	1,253.1	1,395.0	1,577.2	1,752.5
Net Exemption of Employer Contributions and Earnings of Private Pension Plans ²	1.101	647.3	855.0	1,067.1	1,238.0	1,368.5
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 Plans ²	1.104	210.3	286.8	234.0	254.0	299.7
Non-taxation of Capital Gains at the Time of Gift	1.106	82.0	111.4	93.9	85.2	84.3
DEDUCTIONS FROM GROSS INCOME						
Deductions from Gross Income	1.200	0.4	0.4	0.4	0.4	0.4
Capital Gains Deduction	1.201	N.A.	N.A.	N.A.	N.A.	N.A.
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	0.3	0.3	0.3	0.3	0.3
Abandoned Building Renovation Deduction	1.204	0.1	0.1	0.1	0.1	0.1

Tax Expenditure	Item Number	FY2014	FY2015	FY2016	FY2017	FY2018
ACCELERATED DEDUCTIONS FROM GROSS INCOME						
Accelerated Deductions from Gross Income	1.300	114.2	114.1	110.3	108.2	106.2
Modified Accelerated Depreciation on Rental Housing	1.301	23.7	22.7	21.5	20.8	20.7
Modified Accelerated Depreciation on Buildings (other than Rental Housing)	1.303	7.4	7.3	7.2	7.2	7.2
Modified Accelerated Cost Recovery System (MACRS) for Equipment	1.304	70.0	68.5	65.9	64.5	62.8
Deduction for Excess First-Year Depreciation	1.305	11.1	13.5	13.2	13.2	13.1
Election to Deduct and Amortize Business Start-up Costs	1.306	0.2	0.2	0.6	0.6	0.5
Expensing Exploration and Development Costs	1.308	Negligible	Negligible	Negligible	Negligible	Negligible
Expensing Research and Experimental Expenditures in One Year	1.309	1.5	1.5	1.4	1.4	1.4
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	0.3	0.4	0.4	0.4
DEDUCTIONS FROM ADJUSTED GROSS INCOME						
Deductions from Adjusted Gross Income	1.400	881.1	895.9	923.8	946.1	971.9
Deduction for Employee Social Security and Railroad Retirement Payments	1.401	309.8	314.5	331.4	332.1	332.8
Deduction for Employee Contributions to Public Pension Plans ²	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	29.0	29.7	30.7	31.3	32.0
Additional Exemption for the Blind	1.404	1.2	1.1	1.1	1.1	1.1
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	132.1	130.6	131.7	131.1	130.7
Personal Exemption for Students Age 19 or Over	1.407	9.0	8.8	8.7	8.6	8.5
Deduction for Adoption Fees	1.408	0.4	0.6	0.4	0.4	0.4
Deduction for Business-Related Child Care Expenses	1.409	16.8	17.7	18.2	19.2	20.3
Exemption of Medical Expenses	1.410	121.0	127.0	127.2	131.4	135.3
Rent Deduction	1.411	124.0	127.3	132.8	136.0	139.2
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	3.7	3.0	3.4	3.7	4.1
Tuition Deduction (Over 25% of Income)	1.414	45.5	42.1	39.6	43.7	42.0
Charitable Contributions Tax Deduction	1.415	Not Active	Not Active	Not Active	Not Active	Not Active
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
Health Savings Accounts	1.422	5.7	6.7	8.0	9.0	10.1

Tax Expenditure	Item Number	FY2014	FY2015	FY2016	FY2017	FY2018
Commuter Deduction	1.423	8.5	9.5	9.5	9.5	9.5
Self-Employed Health Insurance Deduction	1.424	43.4	42.5	43.2	45.7	48.4
Student Loan Interest Deduction (allowed Federally or by Massachusetts)	1.425	30.9	34.5	38.1	43.2	49.1
Expenses of Human Organ Transplant	1.426	0.1	0.1	0.1	0.1	0.1
Prepaid Tuition or College Savings Plan Deduction	1.427	N.A.	N.A.	N.A.	N.A.	8.6

PREFERENTIAL RATE OF TAXATION

Preferential Rate of Taxation	1.500	0.1	0.7	1.5	1.7	1.7
Small Business Stock, Capital Gains Tax Rate	1.501	0.1	0.7	1.5	1.7	1.7

CREDITS AGAINST TAX

Credits Against Tax	1.600	249.3	254.5	264.6	345.2	353.3
Renewable Energy Source Credit	1.601	1.8	3.0	4.7	4.7	4.7
Credit for Removal of Lead Paint	1.602	2.8	3.0	2.9	2.9	2.9
Economic Development Incentive Program Credit	1.603	3.7	3.9	4.1	4.1	4.1
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	132.4	134.6	135.8	212.5	216.9
Septic System Repair Credit	1.606	9.9	9.4	9.2	9.1	8.9
Low Income Housing Credit	1.607	1.7	3.4	5.1	5.2	7.7
Brownfields Credit	1.608	5.2	3.1	3.3	3.5	3.6
Refundable State Tax Credit Against Property Taxes for Seniors ("Circuit Breaker")	1.609	69.9	71.1	75.2	78.4	81.8
Historic Buildings Rehabilitation Credit	1.610	6.4	5.5	5.5	6.1	6.7
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	3.4	3.4	3.4	3.4
Conservation Land Credit	1.615	2.0	2.0	2.0	2.0	2.0
Employer Wellness Program Tax Credit	1.616	7.5	7.5	7.5	7.5	3.8
Community Investment Tax Credit	1.617	0.8	2.3	3.0	3.0	3.0
Farming and Fisheries Income Tax Credit	1.618	N.A.	0.4	0.9	0.9	0.9
Certified Housing Development Tax Credit	1.619	Included in 1.603	Included in 1.603	Included in 1.603	Included in 1.603	1.0

Corporate Tax (In Millions)						
Tax Expenditure	Item Number	FY2014	FY2015	FY2016	FY2017	FY2018
EXCLUSIONS FROM GROSS INCOME						
Exclusions from Gross Income	2.000	80.7	87.2	94.4	98.8	97.8
Small Business Corporations	2.001	80.7	87.2	94.4	98.8	97.8
Exemption of Income from the Sale, Lease or Transfer of Certain Patents	2.002	0.0	0.0	0.0	0.0	0.0
DEFERRALS OF GROSS INCOME						
Deferrals of Gross Income	2.100	0.8	0.8	0.8	0.8	0.8
Deferral of Tax on Certain Shipping Companies	2.101	0.8	0.8	0.8	0.8	0.8
DEDUCTIONS FROM GROSS INCOME						
Deductions from Gross Income	2.200	154.5	170.0	177.3	185.1	193.3
Charitable Contributions and Gifts Deduction	2.201	22.8	22.6	22.6	22.6	22.6
Net Operating Loss (NOL) Carry-Forward	2.203	130.3	145.7	152.9	160.6	168.6
Excess Natural Resource Depletion Allowance	2.204	1.4	1.8	1.8	1.9	2.2
Deduction for Certain Dividends of Cooperatives	2.205	N.A.	N.A.	N.A.	N.A.	N.A.
Economic Opportunity Areas; Tax Deduction for Renovation of Abandoned Buildings	2.206	Negligible	Negligible	Negligible	Negligible	Negligible
ACCELERATED DEDUCTIONS FROM GROSS INCOME						
Accelerated Deductions from Gross Income	2.300	375.8	384.6	381.0	390.0	419.4
Modified Accelerated Cost Recovery System on Rental Housing	2.301	4.7	4.9	4.2	3.9	3.9
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	0.4	0.4	0.4	0.4	0.4
Modified Accelerated Cost Recovery System for Equipment	2.305	236.3	229.2	230.2	240.0	263.0
Deduction for Excess First-Year Depreciation	2.306	15.9	34.0	20.5	8.4	6.4
Modified Accelerated Depreciation on Buildings (other than Rental Housing)	2.307	1.6	1.6	1.6	1.6	1.6
Expensing Research and Development Expenditures in One Year	2.308	113.2	110.8	120.3	132.1	140.4
Expensing Exploration and Development Costs	2.309	1.2	1.2	1.3	1.3	1.3
Five-Year Amortization of Pollution Control Facilities	2.311	1.8	1.8	1.8	1.5	1.4
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	0.3	0.3	0.3	0.6
ADJUSTMENTS TO APPORTIONMENT FORMULA						
Adjustments to Apportionment Formula	2.400	315.3	332.4	337.0	341.6	346.2
Unequal Weighting of Sales, Payroll, and Property in the Apportionment Formula	2.401	315.3	332.4	337.0	341.6	346.2
EXCLUSIONS FROM PROPERTY COMPONENT						

Tax Expenditure	Item Number	FY2014	FY2015	FY2016	FY2017	FY2018
Exclusions from Property Component	2.500	273.7	299.6	303.1	324.3	347.0
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	273.7	299.6	303.1	324.3	347.0
CREDITS AGAINST TAX						
Credits Against Tax	2.600	462.2	549.1	561.3	606.8	653.7
Investment Tax Credit	2.602	53.0	63.3	67.7	72.3	77.2
Vanpool Credit	2.603	Negligible	Negligible	Negligible	Negligible	Negligible
Research Credit	2.604	186.4	202.4	219.2	230.5	242.4
Economic Development Incentive Program Credit	2.605	17.6	20.4	22.5	22.8	23.1
Credit for Employing Former Full- Employment Program Participants	2.606	Not Active	Not Active	Not Active	Not Active	Not Active
Harbor Maintenance Tax Credit	2.607	1.2	1.1	1.1	1.2	1.2
Brownfields Credit	2.608	36.3	42.8	40.4	44.3	48.5
Low Income Housing Credit	2.609	67.0	76.6	74.8	84.8	95.5
Historic Buildings Rehabilitation Credit	2.610	35.1	36.6	39.4	42.2	45.1
Film (or Motion Picture) Credit	2.614	39.8	75.6	69.1	78.0	78.0
Medical Device User Fee Credit	2.615	1.0	0.9	1.1	1.5	1.9
Life Sciences Tax Incentive Program	2.617	16.5	19.6	15.5	18.8	25.0
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 Tax Credit	2.620	7.5	7.5	7.5	7.5	3.8
Community Investment Tax Credit	2.621	0.8	2.3	3.0	3.0	3.0
Certified Housing Development Tax Credit	2.622	Included in 2.605	Included in 2.605	Included in 2.605	Included in 2.605	9.0
ENTITY EXEMPT FROM TAXATION						
Entity Exempt from Taxation	2.700	4.6	5.0	5.3	5.7	6.2
Exemption of Credit Union Income	2.701	4.6	5.0	5.3	5.7	6.2
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 2018 Tax Expenditure Budget: Appendix C Summary Table

Sales Tax (In Millions)						
Tax Expenditure	Item Number	FY2014	FY2015	FY2016	FY2017	FY2018
EXEMPT ENTITIES						
Exempt Entities	3.000	414.9	432.9	460.1	484.7	507.4
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	414.6	432.4	459.5	484.1	506.7
Exemption for Sales of Tangible Personal Property to Motion Picture Production Companies	3.004	0.4	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	0.0	0.1	0.3	0.3	0.3
EXEMPT PRODUCTS/SERVICES						
Exempt Products/Services	3.100	1,503.0	1,499.8	1,496.9	1,551.6	1,619.8
Exemption for Food	3.101	687.8	669.8	663.0	677.9	701.8
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	264.2	264.0	253.0	258.7	267.8
Exemption for Medical and Dental Supplies and Devices	3.104	448.1	462.0	478.7	511.0	543.8
Exemption for Water	3.105	51.5	52.1	49.6	50.7	52.5
Exemption for Newspapers and Magazines	3.106	36.3	36.0	35.7	35.4	35.1
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	15.0	15.9	16.8	17.8	18.9
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
EXEMPT, TAXED UNDER ANOTHER EXCISE						
Exempt, Taxed Under Another Excise	3.200	829.0	702.7	575.4	562.6	586.4
Exemption for Alcoholic Beverages	3.201	112.9	113.0	113.9	116.4	119.9
Exemption for Motor Fuels	3.202	716.1	589.8	461.5	446.1	466.5
EXEMPT COMPONENT OF A PRODUCT OR CONSUMED IN PRODUCTION						
Exempt Component of a Product or Consumed in Production	3.300	844.4	862.1	861.6	873.1	888.1
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	618.1	621.2	624.3	627.4	630.5
Exemption for Materials, Tools, Fuels and Machinery Used in Research and Development	3.303	65.1	78.7	83.1	86.7	90.7
Exemption for Materials, Tools, Fuels, and Machinery Used in Furnishing Power	3.304	79.6	77.6	69.2	71.9	76.9
Exemption for Materials, Tools, Fuels, and Machinery Used in Newspaper Printing	3.306	54.0	57.2	57.8	58.9	60.7
Exemption for Materials, Tools, Fuels, and Machinery Used in Agricultural Production	3.308	16.4	16.3	15.7	16.3	16.9

Tax Expenditure	Item Number	FY2014	FY2015	FY2016	FY2017	FY2018
Exemption for Vessels, Materials, Tools, Fuels, and Machinery Used in Commercial Fishing	3.309	11.3	11.0	11.4	11.8	12.3
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	973.6	1,025.7	1,004.2	1,039.4	1,098.7
Exemption for Electricity	3.401	315.6	317.9	318.6	330.7	335.0
Exemption for Fuel Used for Heating Purposes	3.402	84.5	76.3	58.4	52.1	57.6
Exemption for Piped and Bottled Gas	3.403	166.7	183.5	183.1	198.0	225.1
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	12.6	12.6	12.6	12.8	13.1
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	47.4	49.6	52.7	54.3	56.4
Exemption for Books Used for Religious Worship	3.409	N.A.	N.A.	N.A.	N.A.	N.A.
Exemption for Containers	3.410	139.4	186.0	190.6	195.4	199.8
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	129.9	133.3	140.9	152.2	162.5
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	0.7	0.7	0.7
Exemption for Fuel Used in Operating Aircraft and Railroads	3.419	61.3	50.3	31.0	27.5	32.7
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	145.7	150.1	152.9	157.1	163.7
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	N.A.	N.A.	N.A.	N.A.	N.A.
Exemption for Certain Meals	3.603	11.5	11.9	12.0	12.1	13.5
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	1.4	1.5	1.6	1.7
Exemption for Trade-in Allowances for Motor Vehicles and Trailers	3.606	119.3	122.6	124.4	127.9	132.4
Exemption for Publications of Tax-Exempt Organizations	3.607	13.6	14.2	15.0	15.5	16.1
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 Containers	3.610	N.A.	N.A.	N.A.	N.A.	N.A.
Exemption for Honor Trays	3.611	N.A.	N.A.	N.A.	N.A.	N.A.

Appendix D - Non-Tax Expenditure Budget 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: \$191.9

Comment: Revenues collected under the budgeted state room excise were \$150.7 million in Fiscal Year 2015 and \$162.2 million in Fiscal Year 2016.

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: \$32.5

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: \$3,943.8

Comment: Revenues collected under the Deeds Excise Tax (including Secretary State Deeds) were \$238.3 million in Fiscal Year 2015 and \$281.9 million in Fiscal Year 2016.

- 3.502 Nontaxation of Rentals of Real Property
Rental charges for real property, whether for residential or business purposes, are exempt from sales tax.

Origin: General exclusion of real property transactions
Estimate: \$1,828.3

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: \$17,273.6

- 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: \$190.5

Summary:

Description of Item	Former TEB number	FY2014	FY2015	FY2016	FY2017	FY2018
Exemption for Hotel/Motel Rooms	3.203	151.9	165.2	177.9	186.5	191.9
Exemption for Telephone Services	3.422	35.4	34.1	32.0	32.2	32.5
Nontaxation of Transfers of Real Property	3.501	3,190.2	3,487.7	3,710.9	3,810.4	3,943.8
Nontaxation of Rentals of Real Property	3.502	1,652.2	1,703.1	1,726.5	1,777.4	1,828.3
Nontaxation of Certain Services	3.503	14,259.7	14,949.4	15,659.8	16,439.4	17,273.6
Nontaxation of Internet Access and Related Services	3.504	173.1	176.0	178.1	184.0	190.5

Budget Recommendation Summary

Account	Description	FY2017 Spending	FY2018 House 1	Comment
0320-0003	Supreme Judicial Court	8,762,149	8,937,393	
0320-0010	Suffolk County Supreme Judicial Court Clerks Office	1,567,735	1,583,413	
0321-0001	Commission on Judicial Conduct	765,283	772,936	
0321-0100	Board of Bar Examiners	1,389,294	1,403,187	
0321-1500	Committee for Public Counsel Services	28,591,182	28,877,094	
0321-1504	CPCS Attorney Salaries	30,682,963	30,609,360	
0321-1510	Private Counsel Compensation	151,600,000	144,777,175	
0321-1520	Indigent Persons Fees and Court Costs	21,400,000	23,189,970	
0321-1600	Massachusetts Legal Assistance Corporation	18,000,000	18,180,000	
0321-2000	Mental Health Legal Advisors Committee	1,106,886	1,117,955	
0321-2100	Prisoners' Legal Services	1,472,466	1,487,191	
0321-2205	Suffolk County Social Law Library	1,831,200	1,849,512	
0322-0100	Appeals Court	12,667,241	12,793,913	
0330-0101	Trial Court Justices' Salaries	57,941,176	58,520,588	
0330-0300	Administrative Staff	230,901,672	233,210,689	
0330-0344	Veterans Court Program Admin and Transportation	76,150	76,911	
0330-0500	Trial Court Video Teleconferencing	247,500	249,975	
0330-0599	Recidivism Reduction Pilot Program	1,658,989	1,675,579	
0330-0601	Specialty Drug Courts	3,229,651	3,261,947	
0330-0612	Substance Abuse Model	97,943	98,923	
0331-0100	Superior Court	33,012,988	33,343,118	
0332-0100	District Court	69,230,505	69,922,810	
0333-0002	Probate and Family Court	30,594,227	30,900,169	
0334-0001	Land Court	3,941,213	3,980,625	
0335-0001	Boston Municipal Court	13,766,528	13,904,193	
0336-0002	Housing Court	8,251,450	8,333,964	
0336-0003	Housing Court Expansion	-	1,000,000	Increased funding to support new initiative.
0337-0002	Juvenile Court	18,426,280	18,610,543	
0339-1001	Commissioner of Probation	144,118,651	145,559,838	
0339-1003	Office of Community Corrections	20,827,816	21,036,094	
0339-1005	Divert Juveniles Young Adults from Criminal Justice	200,000	202,000	
0339-2100	Jury Commissioner	2,888,505	2,917,390	
0340-0100	Suffolk District Attorney	18,916,992	19,290,288	
0340-0198	Suffolk District Attorney State Police Overtime	364,790	368,438	

Account	Description	FY2017 Spending	FY2018 House 1	Comment
0340-0200	Northern (Middlesex) District Attorney	16,248,754	16,586,540	
0340-0203	Drug Diversion and Drug Prevention Education Programming	495,000	495,000	
0340-0298	Northern District Attorney State Police Overtime	540,533	545,938	
0340-0300	Eastern (Essex) District Attorney	9,931,887	10,129,575	
0340-0398	Eastern District Attorney State Police Overtime	519,280	524,473	
0340-0400	Middle (Worcester) District Attorney	10,885,878	11,106,979	
0340-0498	Middle District Attorney State Police Overtime	432,752	437,080	
0340-0500	Hampden District Attorney	9,501,819	9,676,289	
0340-0598	Hampden District Attorney State Police Overtime	355,725	359,283	
0340-0600	Northwestern District Attorney	6,098,538	6,081,314	
0340-0698	Northwestern District Attorney State Police Overtime	307,948	311,027	
0340-0700	Norfolk District Attorney	9,591,791	9,768,422	
0340-0798	Norfolk District Attorney State Police Overtime	447,202	451,674	
0340-0800	Plymouth District Attorney	8,841,265	9,007,869	
0340-0802	Plymouth County DA Moving Costs	2,119,072		Eliminated FY17 one-time costs.
0340-0898	Plymouth District Attorney State Police Overtime	449,648	454,144	
0340-0900	Bristol District Attorney	8,777,329	8,957,165	
0340-0998	Bristol District Attorney State Police Overtime	349,300	344,926	
0340-1000	Cape and Islands District Attorney	4,218,362	4,290,813	
0340-1098	Cape and Islands District Attorney State Police Overtime	291,712	294,629	
0340-1100	Berkshire District Attorney	4,184,794	4,251,865	
0340-1198	Berkshire District Attorney State Police Overtime	224,693	226,940	
0340-2100	District Attorneys' Association	1,976,693	1,961,110	
0340-2117	Assistant District Attorney Retention	495,000	495,000	
0340-6653	Assistant District Attorney Salary Expansion	495,000	3,000,000	Increased funding to support new initiative.
0340-8908	District Attorneys' Wide Area Network	1,779,118	1,779,118	
0411-1000	Office of the Governor	6,540,761	5,251,346	Removing funding associated with the continuation of a prior appropriation
0511-0000	Secretary of the Commonwealth Administration	6,319,269	6,382,462	
0511-0001	State House Gift Shop Retained Revenue	15,000	15,000	
0511-0002	Corporate Dissolution Program	349,545	351,074	
0511-0003	Chargeback for Publications and Computer Library Services	16,000	16,000	

FY2018 Governor's Budget Recommendation

Account	Description	FY2017 Spending	FY2018 House 1	Comment
0511-0200	State Archives	565,557	565,557	
0511-0230	State Records Center	35,304	35,118	
0511-0235	Chargeback for State Records Center Services	100,000	100,000	
0511-0250	State Archives Facility	294,097	296,326	
0511-0260	Commonwealth Museum	230,935	231,040	
0511-0270	Census Data Technical Assistance	396,000	399,960	
0511-0420	Address Confidentiality Program	135,615	135,615	
0517-0000	Public Document Printing	504,187	503,089	
0521-0000	Elections Division Administration	12,258,363	5,596,151	Decreased funding to meet projected need.
0521-0001	Central Voter Registration Computer System	6,177,095	5,187,599	Decreased funding to meet projected need.
0521-0002	Early Voting	400,000		Eliminated FY17 one-time costs.
0521-0006	Post-Election Audits	99,000		Eliminated FY17 one-time costs.
0524-0000	Information to Voters	1,804,604	385,000	Decreased funding to meet projected need.
0526-0100	Massachusetts Historical Commission	932,724	932,724	
0527-0100	Ballot Law Commission	10,281	10,281	
0528-0100	Records Conservation Board	36,036	36,036	
0540-0900	Essex Registry of Deeds-Northern District	1,224,208	1,236,450	
0540-1000	Essex Registry of Deeds-Southern District	2,782,008	2,809,828	
0540-1100	Franklin Registry of Deeds	616,755	622,922	
0540-1200	Hampden Registry of Deeds	1,735,072	1,752,422	
0540-1300	Hampshire Registry of Deeds	543,644	549,081	
0540-1400	Middlesex Registry of Deeds- Northern District	1,141,624	1,153,041	
0540-1500	Middlesex Registry of Deeds- Southern District	3,145,081	3,176,532	
0540-1600	Berkshire Registry of Deeds- Northern District	264,463	267,107	
0540-1700	Berkshire Registry of Deeds- Central District	451,569	456,085	
0540-1800	Berkshire Registry of Deeds- Southern District	225,123	227,374	
0540-1900	Suffolk Registry of Deeds	1,788,227	1,806,110	
0540-2000	Worcester Registry of Deeds- Northern District	672,063	678,783	
0540-2100	Worcester Registry of Deeds- Worcester District	2,210,765	2,232,873	
0610-0000	Office of the Treasurer and Receiver-General	9,388,911	9,388,911	
0610-0010	Economic Empowerment	810,000	435,000	Decreased funding to meet projected need.
0610-0050	Alcoholic Beverages Control Commission	2,271,489	2,388,092	

Account	Description	FY2017 Spending	FY2018 House 1	Comment
0610-0051	Alcohol Beverages Control Commission Grant	247,682	247,682	
0610-0060	ABCC Investigation and Enforcement	145,849	147,307	
0610-2000	Welcome Home Bill Bonus Payments	2,803,627	2,803,627	
0611-1000	Bonus Payments to War Veterans	44,500	44,500	
0612-0105	Public Safety Employees Line of Duty Death Benefits	300,000	300,000	
0640-0000	State Lottery Commission	81,144,402	81,964,789	
0640-0005	State Lottery Commission - Monitor Games	3,126,659	3,126,659	
0640-0010	State Lottery Commission - Advertising	4,500,000	4,500,000	
0640-0096	State Lottery Commission - Health and Welfare Benefits	366,300	437,287	Increased funding to meet projected need.
0640-0300	Massachusetts Cultural Council	14,299,000	14,307,229	
0699-0005	Revenue Anticipation Notes Premium Debt Service	20,000,000	20,000,000	
0699-0014	CTF Special Obligations Program Debt	176,052,665	188,665,679	
0699-0015	Consolidated Long Term Debt Service	2,151,638,517	2,188,664,639	Increased funding to meet obligation.
0699-0018	Agency Debt Service Programs	11,632,288	18,648,273	Increased funding to meet obligation.
0699-2005	Central Artery Tunnel Debt Service	83,724,987	59,823,833	Decreased funding to meet obligation.
0699-9100	Short Term Debt Service and Costs of Issuance	18,181,484	18,181,484	
0710-0000	Office of the State Auditor Administration	14,358,611	14,502,197	
0710-0100	Division of Local Mandates	358,278	361,861	
0710-0200	Bureau of Special Investigations	1,747,108	1,764,579	
0710-0220	Health Care Cost Containment Comprehensive Investigation	418,581	375,000	Decreased funding to meet projected need.
0710-0225	Medicaid Audit Unit	1,152,276	1,163,799	
0710-0300	Enhanced Bureau of Special Investigation	446,599	451,065	
0810-0000	Office of the Attorney General	23,011,578	23,241,693	
0810-0004	Compensation to Victims of Violent Crimes	2,127,677	2,227,677	
0810-0013	False Claims Recovery Retained Revenue	3,000,000	3,250,000	
0810-0014	Public Utilities Proceedings Unit	2,311,589	2,357,317	
0810-0021	Medicaid Fraud Control Unit	4,169,880	4,225,870	
0810-0045	Wage Enforcement Program	3,757,371	3,830,618	
0810-0061	Litigation and Enhanced Recoveries	2,633,400	2,633,400	
0810-0098	Attorney General State Police Overtime	404,153	404,153	
0810-0201	Insurance Proceedings Unit	1,473,854	1,510,847	

FY2018 Governor's Budget Recommendation

Account	Description	FY2017 Spending	FY2018 House 1	Comment
0810-0338	Automobile Insurance Fraud Investigation and Prosecution	426,861	426,861	
0810-0399	Workers' Compensation Fraud Investigation and Prosecution	279,334	279,334	
0810-1204	Gaming Enforcement Division	449,364	449,364	
0810-1205	Combating Opioid Addiction	1,000,000	1,000,000	
0810-1206	Civil Penalties Retained Revenue Revolving Fund	500,000	1,250,000	Increased funding to support program operations.
0840-0100	Victim and Witness Assistance Board	492,531	492,531	
0840-0101	Domestic Violence Court Advocacy Program	990,453	990,453	
0900-0100	State Ethics Commission	1,586,164	2,114,908	Increased funding to support program operations.
0910-0200	Office of the Inspector General	2,552,994	2,578,525	
0910-0210	Public Purchasing and Manager Program Fees Retained Revenue	793,765	850,000	
0910-0220	Bureau of Program Integrity	396,000	399,960	
0910-0300	Inspector General MassDOT Office	420,750	424,958	
0920-0300	Office of Campaign and Political Finance	1,586,196	1,602,058	
0930-0100	Office of the Child Advocate	994,149	808,000	Decreased funding to meet projected need.
0940-0100	Massachusetts Commission Against Discrimination	3,048,657	3,048,657	
0940-0101	Fees and Federal Reimbursement Retained Revenue	2,518,910	3,100,000	Increased appropriation to equal projected retained revenue.
0940-0102	Discrimination Prevention Program Retained Revenue	240,000	240,000	
0950-0000	Commission on the Status of Women	115,950	117,109	
0950-0030	Commission on Grandparents Raising Grandchildren	99,001	111,714	Increased funding to support program operations.
0950-0050	GLBT Commission	495,000	500,000	
0950-0080	Commission on the Status of Asian Americans	49,499	50,000	
1000-0001	Office of the State Comptroller	8,834,562	8,923,302	
1000-0005	Chargeback for Single State Audit	1,400,000	1,600,000	Increased funding to meet obligation.
1000-0008	Chargeback for MMARS	3,319,000	3,814,150	Increased funding to meet obligation.
1000-0601	Chargeback for HRCMS Functionality	-	1,650,000	Transferred from 1750-0601.
1050-0140	Payments to Cities Towns for Local Share Racing Tax Revenue	660,450	721,350	
1100-1100	Office of the Secretary of Administration and Finance	3,051,860	3,129,590	
1100-1201	Commonwealth Performance Accountability and Transparency	387,139	387,139	
1100-1700	Administration and Finance IT Costs	30,269,369	29,963,755	

Account	Description	FY2017 Spending	FY2018 House 1	Comment
1100-1701	Chargeback for Administration and Finance IT Costs	28,019,283	28,016,071	
1102-1128	State House Accessibility	140,962	141,922	
1102-3199	Office of Facilities Management	9,795,253	9,191,075	
1102-3205	State Office Building Rents Retained Revenue	8,570,634	8,881,074	
1102-3224	Chargeback for Saltonstall Lease and Occupancy Payments	13,531,934	13,531,934	
1102-3226	Chargeback for State Buildings Operation and Maintenance	2,901,462	2,947,402	
1102-3232	Contractor Certification Program Retained Revenue	300,000	300,000	
1102-3309	Bureau of the State House	2,405,331	2,565,408	
1106-0064	Caseload and Economic Forecasting Office	129,017	129,017	
1107-2400	Massachusetts Office on Disability	645,000	652,310	
1107-2501	Disabled Persons Protection Commission	3,043,391	3,131,354	
1108-1011	Civil Service Commission	439,977	447,149	
1108-5100	Group Insurance Commission	4,254,946	4,282,859	
1108-5200	Group Insurance Premium and Plan Costs	1,637,007,318	1,661,961,313	
1108-5201	Municipal Partnership Act Implementation Retained Revenue	2,268,745	2,196,749	
1108-5350	Retired Governmental Employees Group Insurance Premiums	165,271	165,271	
1108-5400	Retired Municipal Teachers Group Insurance Premiums	47,945,949	52,342,714	
1108-5500	Group Insurance Dental and Vision Benefits	8,631,072	8,803,693	
1110-1000	Division of Administrative Law Appeals	1,103,633	1,191,079	
1120-4005	George Fingold Library	853,305	864,748	
1201-0100	Department of Revenue	76,646,950	80,667,252	
1201-0130	Additional Auditors Retained Revenue	27,938,953	27,938,953	
1201-0160	Child Support Enforcement Division	29,688,089	29,170,467	
1201-0164	Child Support Enforcement Federal Reimbursed Retained Revenue	6,547,280	6,547,280	
1201-0400	Task Force on Illegal Tobacco	-	594,999	Transferred from 8000-0650.
1201-0911	Expert Witnesses and Their Expenses	297,000	297,000	
1231-1000	Sewer Rate Relief Funding	500,000	500,000	
1232-0100	Underground Storage Tank Reimbursements	7,000,000	6,000,000	Decreased funding to meet projected need.
1232-0200	Underground Storage Tank Administrative Review Board	1,206,313	1,240,875	
1233-2000	Tax Abatements for Veterans Widows Blind Persons and Elderly	24,038,075	24,038,075	
1233-2350	Unrestricted General Government Local Aid	1,021,928,272	1,061,783,475	Increased funding to meet projected need.

FY2018 Governor's Budget Recommendation

Account	Description	FY2017 Spending	FY2018 House 1	Comment
1233-2400	Reimbursement to Cities in Lieu of Taxes on State Owned Land	26,770,000	26,770,000	
1233-2401	Chapter 40S Education Payments	250,000	250,000	
1310-1000	Appellate Tax Board	1,844,968	2,077,931	Increased funding to support projected costs.
1310-1001	Tax Assessment Appeals Fee Retained Revenue	400,000	400,000	
1410-0010	Veterans' Services Administration and Operations	3,727,072	3,759,629	
1410-0012	Veterans' Outreach Centers Including Homeless Shelters	3,757,685	5,020,641	Increased appropriation to fund new initiative.
1410-0015	Women Veterans' Outreach	108,900	112,152	
1410-0018	Agawam and Winchendon Cemeteries Retained Revenue	690,000	690,000	
1410-0024	Veteran Service Officer Training and Certification	346,500	352,829	
1410-0075	Train Vets to Treat Vets	250,000	250,000	
1410-0250	Assistance to Homeless Veterans	3,170,628	3,202,655	
1410-0251	New England Shelter for Homeless Veterans	2,392,470	2,392,470	
1410-0400	Veterans' Benefits	75,508,058	75,675,270	
1410-0630	Agawam and Winchendon Veterans' Cemeteries	1,160,111	1,194,652	
1410-1616	War Memorials	400,000	350,000	Eliminated FY17 one-time costs.
1450-1200	Health Policy Commission	8,479,800	8,479,009	
1590-1008	Transfer GF to Reimburse Senior Citizens Sporting	190,000		Eliminated FY17 one-time costs.
1595-0902	Transfr frm General Fnd to Haverhill Satellite Cntr Trst Fnd	2,500,000		Eliminated FY17 one-time costs.
1595-1067	Delivery System Transformation Initiatives Trust Fund	189,149,334	189,149,334	
1595-1068	Medical Assistance Trust Fund	736,154,225	452,400,000	Decreased funding to support projected costs.
1595-1069	Health Information Technology Trust Fund	8,853,272	13,853,272	Increased funding to support program operations.
1595-1310	Community Hospital Reinvestment Trust Fund	-	3,000,000	Established appropriation to fund new initiative.
1595-4510	Substance Abuse Services Fund	5,000,000		Consolidated with 4512-0200.
1595-6368	Massachusetts Transportation Trust Fund	329,085,302	344,311,545	Increased funding to meet obligation.
1595-6369	Commonwealth Transportation Fund transfer to the MBTA	187,000,000	127,000,000	In addition to the operating transfer, the administration expects to make \$60,000,000 available to the MBTA for pay-go capital in the fiscal year 2018 capital budget. The sum of the operating transfer and state capital funding for fiscal year 2018 will equal the FY17 GAA funding total of \$187,000,000.
1595-6370	Commonwealth Transportation Fund Transfer to Regional Transit	82,000,000	80,000,000	

Account	Description	FY2017 Spending	FY2018 House 1	Comment
1595-6379	Merit Rating Board	9,695,430	9,695,430	
1595-7066	STEM Pipeline Fund	1,500,000	1,500,000	
1599-0015	Intergovernmental Secretariat Budget Team Savings Reserve	2,220,000		Eliminated program.
1599-0017	End Family Homelessness Reserve Fund	1,000,000	1,000,000	
1599-0026	Municipal Regionalization and Efficiencies Incentive Reserve	9,175,000	10,150,000	Increased funding to support projected costs.
1599-0042	OCCS Provider Rate Increase	12,500,000		Transferred to 3000-1042.
1599-0044	Special Litigation Reserve	479,689		Eliminated program.
1599-0054	Hinton Lab Response Reserve	4,332,654	2,000,000	Decreased funding to meet projected need.
1599-0063	Early Retirement Incentive Program NonPayroll Costs	-	9,954,074	Transferred to relevant budgetary accounts in FY17.
1599-0093	Clean Water Trust Contract Assistance	57,378,520	57,952,305	
1599-0840	Cannabis Costs Reserve	-	4,000,000	Established appropriation to fund anticipated obligations.
1599-0999	Organization Transformation Reserve	480,281	480,281	
1599-1301	Program Evaluation Reserve	125,000		Eliminated program.
1599-1450	Health Policy Commission Substance Abuse	600,000		Eliminated FY17 one-time costs.
1599-1500	Justice Reinvestment Reserve	-	3,500,000	Established appropriation to fund new initiative.
1599-1970	Massachusetts Department of Transportation Contract Assistance	125,000,000	125,000,000	
1599-1973	Snow and Deficiency Account	20,159,927		Transferred to 1595-6368.
1599-1977	Commonwealth Infrastructure Investment Assistance Reserve	8,490,097	11,537,181	Increased funding to support new initiatives.
1599-2004	Health Care Cost Containment Reserve	250,450		Eliminated FY17 one-time costs.
1599-2012	Health Care Cost Containment Reserve	210,137		Eliminated FY17 one-time costs.
1599-2016	CPCS Study Reserve	-	250,000	Increased funding to support new initiative.
1599-2040	Chargeback for Prior-Year Deficiencies	20,000,000	20,000,000	
1599-3100	Chargeback for Unemployment Compensation	30,000,000	30,000,000	
1599-3234	South Essex Sewerage District Debt Service Assessment	33,914	33,914	
1599-3384	Judgments Settlements and Legal Fees	10,000,000	10,000,000	
1599-3557	Social Innovation Financing	-	12,924,651	Increased funding to meet obligation.
1599-3856	Massachusetts IT Center Operational Expenses	500,000	500,000	
1599-4445	Quarter Point Collective Bargaining Reserve	11,360,939	8,110,781	Funded to meet projected need.
1599-6152	State Retiree Benefits Trust Fund	440,000,000	440,569,153	

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Account	Description	FY2017 Spending	FY2018 House 1	Comment
1599-6903	Chapter 257 and Human Service Reserve	14,692,481	39,698,478	Increased funding to meet obligation.
1599-7104	UMass Dartmouth Visual and Performing Arts/Bristol CC	2,700,000	2,700,000	
1599-7114	UMass Center at Springfield	500,000	250,000	Eliminated FY17 one-time costs.
1750-0100	Human Resources Division	2,653,521	3,018,811	Increased funding to meet obligation.
1750-0101	Chargeback for Training	235,452	237,318	
1750-0102	Civil Service and Physical Abilities Exam Fee Retained Revenue	2,544,689	2,511,300	
1750-0105	Chargeback for Workers' Compensation	59,604,581	60,143,163	
1750-0106	Chargeback for Workers' Compensation Litigation Unit Services	832,395	840,478	
1750-0119	Former County Employees Workers' Compensation	8,233	8,233	
1750-0300	State Contribution to Union Dental and Vision Insurance	30,911,194	31,661,194	
1750-0600	Chargeback for Human Resources Modernization	2,535,849	3,250,301	Increased funding to meet obligation.
1750-0601	Chargeback for HRCMS Functionality	1,584,139		Transferred to 1000-0601.
1775-0115	Statewide Contract Fee	11,014,985	10,703,140	
1775-0124	Human Services Provider Overbilling Recovery Retained Revenue	150,000	150,000	
1775-0200	Supplier Diversity Office	363,410	369,377	
1775-0600	Surplus Sales Retained Revenue	450,000	465,077	
1775-0700	Reprographic Services Retained Revenue	53,000	53,000	
1775-0800	Chargeback for Purchase Operation and Repair of State Vehicles	7,647,133	7,646,731	
1775-0900	Federal Surplus Property Retained Revenue	25,000	25,000	
1775-1000	Chargeback for Reprographic Services	750,000	755,063	
1790-0100	MassIT Administration	3,193,528	3,222,634	
1790-0200	Chargeback for Computer Resources and Services	150,319,278	123,572,262	Decreased funding to meet projected need.
1790-0300	Vendor Computer Service Fee Retained Revenue	8,595,850	10,910,789	Increased funding to meet obligation.
1790-0400	Chargeback for Postage Supplies and Equipment	1,972,843	1,972,843	
2000-0100	Executive Office of Energy and Environmental Affairs Admin	7,230,855	9,746,402	Increased funding to meet projected need.
2000-0101	Climate Change Adaptation and Preparedness	148,649	183,514	Increased funding to meet projected need.
2000-1011	Handling Charge Retained Revenue	80,000	80,000	

Account	Description	FY2017 Spending	FY2018 House 1	Comment
2000-1700	Energy and Environmental Affairs IT Costs	10,979,377	10,928,193	
2000-1701	Chargeback for Energy and Environment IT Costs	1,535,671	1,535,671	
2030-1000	Environmental Law Enforcement	9,997,804	10,082,934	
2030-1004	Environmental Law Enforcement Private Details Retained Revenue	370,000	370,000	
2100-0012	Department of Public Utilities Administration	10,073,008	10,342,041	
2100-0013	Transportation Oversight Division	263,437	271,340	
2100-0014	Energy Facilities Siting Board Retained Revenue	75,000	75,000	
2100-0015	Unified Carrier Registration Retained Revenue	2,300,000	2,300,000	
2100-0016	Steam Distribution Oversight	100,404	102,889	
2100-0017	Transportation Network Company Oversight	1,249,744	1,256,326	
2200-0100	Department of Environmental Protection Administration	24,591,136	24,408,940	
2200-0102	Wetlands Permitting Fee Retained Revenue	650,150	650,150	
2200-0107	Recycling and Solid Waste Master Plan Operations	420,750	420,750	
2200-0109	Compliance and Permitting	2,475,000	2,475,000	
2200-0112	Compliance and Permitting Fee Retained Revenue	2,500,000	2,500,000	
2200-0113	National Pollutant Discharge Elimination System Program	-	1,410,000	Established appropriation to fund new initiative.
2210-0106	Toxics Use Retained Revenue	3,168,361	3,168,361	
2220-2220	Clean Air Act	625,139	615,992	
2220-2221	Clean Air Act Operating Permit and Compliance Program	1,302,002	1,318,577	
2250-2000	Safe Drinking Water Act	1,233,883	2,743,531	Increased funding to meet projected need.
2260-8870	Hazardous Waste Cleanup Program	12,306,222	12,413,688	
2260-8872	Brownfields Site Audit Program	1,162,950	1,185,553	
2260-8881	Board of Registration of Hazardous Waste Site Cleanup	374,880	377,840	
2300-0100	Department of Fish and Game Administration	915,067	933,878	
2300-0101	Riverways Protection Restoration and Public Access Promotion	548,425	530,577	
2310-0200	Division of Fisheries and Wildlife Administration	14,864,184	15,106,053	
2310-0300	Natural Heritage and Endangered Species Program	147,500	150,000	
2310-0306	Hunter Safety Program	459,926	455,034	
2310-0316	Wildlife Habitat Purchase	1,500,000	1,500,000	
2310-0317	Waterfowl Management Program	65,000	65,000	
2320-0100	Fishing and Boating Access	505,814	569,629	Increased funding to meet projected need.

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Account	Description	FY2017 Spending	FY2018 House 1	Comment
2330-0100	Division of Marine Fisheries Administration	5,933,817	6,072,282	
2330-0120	Marine Recreational Fisheries Development and Enhancement	664,408	741,153	Increased funding to meet projected need.
2330-0121	Marine Recreational Fishing Fee Retained Revenue	217,989	217,989	
2330-0150	Shellfish Purification Plant Retained Revenue	75,000	75,000	
2330-0199	Ventless Trap	250,000	250,000	
2330-0300	Saltwater Sportfish Licensing	1,320,159	1,306,079	
2511-0100	Department of Agricultural Resources Administration	5,494,175	5,467,651	
2511-0105	Emergency Food Assistance Program	17,000,000	17,000,000	
2511-3002	Integrated Pest Management Program	57,553	58,725	
2800-0100	Department of Conservation and Recreation Administration	4,247,446	4,237,773	
2800-0101	Watershed Management Program	951,099	932,526	
2800-0401	Stormwater Management	412,348	419,542	
2800-0500	Beach Preservation	800,000	806,644	
2800-0501	DCR Seasonals	15,108,822	15,466,544	
2800-0700	Office of Dam Safety	369,720	620,361	Increased funding to meet projected need.
2810-0100	State Parks and Recreation	36,237,841	35,163,728	
2810-2042	Department of Conservation and Recreation Retained Revenue	17,700,000	20,000,000	Increased funding to meet projected need.
2820-0101	State House Park Rangers	1,773,378	1,794,106	
2820-2000	Street Lighting	3,000,000	3,000,000	
3000-1000	Department of Early Education and Care	5,726,776	5,686,617	
3000-1020	Quality Improvement	31,737,584	31,962,455	
3000-1042	Center-Based Child Care Rate Increase	-	7,000,000	Transferred from 1599-0042.
3000-2000	Access Management	6,675,311	6,675,311	
3000-2050	Children's Trust Fund Operations	1,074,106	1,074,106	
3000-3060	Supportive and TANF Child Care	217,356,346	223,198,540	
3000-4060	Child Care Access	251,238,376	255,389,495	
3000-5000	Grants to Head Start Programs	9,100,000	9,100,000	
3000-6025	Commonwealth Preschool Partnership Initiative	200,000		Consolidated with 3000-1020.
3000-7000	Children's Trust Fund	14,340,052	14,340,052	
3000-7040	EEC Contingency Contract Retained Revenue	170,000	161,893	
3000-7050	Services for Infants and Parents	13,441,999	13,441,999	
4000-0005	Safe and Successful Youth Initiative	6,497,236	6,500,000	
4000-0007	Unaccompanied Homeless Youth Services	2,000,000	2,000,000	

Account	Description	FY2017 Spending	FY2018 House 1	Comment
4000-0008	Crossroads Organization serving at-risk Youth	25,000		Eliminated state subsidy.
4000-0050	Personal Care Attendant Council	1,683,000	1,683,000	
4000-0102	Chargeback for Human Services Transportation	8,610,034	8,878,161	
4000-0103	Chargeback for Human Services Administration	20,282,232	22,189,327	
4000-0300	EOHHS and MassHealth Administration	99,496,881	102,602,733	
4000-0320	MassHealth Recoveries from Current and Prior Fiscal Years RR	225,000,000	225,000,000	
4000-0321	EOHHS Contingency Contracts Retained Revenue	53,750,000	60,000,000	Increased appropriation to equal projected retained revenue.
4000-0328	State Plan Amendment Support	50,000		Transferred to relevant budgetary accounts.
4000-0430	MassHealth CommonHealth Plan	170,019,454	164,396,477	
4000-0500	MassHealth Managed Care	5,319,986,767	5,553,251,863	Increased funding to meet projected need.
4000-0600	MassHealth Senior Care	3,544,839,721		Transferred to 4000-0601 and 9110-0600.
4000-0601	MassHealth Senior Care	-	3,526,935,443	Transferred from 4000-0600.
4000-0640	MassHealth Nursing Home Supplemental Rates	345,100,000		Transferred to 4000-0641.
4000-0641	MassHealth Nursing Home Supplemental Rates	-	345,100,000	Transferred from 4000-0640.
4000-0700	MassHealth Fee for Service Payments	2,505,875,935	2,751,697,224	Increased funding to meet projected need.
4000-0875	MassHealth Breast and Cervical Cancer Treatment	6,191,803	6,191,803	
4000-0880	MassHealth Family Assistance Plan	431,380,194	526,812,502	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	2,095,563,761	2,256,942,984	Increased funding to meet projected need.
4000-0950	Children's Behavioral Health Initiative	235,786,661	247,337,564	
4000-0990	Children's Medical Security Plan	17,471,111	12,471,111	Reduced funding to meet projected need due to reform.
4000-1400	MassHealth HIV Plan	27,546,868	27,374,419	
4000-1420	Medicare Part D Phased Down Contribution	383,711,101	441,754,986	Increased funding to meet projected need.
4000-1425	Hutchinson Settlement	71,646,393	83,182,921	Increased funding to meet projected need.
4000-1700	Health and Human Services IT Costs	117,071,530	133,564,037	Increased funding to meet projected need.
4000-1701	Chargeback for Health and Human Services IT	24,338,628	31,970,461	Increased funding to support program operations.
4003-0122	Low-Income Citizenship Program	396,000	400,000	
4100-0060	Center for Health Information and Analysis	27,631,406	27,631,406	

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Account	Description	FY2017 Spending	FY2018 House 1	Comment
4100-0061	All Payer Claims Database Retained Revenue	500,000	1,000,000	Increased appropriation to equal projected retained revenue.
4110-0001	Administration and Program Operations	1,365,523	1,368,707	
4110-1000	Community Services for the Blind	4,132,383	4,207,203	
4110-2000	Turning 22 Program and Services	13,061,107	13,767,655	
4110-3010	Vocational Rehabilitation for the Blind	3,328,735	3,342,303	
4120-0200	Independent Living Centers	6,130,018	6,130,018	
4120-1000	Massachusetts Rehabilitation Commission	346,487	354,813	
4120-2000	Vocational Rehabilitation for the Disabled	10,339,535	10,370,186	
4120-3000	Employment Assistance	2,240,102	2,245,124	
4120-4000	Independent Living Assistance for the Multi Disabled	9,348,331	9,481,551	
4120-4001	Accessible Housing Placement and Registry for Disabled Persons	80,000	80,000	
4120-4010	Turning 22 Program and Services	322,538	572,538	Increased funding to meet projected need.
4120-5000	Home Care Services for the Multi Disabled	4,313,482	4,320,431	
4120-6000	Head Injury Treatment Services	16,161,923	16,183,512	
4125-0100	Massachusetts Commission for the Deaf and Hard of Hearing	5,354,992	5,598,262	
4125-0122	Chargeback for Interpreter Services	250,000	250,000	
4180-0100	Soldiers' Home in Massachusetts Administration and Operations	27,137,970	27,213,618	
4180-1100	License Plate Sales Retained Revenue	600,000	600,000	
4190-0100	Soldiers' Home in Holyoke Administration and Operations	22,519,691	22,755,294	
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	744,043	744,043	
4190-1100	License Plate Sales Retained Revenue	635,602	400,000	Reduced appropriation to equal projected retained revenue.
4200-0010	Department of Youth Services Administration and Operations	4,375,287	4,438,985	
4200-0100	Non-Residential Services for Committed Population	23,179,824	23,680,137	
4200-0200	Residential Services for Detained Population	27,753,250	28,529,665	
4200-0300	Residential Services for Committed Population	115,126,887	119,987,019	

Account	Description	FY2017 Spending	FY2018 House 1	Comment
4200-0500	Department of Youth Services Teacher Salaries	3,154,187	3,154,187	
4200-0600	Department of Youth Services Alternative Lock Up Program	2,412,617	2,447,603	
4400-1000	Dept of Transitional Assistance Administration and Operation	63,396,569	63,364,465	
4400-1001	Food Stamp Participation Rate Programs	3,026,983	3,097,297	
4400-1020	Secure Jobs Connect	-	800,000	Transferred from 7004-9322.
4400-1025	Domestic Violence Specialists	1,355,713	1,556,589	Increased funding to support program operations.
4400-1100	Caseworkers Reserve	71,467,733	71,383,010	
4400-1979	Pathways to Self Sufficiency	1,000,000		Consolidated with 4401-1000.
4401-1000	Employment Services Program	13,594,826	14,598,659	
4403-2000	Transitional Aid to Families with Dependent Children Grant Pmt	186,565,702	148,287,920	Decreased funding to support projected costs.
4403-2007	Supplemental Nutritional Program	700,000	300,000	Decreased funding to support projected costs.
4403-2119	Teen Structured Settings Program	10,029,832	10,034,729	
4405-2000	State Supplement to Supplemental Security Income	223,780,066	225,414,972	
4408-1000	Emergency Aid to the Elderly Disabled and Children	79,395,916	78,721,989	
4510-0020	Food Protection Program Retained Revenue	149,414	149,414	
4510-0025	SEAL Dental Program Retained Revenue	891,286	891,286	
4510-0040	Pharmaceutical and Medical Device Marketing Regulation RR	73,061	73,061	
4510-0100	Public Health Critical Operations and Essential Services	17,852,074	17,717,687	
4510-0108	Chargeback for State Office Pharmacy Services	47,865,393	47,865,393	
4510-0110	Community Health Center Services	1,141,108	692,354	Decreased funding to meet projected need.
4510-0600	Environmental Health Assessment and Compliance	3,871,631	3,738,321	
4510-0615	Nuclear Power Reactor Monitoring Fee Retained Revenue	1,696,984	1,663,993	
4510-0616	Prescription Drug Registration and Monitoring Fee RR	1,029,680	1,029,680	
4510-0710	Division of Health Care Quality and Improvement	10,663,581	11,403,176	
4510-0712	Division of Health Care Quality Health Facility Licensing Fee	2,158,655	3,128,302	Increased funding to meet projected need.
4510-0721	Board of Registration in Nursing	846,380	657,782	Decreased funding to meet projected need.
4510-0722	Board of Registration in Pharmacy	1,194,931	1,164,216	
4510-0723	Board of Registration in Medicine and Acupuncture	164,046	170,539	
4510-0724	Board of Registration in Medicine Retained Revenue	300,503	300,503	

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Account	Description	FY2017 Spending	FY2018 House 1	Comment
4510-0725	Health Boards of Registration	355,280	358,869	
4510-0790	Regional Emergency Medical Services	831,959	831,959	
4510-0810	Sexual Assault Nurse Examiner (SANE) and PediatricSANE Program	4,585,946	4,728,855	
4510-3008	ALS Registry	260,245	267,439	
4512-0103	HIV/AIDS Prevention Treatment and Services	30,899,876	28,334,416	
4512-0106	HIV/AIDS Drug Program Manufacturer Rebates Retained Revenue	7,500,000	7,500,000	
4512-0200	Bureau of Substance Abuse Services	123,962,540	127,675,888	Consolidated with 1595-4510 and reduced funding to meet projected need.
4512-0201	Substance Abuse Step-Down Recovery Services	4,469,905	4,908,180	
4512-0202	Secure Treatment Facilities for Opiate Addiction	1,980,000	2,000,000	
4512-0203	Substance Abuse Family Intervention and Care Pilot	1,485,000	1,485,000	
4512-0204	Nasal Naloxone Pilot Expansion	996,008	1,000,000	
4512-0211	Recovery High Schools	2,469,000	3,100,000	Increased funding to meet projected need.
4512-0225	Compulsive Behavior Treatment Program Retained Revenue	1,000,000	1,500,000	Increased appropriation to equal projected retained revenue.
4512-0500	Dental Health Services	1,653,920	1,672,529	
4513-1000	Family Health Services	5,482,734	4,829,544	Decreased funding to meet projected need.
4513-1002	Women Infants and Children Nutrition Services	12,286,093	12,236,830	
4513-1012	WIC Program Manufacturer Rebates Retained Revenue	26,800,000	26,800,000	
4513-1020	Early Intervention Services	30,900,167	31,123,238	
4513-1023	Newborn Hearing Screening Program	80,009	82,396	
4513-1026	Suicide Prevention and Intervention Program	4,088,940	4,140,051	
4513-1098	Services to Survivors of Homicide Victims	100,000	100,000	
4513-1111	Health Promotion and Disease Prevention	3,561,978	3,460,977	
4513-1130	Domestic Violence and Sexual Assault Prevention and Treatment	31,192,625	31,335,559	
4516-0263	Blood Lead Testing Fee Retained Revenue	1,138,920	1,134,733	
4516-1000	State Laboratory and Communicable Disease Control Services	12,079,672	12,520,173	
4516-1005	STI Billing Retained Revenue	650,000	650,000	
4516-1010	Matching funds for a Federal Emergency Preparedness Grant	1,544,907	1,541,815	

Account	Description	FY2017 Spending	FY2018 House 1	Comment
4516-1022	State Laboratory Tuberculosis Testing Fee Retained Revenue	281,043	277,918	
4516-1037	Mobile Integrated Health retained revenue	-	1,000,000	Established appropriation to fund new initiative.
4516-1038	Home Health Agency Licensure Retained Revenue	-	2,300,000	Established appropriation to fund new initiatives.
4516-1039	Health Care Industry Plan Review retained revenue	-	400,000	Established appropriation to fund new initiatives.
4518-0200	Vital Records Research Cancer and Community Data Ret Rev	616,071	615,693	
4530-9000	Teenage Pregnancy Prevention Services	2,401,662	2,408,251	
4570-1502	Infection Prevention Program	14,996		Decreased funding to meet projected need.
4580-1000	Universal Immunization Program	2,257,799	2,292,039	
4590-0250	School-Based Health Programs	11,951,905	11,944,395	
4590-0300	Smoking Prevention and Cessation Programs	3,833,878	3,833,878	
4590-0901	Chargeback for Consolidated Public Health Hospitals	150,000	150,000	
4590-0903	Chargeback for Medical Services for County Corrections Inmates	3,800,000	3,800,000	
4590-0912	Western Massachusetts Hospital Federal Reimbursement Retained	22,228,434	22,671,944	
4590-0913	Shattuck Hospital Private Medical Vendor Retained Revenue	507,937	507,937	
4590-0915	Public Health Hospitals	154,569,886	156,920,732	
4590-0917	Shattuck Hospital Department of Correction Inmate Retained Rev	4,552,181	4,552,181	
4590-0918	SOPS Department of Correction Retained Revenue	25,000,000	27,056,732	
4590-0924	Tewksbury Hospital Retained Revenue	1,852,320	1,852,322	
4590-0925	Prostate Cancer Research	300,000		Eliminated program.
4590-1503	Pediatric Palliative Care	1,786,532	1,806,334	
4590-1506	Violence Prevention Grants	1,337,124	1,339,227	
4590-1507	Youth At-Risk Matching Grants	2,100,000	2,100,000	
4590-2001	Tewksbury Hospital DDS Client Retained Revenue	3,589,745	3,589,745	
4800-0015	Clinical Support Services and Operations	96,184,242	100,134,611	
4800-0016	Roca Retained Revenue for Cities and Towns	2,000,000	2,000,000	
4800-0025	Foster Care Review	4,089,044	4,142,546	
4800-0030	DCF Local and Regional Management of Services	6,000,000	9,000,000	Increased funding to meet projected need.
4800-0036	Sexual Abuse Intervention Network	698,739	699,547	
4800-0038	Services for Children and Families	287,975,963	292,138,783	
4800-0040	Family Support and Stabilization	46,892,955	47,392,955	
4800-0041	Congregate Care Services	278,468,404	279,454,551	

FY2018 Governor's Budget Recommendation

Account	Description	FY2017 Spending	FY2018 House 1	Comment
4800-0058	Foster Adoptive and Guardianship Parents Campaign	250,000	250,000	
4800-0091	Child Welfare Training Institute Retained Revenue	2,466,084	2,670,740	
4800-0151	Placement Services for Juvenile Offenders	510,457	509,943	
4800-0200	DCF Family Resource Centers	9,553,671	10,281,116	
4800-1100	Social Workers for Case Management	223,462,675	236,811,034	
5011-0100	Department of Mental Health Administration and Operations	27,691,510	27,527,407	
5042-5000	Child and Adolescent Mental Health Services	89,277,660	88,906,785	
5046-0000	Adult Mental Health and Support Services	381,023,039	387,630,579	
5046-0006	Adult Community-Based Placements	4,000,000	4,000,000	
5046-2000	Statewide Homelessness Support Services	22,038,690	22,942,690	
5046-4000	CHOICE Program Retained Revenue	125,000	125,000	
5047-0001	Emergency Services and Mental Health Care	24,924,230	24,145,684	
5055-0000	Forensic Services Program for Mentally Ill Persons	9,147,474	9,232,520	
5095-0015	Inpatient Facilities and Community Based Mental Health	209,041,405	208,188,392	
5095-1016	Occupancy Fees Retained Revenue	500,000	500,000	
5911-1003	DDS Service Coordination and Administration	70,218,175	69,797,140	
5911-2000	Transportation Services	21,651,781	23,838,463	Increased funding to support projected costs.
5920-2000	Community Residential Services for Developmentally Disabled	1,123,633,348	1,170,331,170	Increased funding to meet projected need.
5920-2010	State Operated Residential Services	218,707,629	216,612,361	
5920-2025	Community Day and Work Programs	189,833,349	205,139,405	
5920-2026	Community Based Employment	3,000,000		Consolidated with 5920-2025.
5920-3000	Respite Family Supports for the Developmentally Disabled	63,779,097	63,779,097	
5920-3010	Autism Division	6,482,207	6,474,349	
5920-3020	Autism Omnibus	12,434,095	13,403,338	
5920-5000	Turning 22 Program and Services	18,800,000	24,191,670	Increased funding to support projected costs.
5930-1000	State Facilities for the Developmentally Disabled	109,496,704	106,970,644	
5948-0012	Chargeback for Special Education Alternatives	6,500,000	6,500,000	
7000-9101	Board of Library Commissioners	1,077,431	1,088,205	
7000-9401	Regional Libraries Local Aid	9,883,482	9,982,317	

Account	Description	FY2017 Spending	FY2018 House 1	Comment
7000-9402	Talking Book Program Worcester	441,715	446,132	
7000-9406	Talking Book Program Watertown	2,487,893	2,512,772	
7000-9501	Public Libraries Local Aid	9,000,000	9,090,000	
7000-9506	Library Technology and Automated Resource-Sharing Networks	2,076,564	2,097,330	
7000-9508	Center for the Book	200,000	202,000	
7002-0010	Executive Office of Housing and Economic Development	2,074,054	2,066,244	
7002-0012	Summer Jobs Program for At-Risk Youth	11,149,390	9,900,000	Decreased funding to support projected costs.
7002-0017	Housing and Economic Development IT Costs	3,048,185	3,341,918	
7002-0018	Chargeback for Housing and Economic Development IT Costs	7,664,619	7,669,476	
7002-0020	Workforce Development Grant	1,450,000	1,450,000	
7002-0032	Massachusetts Technology Collaborative	500,000	2,130,000	Consolidated with 7002-1508 and increased funding to support projected costs.
7002-0035	Military Base Promotion	123,749	125,000	
7002-0036	Urban Agenda Economic Development Grants	1,452,815	1,500,000	
7002-0039	Community Compact Grants	68,125		Consolidated with 1599-0026.
7002-0040	Small Business Technical Assistance Grant Program	1,000,000	1,000,000	
7002-1075	Workforce Competitiveness Trust Fund	2,200,000	500,000	Decreased funding to support projected costs.
7002-1080	Learn to Earn	-	4,000,000	Established appropriation to fund new initiative.
7002-1506	Working Cities Tech Assistance Grants	500,000	500,000	
7002-1509	Entrepreneur in Residence Pilot Program	100,000	100,000	
7003-0100	Office of the Secretary	772,333	736,544	
7003-0150	Demonstration Workforce Development Program	250,000	250,000	
7003-0171	Chargeback for Labor and Workforce Development IT Costs	19,041,430		Eliminated funding to meet projected need.
7003-0200	Department of Labor Standards	2,513,824	3,363,067	Increased funding to support program operations.
7003-0201	Asbestos Deleading EA Services	452,850	452,850	
7003-0500	Department of Industrial Accidents	19,412,000	20,308,835	
7003-0607	Employment Program for Young Adults with Disabilities	150,000	150,000	
7003-0803	One-Stop Career Centers	3,760,051	3,760,051	
7003-0900	Department of Labor Relations	2,210,795	2,449,663	Increased funding to support program operations.
7003-0901	Arbitration and Mediation Retained Revenue	34,650	100,000	Increased appropriation to equal projected retained revenue.
7003-0902	Joint Labor Management Committee for Municipal Police and Fire	125,000	129,026	

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Account	Description	FY2017 Spending	FY2018 House 1	Comment
7003-1206	Massachusetts Service Alliance	1,450,000	1,400,000	
7004-0001	Indian Affairs Commission	120,514	127,654	
7004-0099	Dept of Housing and Community Development Admin	6,437,322	6,888,469	
7004-0100	Operation of Homeless Programs	5,200,355	5,160,332	
7004-0101	Emergency Assistance Family Shelters and Services	178,941,843	164,696,546	
7004-0102	Homeless Individuals Assistance	44,835,000	45,180,000	
7004-0104	Home and Healthy for Good Program	2,000,000	2,000,000	
7004-0108	HomeBASE	31,943,664	31,079,696	
7004-3036	Housing Services and Counseling	2,291,992	2,291,992	
7004-3045	Tenancy Preservation Program	500,000	500,000	
7004-4314	Service Coordinators Program	350,401	350,401	
7004-9005	Subsidies to Public Housing Authorities	64,500,000	64,500,000	
7004-9007	Public Housing Reform	800,000	1,172,132	Increased funding to support new initiative.
7004-9008	Urban Agenda Housing	1,000,000		Transferred to 7002-0036.
7004-9024	Massachusetts Rental Voucher Program	86,531,597	97,503,438	Increased funding to support projected costs.
7004-9030	Alternative Housing Voucher Program	4,400,000	4,600,000	
7004-9033	Rental Subsidy Program for DMH Clients	5,548,125	5,548,125	
7004-9315	Low-Income Housing Tax Credit Fee Retained Revenue	2,432,072	2,369,399	
7004-9316	Residential Assistance for Families in Transition	13,000,000	13,000,000	
7004-9322	Secure Jobs	800,000		Transferred to 4400-1020.
7006-0000	Office of Consumer Affairs and Business Regulation	727,870	752,063	
7006-0010	Division of Banks	17,193,118	18,612,384	
7006-0011	Loan Originator Administration and Consumer Counseling Program	2,350,000	1,650,000	Increased funding to support projected costs.
7006-0020	Division of Insurance	13,612,080	14,130,740	
7006-0029	Health Care Access Bureau Assessment	1,062,485	1,062,485	
7006-0040	Division of Professional Licensure	3,328,839	3,193,029	
7006-0043	Home Improvement Contractors Retained Revenue	472,307	500,000	
7006-0060	Division of Standards	565,616	551,055	
7006-0065	Item Pricing Inspections Retained Revenue	491,923	491,923	
7006-0066	Item Pricing Inspections	160,372	160,372	
7006-0067	Weights and Measures Law Enforcement Fee Retained Revenue	58,751	58,751	
7006-0068	Motor Vehicle Repair Shop Licensing Fee Retained Revenue	320,000	320,000	

Account	Description	FY2017 Spending	FY2018 House 1	Comment
7006-0071	Department of Telecommunications and Cable	2,933,926	2,987,005	
7006-0142	Office of Public Safety and Inspections	-	12,837,476	Transferred from 8311-1000, 8315-1020, 8315-1021, 8315-1024, and 8315-1025.
7006-0151	Occupational Schools Oversight	590,478	591,736	
7006-1001	Residential Conservation Service Program	224,111	224,111	
7006-1003	Department of Energy Resources Assessment	3,651,232	3,786,092	
7007-0150	Regional Economic Development Grants	400,000	400,000	
7007-0300	Massachusetts Office of Business Development	1,534,690	1,489,388	
7007-0500	For Massachusetts Biotechnology Research	250,000	250,000	
7007-0800	Small Business Development Center at UMass	1,186,222	1,186,222	
7007-0801	Microlending	100,000	100,000	
7007-0952	Commonwealth Zoological Corporation	4,000,000	4,000,000	
7007-1641	Small Business Association Layoff Aversion Grant Program	250,000	250,000	
7008-0900	Massachusetts Office of Travel and Tourism	1,332,666	299,361	Eliminated state subsidy.
7008-1300	Massachusetts International Trade Council	114,900	230,130	Increased funding to meet projected need.
7009-1700	Education Information Technology Costs	17,568,697	18,641,906	
7009-1701	Chargeback for Education Information Technology Costs	1,860,363	1,860,363	
7009-6379	Executive Office of Education	2,054,010	2,079,317	
7009-6400	Programs for English Language Learners in Gateway Cities	1,016,268		Eliminated FY17 one-time costs.
7009-9600	Inclusive Concurrent Enrollment	1,387,324		Transferred to 7066-9600.
7010-0005	Department of Elementary and Secondary Education	12,462,142	11,769,863	
7010-0012	Programs to Eliminate Racial Imbalance - METCO	20,642,582	20,642,582	
7010-0020	Bay State Reading Institute	133,333		Eliminated FY17 one-time costs.
7010-0033	Literacy Programs	1,614,993		Consolidated with 7061-9408.
7010-0050	Program Evaluation	201,034		Eliminated FY17 one-time costs.
7027-0019	School-to-Career Connecting Activities	2,968,763	3,468,763	Increased funding to support new initiative.
7027-1004	English Language Acquisition	1,875,761		Consolidated with 7061-9408.
7028-0031	School-age in Institutional Schools and Houses of Correction	8,045,230	7,777,420	
7035-0002	Adult Basic Education	28,803,089	28,482,377	
7035-0006	Transportation of Pupils - Regional School Districts	61,021,000	61,021,000	

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Account	Description	FY2017 Spending	FY2018 House 1	Comment
7035-0007	Non-Resident Pupil Transportation	250,000	250,000	
7035-0008	Homeless Student Transportation	8,350,000	8,350,000	
7035-0035	Advanced Placement Math and Science Programs	3,321,443	2,673,000	Eliminated FY17 one-time costs.
7053-1909	School Lunch Program	5,426,986	5,426,986	
7053-1925	School Breakfast Program	4,772,033	4,416,446	
7061-0008	Chapter 70 Payments to Cities and Towns	4,628,013,618	4,719,407,242	Increased funding to meet projected need.
7061-0012	Special Education Circuit Breaker Reimbursement	277,196,961	277,281,180	
7061-0029	Educational Quality and Accountability	881,419	890,322	
7061-0033	Public School Military Mitigation	1,300,000	1,300,000	
7061-9010	Charter School Reimbursement	80,500,000	80,500,000	
7061-9200	Education Data Services	762,776	788,088	
7061-9400	Student and School Assessment	34,214,580	31,094,275	
7061-9404	MCAS Low Scoring Student Support	1,238,828		Eliminated FY17 one-time costs.
7061-9406	Statewide College and Career Readiness Program	233,334		Eliminated FY17 one-time costs.
7061-9408	Targeted Assistance and Innovation	7,760,613	27,958,257	Consolidated with 7010-0033, 7027-1004, 7061-9412, and 7061-9611 and increased funding to support new initiative.
7061-9412	Extended Learning Time Grants	14,212,731		Consolidated with 7061-9408.
7061-9601	Teacher Certification Retained Revenue	1,746,350	1,746,349	
7061-9611	After-School and Out-of-School Grants	2,711,830		Consolidated with 7061-9408.
7061-9612	Safe and Supportive Schools	398,600	400,000	
7061-9619	Franklin Institute of Boston	-	1	
7061-9624	School of Excellence	-	1,400,000	Transferred from 7066-0024.
7061-9626	YouthBuild Grants	2,000,000	2,000,000	
7061-9634	Mentoring Matching Grants	500,000	500,000	
7061-9804	Teacher Content Training	19,914		Eliminated FY17 one-time costs.
7061-9810	Regionalization Bonus	110,000	65,000	Decreased funding to meet projected need.
7061-9812	Child Sex Abuse Prevention	148,500	150,000	
7066-0000	Department of Higher Education	4,225,221	1,836,684	Eliminated FY17 one-time costs.
7066-0009	New England Board of Higher Education	181,417	181,417	
7066-0016	Foster Care Financial Aid	1,075,299	1,075,299	
7066-0019	Dual Enrollment Grant and Subsidies	1,049,754		Consolidated with 7066-0036.
7066-0020	Nursing and Allied Health Education Workforce Development	200,000		Consolidated with 7066-0036.
7066-0021	Foster Care and Adopted Fee Waiver	4,530,949	4,530,949	

Account	Description	FY2017 Spending	FY2018 House 1	Comment
7066-0024	Schools of Excellence	1,400,000		Transferred to 7061-9624.
7066-0025	Performance Management Set Aside	3,896,014	2,756,538	Eliminated FY17 one-time costs.
7066-0036	STEM Starter Academy and College and Career Pathways	4,747,500	8,101,130	Consolidated with 7066-0019, 7066-0020, 7066-0040, and 7066-1221 and increased funding to support projected costs.
7066-0040	Bridges to College	249,713		Consolidated with 7066-0036.
7066-1221	Community College Workforce Grant Advisory Committee	749,999		Consolidated with 7066-0036.
7066-1400	Massachusetts State Universities	2,477,908	2,502,687	
7066-9600	Inclusive Concurrent Enrollment	-	1,143,979	Transferred from 7009-9600.
7070-0065	Massachusetts State Scholarship Program	95,621,815	95,599,324	
7070-0066	High Demand Scholarship Program	500,000	500,000	
7077-0023	Tufts School of Veterinary Medicine Program	4,970,000	5,000,000	
7100-0200	University of Massachusetts	508,292,447	513,375,371	Increased funding to meet projected need.
7100-0700	Office of Dispute Resolution Operations	750,000		Eliminated state subsidy.
7100-0801	MA Technology Transfer Center	338,000		Eliminated program.
7100-0900	Excellence in Medical Research	250,000		Eliminated state subsidy.
7100-4000	Massachusetts Community Colleges	2,695,864	2,739,638	
7109-0100	Bridgewater State University	43,592,400	44,027,968	
7110-0100	Fitchburg State University	29,109,894	29,400,755	
7112-0100	Framingham State University	27,637,347	27,913,495	
7113-0100	Massachusetts College of Liberal Arts	16,158,085	16,319,534	
7113-0101	Gallery 51 at the Berkshire Cultural Resource Center	75,000		Eliminated FY17 one-time costs.
7114-0100	Salem State University	44,004,594	44,444,281	
7115-0100	Westfield State University	26,875,492	27,094,027	
7116-0100	Worcester State University	26,368,898	26,632,372	
7117-0100	Massachusetts College of Art	17,899,354	18,078,201	
7118-0100	Massachusetts Maritime Academy	16,344,745	16,358,059	
7502-0100	Berkshire Community College	10,777,744	10,978,177	
7503-0100	Bristol Community College	20,578,333	20,840,813	
7504-0100	Cape Cod Community College	12,096,928	12,311,578	
7505-0100	Greenfield Community College	10,253,490	10,407,985	
7506-0100	Holyoke Community College	19,807,113	20,208,907	
7507-0100	Massachusetts Bay Community College	15,823,504	16,118,987	
7508-0100	Massasoit Community College	20,742,077	21,174,138	
7509-0100	Mount Wachusett Community College	14,294,497	14,560,111	
7510-0100	Northern Essex Community College	19,371,874	19,725,822	

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Account	Description	FY2017 Spending	FY2018 House 1	Comment
7510-0200	Northern Essex Community College Expansion Program	1,000,000		Eliminated FY17 one-time costs.
7511-0100	North Shore Community College	21,136,928	21,568,575	
7512-0100	Quinsigamond Community College	20,318,287	20,772,130	
7514-0100	Springfield Technical Community College	24,785,093	25,262,046	
7515-0100	Roxbury Community College	10,438,392	10,623,766	
7515-0120	Reggie Lewis Track and Athletic Center	900,000	900,000	
7515-0121	Reggie Lewis Track and Athletic Center Retained Revenue	529,843	529,843	
7516-0100	Middlesex Community College	23,015,565	23,462,816	
7518-0100	Bunker Hill Community College	25,396,615	25,947,933	
7520-0424	Health and Welfare Reserve for Higher Education Personnel	5,481,664	5,481,664	
8000-0038	Witness Protection Board	200,000	250,000	Increased funding to meet projected need.
8000-0070	Commission on Criminal Justice	128,007	129,300	
8000-0105	Office of the Chief Medical Examiner	9,550,009	9,920,323	
8000-0110	Criminal Justice Information Services	1,549,359	1,422,234	
8000-0111	CORI Retained Revenue	4,164,881	3,500,000	Decreased funding to meet projected need.
8000-0122	Chief Medical Examiner Fee Retained Revenue	3,068,760	3,079,522	
8000-0125	Sex Offender Registry Board	4,138,153	4,185,832	
8000-0202	Sexual Assault Evidence Kits	86,012	86,012	
8000-0600	Executive Office of Public Safety	2,931,313	2,533,464	Decreased funding to meet projected need.
8000-0650	Illegal Tobacco Task Force	594,999		Transferred to 1201-0400.
8000-1001	Boston Regional Intelligence Center	250,000	250,000	
8000-1700	Public Safety Information Technology Costs	20,226,008	20,182,639	
8000-1701	Chargeback for Public Safety Information Technology Costs	11,462,348	9,236,413	Decreased funding to meet projected need.
8100-0002	Chargeback for State Police Details	40,741,803	45,771,790	Increased funding to support new initiative.
8100-0003	Chargeback for State Police Telecommunications	156,375	156,375	
8100-0006	Private Detail Retained Revenue	27,500,000	31,250,000	Increased appropriation to equal projected retained revenue.
8100-0012	Special Event Detail Retained Revenue	1,050,000	2,200,000	Increased funding to support new initiative.
8100-0018	Federal Reimbursement Retained Revenue	3,080,000	3,080,000	
8100-0111	Gang Prevention Grant Program	5,998,677	6,000,000	
8100-0515	New State Police Class	-	1,600,000	Increased funding to support new initiative.
8100-1001	Department of State Police	275,806,906	280,832,693	

Account	Description	FY2017 Spending	FY2018 House 1	Comment
8100-1004	State Police Crime Laboratory	18,505,978	18,652,853	
8100-1005	UMASS Drug Lab	407,484	405,848	
8200-0200	Municipal Police Training Committee	4,643,152	4,787,750	
8200-0222	Municipal Recruit Training Program Fee Retained Revenue	1,800,000	1,800,000	
8311-1000	Department of Public Safety and Inspections	2,999,999		Transferred to 7006-0142.
8315-1020	Department of Public Safety Inspection and Training	9,491,889		Transferred to 7006-0142.
8315-1021	Elevator Inspector Civil Fines RR	155,150		Transferred to 7006-0142.
8315-1022	Boiler Inspection	1,479,130		Transferred to 8324-0500.
8315-1024	Licensure for Pipefitters	569,750		Transferred to 7006-0142.
8315-1025	Building Code Training	258,035		Transferred to 7006-0142.
8324-0000	Department of Fire Services Administration	24,308,381	21,651,575	Decreased funding to meet projected need.
8324-0304	Department of Fire Services Retained Revenue	8,500	8,500	
8324-0500	Boiler Inspection Retained Revenue	-	2,200,000	Transferred from 8315-1022.
8700-0001	Military Division	9,770,671	9,956,330	
8700-1140	Armory Rental Fee Retained Revenue	600,000	600,000	
8700-1145	Chargeback for Armory Rentals	100,000	100,000	
8700-1150	National Guard Tuition and Fee Waivers	7,719,222	7,719,222	
8700-1160	Welcome Home Bonus Life Insurance Premium Reimbursement	1,085,203	1,202,590	Increased funding to meet projected need.
8800-0001	Massachusetts Emergency Management Agency	994,853	1,006,013	
8800-0100	Nuclear Safety Preparedness Program	497,084	503,163	
8800-0500	Massachusetts Emergency Management Agency Retained Revenue	-	200,000	Established appropriation to fund new initiative.
8900-0001	Department of Correction Facility Operations	598,868,982	624,942,385	
8900-0002	Massachusetts Alcohol and Substance Abuse Center	5,000,000	9,750,000	Increased funding to support new initiative.
8900-0010	Prison Industries and Farm Services Program	4,212,640	4,562,275	
8900-0011	Prison Industries Retained Revenue	6,600,000	6,600,000	
8900-0021	Chargeback for Prison Industries and Farm Program	13,650,000	13,650,000	
8900-0050	DOC Fees Retained Revenue	8,600,000	8,600,000	
8900-1100	Re-Entry Programs	247,500	250,000	
8910-0102	Hampden Sheriff's Department	70,957,484	72,934,809	
8910-0105	Worcester Sheriff's Department	45,522,644	51,133,585	
8910-0107	Middlesex Sheriff's Department	66,989,525	69,075,443	

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Account	Description	FY2017 Spending	FY2018 House 1	Comment
8910-0108	Franklin Sheriff's Department	15,685,703	16,245,858	
8910-0110	Hampshire Sheriff's Department	13,894,274	14,611,662	
8910-0145	Berkshire Sheriff's Department	17,561,543	18,020,016	
8910-0445	Dispatch Center Retained Revenue	400,000	400,000	
8910-0446	Pittsfield Schools Retained Revenue	325,000	325,000	
8910-0619	Essex Sheriff's Department	64,101,663	69,045,888	
8910-1000	Hampden Prison Industries Retained Revenue	2,773,725	2,981,268	
8910-1010	Hampden Sheriff's Regional Mental Health Stabilization Unit	1,087,493	1,103,117	
8910-1020	Hampden Sheriff Inmate Transfers	542,605	549,370	
8910-1030	Western Mass Regional Women's Correctional Center	3,570,434	3,628,767	
8910-1100	Middlesex Prison Industries Retained Revenue	75,000	75,000	
8910-1101	Middlesex Sheriff's Mental Health Stabilization Unit	887,144	914,315	
8910-1112	Hampshire Regional Lockup Retained Revenue	167,352	167,352	
8910-7110	Massachusetts Sheriffs' Association	375,992	375,992	
8910-8200	Barnstable Sheriff's Department	28,162,104	28,867,116	
8910-8300	Bristol Sheriff's Department	48,950,052	50,672,001	
8910-8400	Dukes Sheriff's Department	2,956,806	3,045,620	
8910-8500	Nantucket Sheriff's Department	765,348	765,348	
8910-8600	Norfolk Sheriff's Department	33,639,546	35,813,669	
8910-8700	Plymouth Sheriff's Department	59,022,679	60,732,891	
8910-8800	Suffolk Sheriff's Department	104,219,975	109,543,956	
8950-0001	Parole Board	15,364,341	16,161,107	
8950-0002	Victim and Witness Assistance Program	214,421	214,421	
8950-0008	Parolee Supervision Fee Retained Revenue	600,000	600,000	
9110-0100	Department of Elder Affairs Administration	2,055,799	2,087,778	
9110-0600	Community Choices	-	225,675,000	Transferred from 4000-0600.
9110-1455	Prescription Advantage	17,168,590	17,179,054	
9110-1500	Elder Enhanced Home Care Services Program	71,432,372		Transferred to 9110-1630 and 9110-1633.
9110-1604	Supportive Senior Housing Program	5,668,475	5,668,475	
9110-1630	Elder Home Care Purchased Services	108,632,351	174,184,360	Consolidated with 9110-1500 and increased funding to support projected costs.
9110-1633	Elder Home Care Case Management and Administration	33,795,743	52,271,372	Consolidated with 9110-1500 and increased funding to support projected costs.
9110-1636	Elder Protective Services	28,048,120	29,207,918	
9110-1660	Elder Congregate Housing Program	2,027,380	2,069,880	

Account	Description	FY2017 Spending	FY2018 House 1	Comment
9110-1700	Elder Homeless Placement	186,000	186,000	
9110-1900	Elder Nutrition Program	7,256,375	7,257,869	
9110-9002	Grants to Councils on Aging	14,160,000	14,030,000	
9500-0000	Senate Operations	24,497,233	19,694,608	Removing funding associated with the continuation of a prior appropriation
9600-0000	House of Representatives Operations	62,601,501	40,277,604	Removing funding associated with the continuation of a prior appropriation
9610-0000	Operations of House	770,392		Removing funding associated with the continuation of a prior appropriation
9700-0000	Joint Legislative Operations	11,254,843	9,209,887	Removing funding associated with the continuation of a prior appropriation

