

The 2024 MA DOR Tax Update

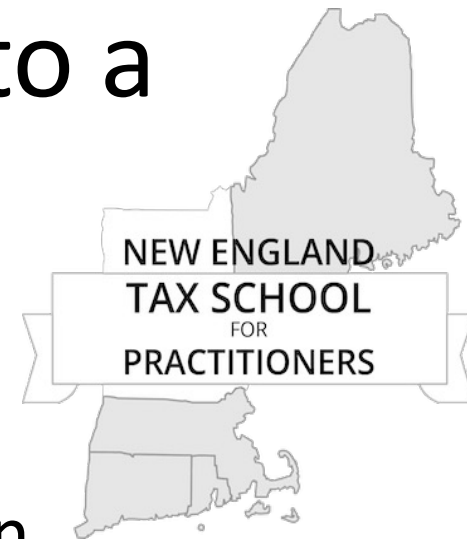
- Minor Tax Changes
- Another “Tax Amnesty” Program
- An IRS Matter: MA PFML is NOT income
- Lobbying for MA Offers: H2760



YOU HAVE BEEN WARNED!

This presentation is a jump into a shark invested waters

- Tax Amnesty is NOT Tax Amnesty
- An IRS Matter: MA PFML is NOT income
- Six people benefited from the DOR Offer in Settlement Program last year – House Bill 2760



MA PFML Safest Option



A Protective Claim for the Refund

TIR 24-4, May 30, 2024, 2023 Tax Relief Legislation

- Increase
 - Senior Citizen Circuit Breaker Credit
 - Earned Income Credit
 - Rental Deduction
 - Commuter Deduction
 - Lead Paint Credit
 - Failed Septic Systems Credit, (Title V)
 - Dairy, housing and other less known credits
- Lower Short Term Tax Rate
- Allow Tax Free Employer Fringe Benefits for Student Loans



2023 Tax Changes

- Refundable Family Tax Credits
 - No earned income; no problem
- MA filing status must be the same as the 2024 federal status
 - Except when state residency periods are different
- Charitable Deduction is not always the same as the federal deduction
 - Follows the federal limitations
- Four Tax Rates
 - 4%, 5%, 8.5% and one half of 12%



The 12% Tax Rate Lives On

- MA Schedule D Excludes the tax on Collectibles
- Schedule B Part 2 lines 11 and 27 are used for taxing long term collectibles
- Check out the MA Taxable Gains Worksheet in the instructions
- IRC §408m Collectibles
 - Art Antiques Gems
 - Rugs Stamps Coins
 - Alcoholic Beverages



Sch Y Line 9a: The Catch All line

- Educator Expenses
- Repayment of Jury Duty Pay
- Forgiven Student Debt taxed by the IRS
- A bunch of other miscellaneous stuff
- Self employed 401k, but not SEP



Sch Y Line 9b: Allowable 2106 Deductions

- National Guard
- Qualifying Artists
- Assistive Devices for Disabled Workers
- Fee Based Government Workers



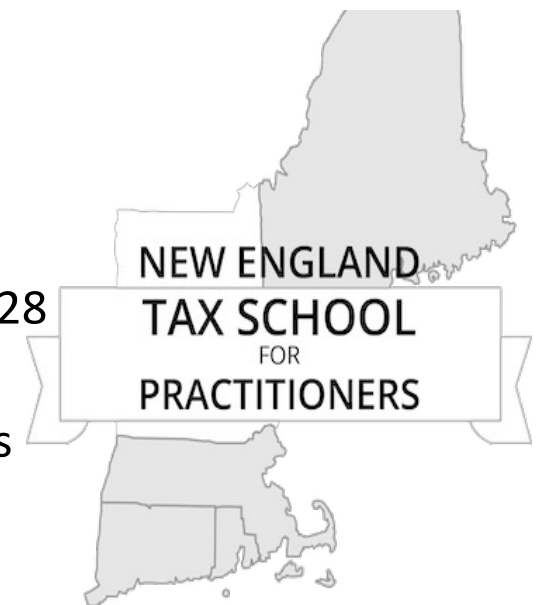
Schedule Y Line 9c: Charitable Deduction

- No Requirement to Itemize Federal Deductions
- No Used Clothing or Household Goods
- Cars, Real Property & Stocks are OK
- Subject to Federal AGI 60% Limitation
- Bank records with a contemporaneous organization statement
- Same Federal Receipts Requirements
- US Form 8283 is a filing requirement, if over \$500
- Appraisals for donations over \$5,000
- Remember: Schedule Y only reduces Part B Income
- Millionaires get a 9% benefit



Updated Conformity: January 1, 2024 IRC

- TIR 23-5 – 2023 Returns conform to Jan 1, 2022 IRC
- TIR 24-14 – FY25 Budget Tax Provisions
- Code Update: Jan 1, 2024 conformity for 2024 returns
- Inflation Reduction Act of 2022 changes
 - Non-Corporate Business Loss Limitation extended thru 2028
- Consolidated Appropriations Act of 2023
 - Qualified Conservation Contributions; only entire interests
- MA does not recognize
 - 100% Bonus Depreciation
 - QBID



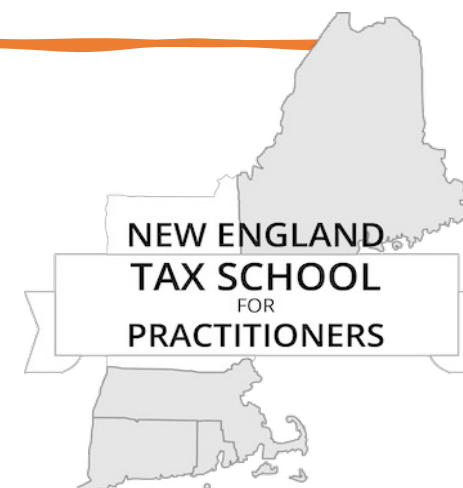
Few 2024 Tax Changes

- No \$100 MA bank interest exclusion
 - It's still Form 1 line 5, Part B income
- Expansion of the Failing Septic Tax Credit
 - Credit for the year in which the work is completed
 - TIR 97-12 & TIR 99-5 lay the groundwork
 - DD 01-6 allows connections to public sewer
 - Upgrades using the best Nitrogen Reducing Technology
 - Certificate of Compliance & Verification Letters are required
- Tax Exempt Organizations pay a magazine sales tax, effective Sept 27, 2024
- Joint Filing Requirement Changes
 - Different Residency Periods file separately
 - New Election: One person with MA income < \$8,000



Estate Tax Changes – TIR 24-13 & 24-4

- Increases Estate Tax Exclusion - \$2M
- Legislate the computation of Estate Property outside MA
 - Sep 16, 2024, “The 2024 Act”
- Old Method
 - Tax the entire estate, allocate the portion outside MA to determine what MA will tax
- New Method, effective Jan 1, 2023
 - Reduce the Estate Assets by the non-MA asset values and then tax the difference
- Note: LLC Property outside MA is a MA intangible asset. Directly owned properties are not any kind of MA asset.
- TBA Someday: Since everyone gets a \$99,600 credit, do Lifetime Gifts reduce the \$2M exclusion?



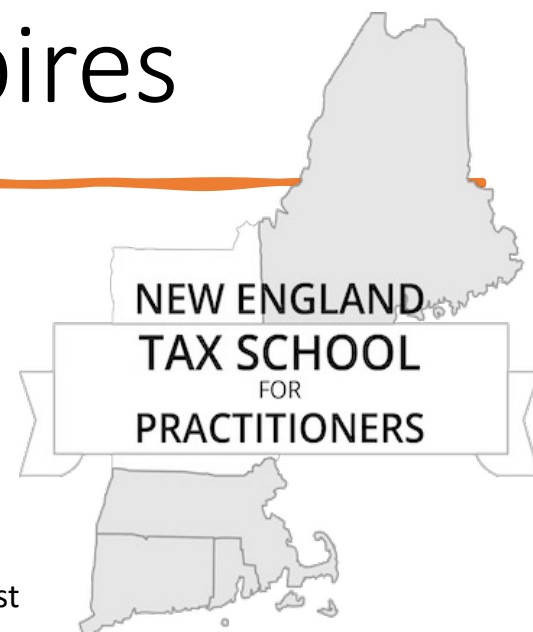
Filing M-706 on MTC

- You Need the 1999 State Death Tax Credit, line 15, amount
- Attach pdfs
 - Will
 - Federal 1999 706
 - Death Certificate
 - Purchase & Sale Agreement
 - Deed
 - Court Appointed Personal Representative Document
- M-4422 turn around is two days
 - Pay 80%



“MA Tax Amnesty” Expires

- Same program as the 2015 program
- Your clients heard that they don't have to pay back taxes
- A Tax Penalty Amnesty → Not a Tax Amnesty
- A limited Time Only → November 1st to December 31st
- Must be accepted to the program
- All interest & back taxes must be paid in full by December 31st
- <https://www.mass.gov/info-details/massachusetts-tax-amnesty-2024>
- Limited to first time qualifying taxpayers
- Available to taxpayers without a final assessment
- Trusts, Estates and Corporations, too



MA Tax Penalty Amnesty Qualifying Taxpayers

- No unfiled returns, 3 year lookback
- No incomplete audit
- No pending case
- No bankruptcy
- No refund claims
- The tax is not yet paid in full
- Income, Estate, Trust and Corporate Excise taxpayers
- Did not use the 2015 program for the same tax type and same tax periods
- No underreported income or overstated credits/deductions
- No criminal fraud
- DOR contacted pre-determined eligible taxpayers



No MA Tax Penalty Amnesty

- Canadian Fuel Taxes
- Gasoline
- Jets, Ferries & Underground Storage Tanks
- Special Fuels
- Auto Rental Surcharge
- Cigarettes & Cigars
- PFML



Military & Spousal Residency

- Leaving the state to serve does not forfeit MA residency
- Non-military spouse with a MA presence is not necessarily subject to MA withholding
- Servicemembers choose the state of residency
- MA DOR TIR 09-23 is replaced
- MA DOR TIR 19-15, Spouse residency is a choice
- MA DOR TIR 24-11, Residency Rules for Military & Spouse
- US Military Spouses Residency Relief Act of 2019
- MA Veterans Auto and Education Improvement Act of 2023
- Servicemember and spouse may choose different states of residency
- Can be exempt from MA Withholding



Pixley V DOR Commissioner

- Appellate Court overrules MA Supreme Court
- Invalidates prior DOR Directives, DD 11-2, DD 94-2 & 93-9
- Sales Tax from a cell phone contract that includes new ownership of a phone
- Discounts on the purchase of the phone are excluded from the calculation of MA Sales Tax
- If the phone is bundled at no cost, it is a promotional item
 - The phone carrier is liable for sales/use tax at its wholesale cost



Extensions

- TIR 16-10: Simplified Extension Process for Individuals, Fiduciaries & Estates
- AP604.2: Extensions of Time to File Tax Returns
 - Automatic six month extension of time to file, if 80% of the tax liability is paid by the original return due date
 - Individuals who are required to pay \$5,000 or more must pay electronically, TIR 16-9
 - Fiduciaries that are required to pay \$2,500 or more must pay electronically, TIR 21-9
- MA Estate Tax Returns have the same 80% by the due date
 - MGL ch65C, §10: DOR may allow more time to pay the estate tax
 - Apply every six months for ongoing, up to three years & more
- A late filed extension return reverts the penalty/interest to the original filing date



Child and Family Tax Credit

- The limit of two dependents under age 13 is gone
- Increased refundable credit to \$440
- No Income Requirement
- Dependent Refundable Credit
 - Under the age of 13
 - Over the age of 65
 - Disabled
 - No limits
- Not available to MFS & NR filers
- PY filers apportion the credit – days in MA
- Available to the non-custodial parent w/ written declaration



Buy a Bike; Get a Tax Deduction

- Schedule Y line 15
- Was Monthly T Passes and Fast Lane Commutes
- Now all MBTA & RTA expenses
- Bicycles & E-Bikes
 - Purchase, Repairs, Maintenance
 - BikeShare Memberships
- The taxpayer amount that exceeds \$150 with a \$750 deduction limit
- TIR 06-04 is the computation
- Dependents Expense Options



Protective Refund Claims

- Must be filed before the RSED
- Written statement to request a statute of limitation suspension
- Preserves taxpayer right to claim refund after RSED
- Filed to Kansas City
- Based upon a future event
- Alerts the IRS that further information is coming at some undetermined point in time
- Supported by reasonable basis
- IRS Publication 556; Exams, Appeals & Refunds



Protective Refund Claim Contents

- Identify the affected tax years
- Taxpayer name, address, phone and social
- Form 2848
- Declaration under penalties of perjury that this statement is accurate and complete to the best of my knowledge
- Explanation of the tax issue and uncertainty
- Present your reasonable basis argument
- This claim is filed to prevent late pay penalties and interest, (in the event of an unfavorable decision)
- You do not present a 1040-X and need not to provide the amount of the potential refund claim



Protective Refund Claim Actions

- IRM 4.10.11.2.1.3.4 – Claims for Refund - Timeliness
- IRS forwards claim to Technical Services for Suspense
- A Technical Services Protective Claims Coordinator is assigned in the Office of Planning and Special Programs
- “A protective claim is filed for \$1 or more....”
- Nothing happens
- You must prove IRS receipt of the Protective Claim for Refund
- Contact IRS after IRS guidance, (or a legally binding court decision), is available
- Case is assigned to an examiner



Beyond the Scope of Protective Claims

- Bad Debts & Worthless Securities
- Foreign Tax Matters
- NOL Carrybacks
- Tax Credit Carrybacks



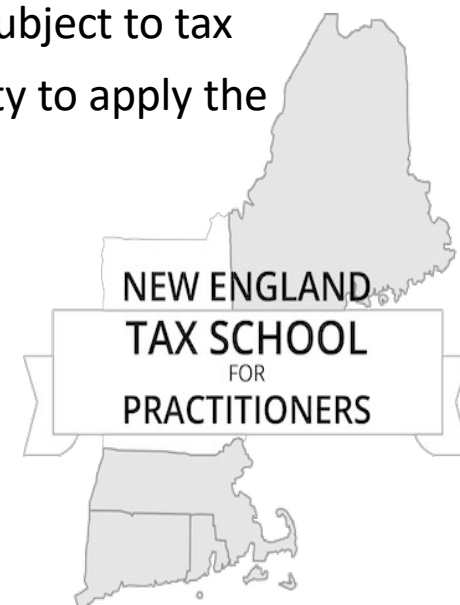
MA PFML is a General Welfare Benefit

- Caroline Perriello-Fabiano omitted 1099-G PFML benefits on her 2021 tax return
- IRS issues CP 2000
- Taxpayer petitions Tax Court, Docket 16410-23S, October 16, 2023
- IRS Independent Office of Appeals concedes before the case goes to trial
- IRS Chief Counsel signs off on concession



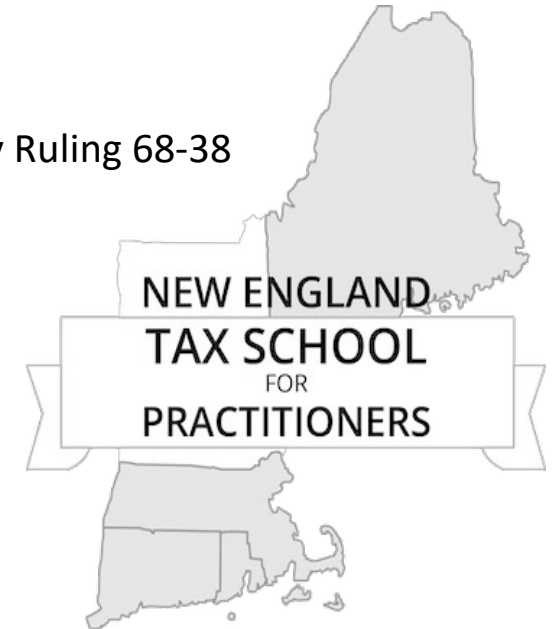
The General Welfare Benefit Exclusion

- Congressional Research Service, (CRS), February 9, 2023
- Legislated social benefits are excludable from gross income and not subject to tax
- IRS Chief Counsel Memo 36470 (1975) IRS has administrative authority to apply the general welfare exclusion
- IRC §86 Taxation of Social Security benefits, (1984)
- IRC §85 Taxation of unemployment benefits, (1984)
- Bailey v Commissioner, 88 TC 1293 (1987), Docket 21107-85
 - Property in NC Urban Renewal Zone
 - Grant received for façade restoration, \$63,121
 - Low interest loans
 - Property units were rented out



Application of the General Welfare Benefit Exclusion

- Congress did not legislate, but the IRS excludes through administrative rulings many state programs
 - Payments to the Blind, Rev Ruling 57-102
 - Job Training payments to the unemployed and underemployed, Rev Ruling 68-38
 - Victims of Crime, Rev Ruling 74-74
 - Adoptive Parents, Rev Ruling 74-153
 - Replacement Housing, Rev Ruling 74-205
 - Fix Building Code Violations, Rev Ruling 76-395
 - Unemployment due to Trade Policies, Rev Ruling 76-229
 - Disaster payments, Rev Ruling 76-144
 - Winter Energy Assistance, Rev Ruling 78-170
 - Relocation due to flooding, Rev Ruling 98-19



General Welfare Benefit Definition



- IRS Rev Ruling 2005-46
 - Funds directly from government sources
 - Promote general welfare
 - Not related to compensation for the performance of services
- IRS Notice 2023-56, Section 3, page 5
 - Payments based on some criteria other than individual or family need do not qualify for the general welfare exclusion
- Rev Ruling 76-131
 - Payments to 25 year Alaskan residents over the age of 65 is not a general welfare benefit; lacking criteria for
 - Financial Status
 - Health
 - Educational Background
 - Employment Status

IRC §139, Victims of Terrorism Relief Act

- Gross income excludes qualified disaster relief payments
 - Payments for necessary personal, family, living, or funeral expenses
 - Payments for repair and rehabilitation of the home and its contents
 - Payments to promote the general welfare
- Qualifying Disasters
 - Terroristic or Military Actions
 - Catastrophic Events, aka Presidential Declared Disasters
- Business payments are not based on individual or family, (personal), need



IRC §139F, Tribal General Welfare Exclusion Act of 2014

- Gross income excludes certain tribal benefits
- Indian Tribal Program Benefits
 - Administered under specified guidelines
 - No favoritism to the governing body
 - Available to all qualifying tribal members
 - Promote general welfare
 - Are not lavish or extravagant
 - Are not compensation for services



COVID Benefits

- IRS News Release IR-2023-23
 - 22 state payments are excluded from gross income
 - Payments were for the general welfare or as disaster relief payments
- Recovery Rebates
- Economic Income Payments
- MA Service Industry Low Income Workers, \$500
- IRS Notice 2023-56, Section 4 Page 14 Example
 - Energy Relief Program to low-income residents



Center for American Progress

- Annual PFML Fact Sheets & Status Reports
- 15 States & DC have something
- Paid Family and Medical Leave
 - Medical Leave covers worker's serious health conditions
 - Parental Leave covers bonding with a new child
 - Caregiving Leave covers a loved one's serious health condition
 - Deployment Related Leave covers military service arrangements and events
 - Safe Leave covers victims of violence
- Federal Legislation is considered
 - Build Back Better Act
 - Family and Medical Insurance Leave, (FAMILY), Act



IRC §104 - Compensation for Injuries or Sickness

- Gross Income does not include
 - Worker Comp benefits
 - Litigated Settlements for personal physical injuries or sickness
 - Accident and Health Insurance amounts
 - Personal injury or sickness
 - Premiums paid by the employer or fringe benefits not included in employee gross income
 - Pensions or Annuities due to personal injuries or sickness resulting from active military service
 - Disability income due to terrorism or active military duty
 - A state program which provides surviving dependents benefits due to a public safety officer's death in the line of duty
- Emotional Stress is not a physical injury or sickness



IRC §105 – Amounts Received Under Accident and Health Plans

- Benefits from Accident or Health Insurance are included in gross income
 - Contributions paid by the employer
 - Except for medical care reimbursements
 - Except for payments due to a bodily disfunction or permanent disfigurement and the amount is determined by the nature of the injury, not the employee's wages or time away from work.



Define the MA PFML Benefit Program

- House Bill 4640, An Act Relative to Minimum Wage, Paid Family Medical Leave, and the Sales Tax Holiday, 2018
- PFML in effect January 1, 2021 with limits
 - 12 weeks of paid family leave
 - 20 weeks of paid medical leave
 - 26 weeks of combined family & medical leave
- MA Payroll Tax up to \$168,800
 - Businesses over 25 employees
 - 0.52% Medical Contribution, 60% paid by the business and 40% by employee
 - 0.11% Family Contribution, 100% paid by employee
 - Businesses under 25 employees
 - 0.208% Medical Contribution paid by the employee
 - 0.11 Family Contribution paid by the employee
- 2024 Maximum Weekly Benefit, \$1,149.90



The PFML Benefits Population



- Hospitality
- Retail
- Restaurant
- Warehousing
- Self-Employed

The PFML Experience

- If benefits are taxed, the taxpayer is paying a tax on benefits and for a second time on the premiums that they paid
- Center for American Progress Feb 5, 2021 – 8% of the workers earning less than \$14 an hour have access to paid leave
- National Partnership for Women & Families, Feb 2022
 - 60% of the annual 125,000 NJ claims are made by workers earning less than \$30,000
 - 30% of the annual 128,000 NY claims were for family caring and 70% for child bonding
 - 40% of the annual 40,000 RI claims were made by men; 2/3's of the claims were made by people earning less than \$50,000
- When COVID closed day care facilities in RI, the monthly number of family caregiving claims increased from 500 to almost 2,000



Amending MA PFML, 1040-X



- Obtain signatures on form 2848
- Remove amount on line 1 of MA Dept of PFML 1099-G, \$0
- Keep Federal and State withholding amounts
- Explanation
 - MA PFML was incorrectly reported on the original return. This is a general welfare exclusion from income. AGI is reduced by \$<PFML Amount>. Refer to the decision in US Tax Court; docket 16410-23S, Caroline Perriello-Fabiano v Commissioner.
- After the IRS refunds the money, e-file a state amended return
- If the IRS denies the refund, ask for an audit reconsideration with supporting statements; typically, a fifty page submission.
- Ask the taxpayer to complete a GBLS LITC intake sheet.

After MA PFML 1040-X is denied...



- Appeals, Audit Reconsideration, OIC, CNC, and sometimes CP2000
- US Tax Court Memo 2024-75, Docket 18576-22, Mazotti v IRS
- US Tax Court Memo 2021-140, Docket 22604-17, Huff v IRS
- Findings of Fact – Background
 - Taxpayer compliance history
 - Taxpayer education and skills
 - Origin – What planted the seeds
 - Consultations
 - Taxpayer Expectations
 - Business Patterns & Evolution

Making a Case



- Charts: Judge Jones page 6 Schedule C Receipts & Expenses

C. *Sched C Reported Expenses*

Taxable Year	Gross Receipts	Total Expenses
2018	\$30	\$61,523
2019	\$15	\$63,019
2020	\$1,000	\$62,470

Judge Jones Uses Subtitles & Avoids Charles Dickens prose



I. Background

A. Mazzotti's Earnings

B. Ms. Mazzotti's Writing/Research Activities

1. Books
2. Articles
3. Commercials
4. Research Trips
5. Teaching Role

C. Sch C Expenses

Judge Jones Uses Subtitles & Avoids Charles Dickens prose



Opinion

- I. Burden of Proof
- II. Evaluation of Evidence
- III. Writer/Research Activities
<the nine factors of engaged for profit, IRC §183>
10. Conclusion

Judge Urda's Factor Analysis, page 23

A. Manner of Carrying on the Activity

1. Business Plan
2. Recordkeeping
3. Responses to Problems
4. Conclusion

B. Expertise of the Huffs & Advisors

C. Time & Effort Expended

D. Expectation of Appreciated Assets

E. Success in Other Activities

F. History of Income/Losses

G. Occasional Profits

H. Financial Status of the Huffs

I. Elements of Pleasure or Recreation

J. Summary

Referral for Low Income Taxpayers

- Single - \$37,650
- Couple - \$51,100
- Family of Four - \$78,000
- Greater Boston Legal Services, 617-371-1234
- Angela Divaris, ADivaris@GBLS.org
- Luz Arevalo, LArevalo@GBLS.org

- Special Offer to New England Tax Practitioners
 - The EA Pro Bono Low Income Tax Clinic
 - Free Tax Court Legal Assistance



MA Disaster Relief



- TIR 2024-8 replaces & clarifies TIR 2008-19
- MA follows IRC 139
 - Income and Estate Taxes
- MA does not conform to IRC 139
 - Corporate Excise
 - Trustee Taxes: Meals, Sales & Use, Short Term Rentals, Cannabis
 - AP 633 Reasonable Cause can waive penalties
- Automatic for income & estate taxes
 - Tax return payments
 - Estimated payments
 - Extensions

MA Disaster Relief, TIR 2024-8



- When April 15th is extended, Oct 15th is not
- The Disaster Extension does not extend
 - Claims for Refunds
 - Claims for Abatements
 - Amending returns
 - Making Elections
 - Department Filings
 - Appellate Tax Board & Court filings

DR-1 Appeals

- Tax was incorrectly assessed
- There is not correction due to new additional entries
- MA DOR incorrectly processed the information that they received



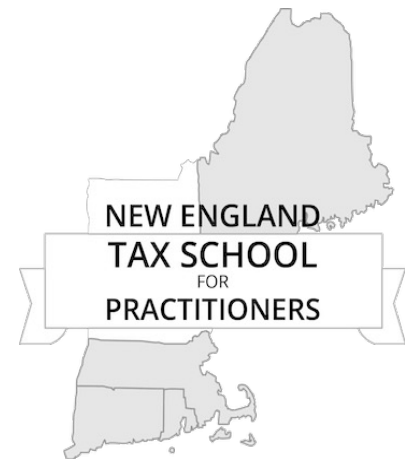
The DOR May Discuss Bubble

- ALWAYS make this election
- Applies to the tax preparer, not the entire firm
- Allows to the preparer to facilitate the processing of the return
- Liberally interpreted by most DOR Examiners!
- Allowed to make refund/payment update inquiries
- Resolution of DOR Notices
- Effective for One Year → April 15, 2025



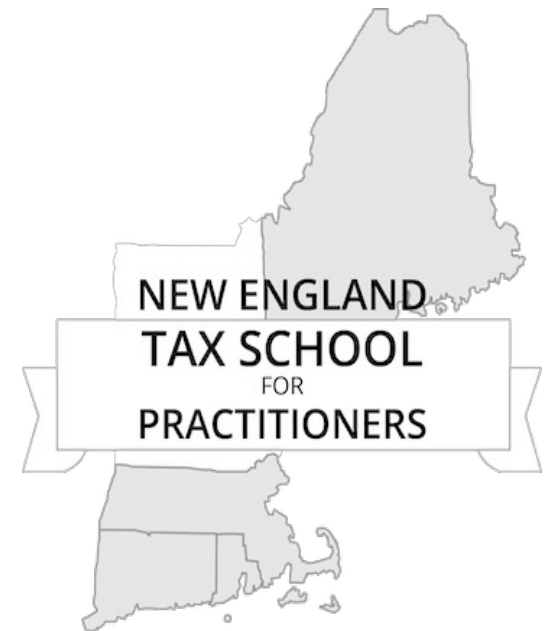
The Millionaire Tax

- 4% on income that exceeds \$1,000,000
...where the sum of a taxpayer's Part A taxable income, Part B taxable income, and Part C taxable income exceeds \$1,000,000 in a taxable year, the portion of such taxable income exceeding \$1,000,000 is taxed at the rates specified in M.G.L. c. 62, § 4(a)-(c), plus an additional 4%...
- MGL Ch 62§ b1 – Part A Income
 - 5% for non-MA Bank Interest & Dividends
 - 8.5% for Short Term Capital Gains, was 12%
- MGL Ch 62§ b2 – Part B Income
 - 5% for anything that is not Part A or Part C
- MGL Ch 62§ b3 – Part C Income
 - 5% for Long Term Capital Gains
- TIR 23-12 & MA DOR FAQ'S



Fair Share Tax Collections

- \$2.2B of tax collections within a FY24 \$56B budget
- Transportation Funding
 - \$200M free regional transit service & grants
 - \$332M MBTA investments
 - \$220M in roads and bridges
 - \$13.2M Water Transportation
 - \$250M Reserve Fund
- Education Funding
 - \$239M free school breakfast and lunch
 - \$180M Public Schools
 - \$187M free Community College tuition & stipends for books
 - \$260M State College Capital Developments
 - \$312M New Early Education and Care Grants



Are People Leaving MA, (or not)?

- Current population is 7,000,000
- Jan 2024 – United Van Lines 47th Annual Movers Study: There's a 111,000 exodus
- Sep 2024, Kurt Wise, Mass Budget and Public Policy Center
 - US Census Bureau and IRS
 - Population grew due to
 - Births exceeding deaths
 - Migration from foreign countries
 - Incomes > \$200k moved out of MA less than 38 other states
 - Incomes < \$200k moved out of MA more than 30 other states
 - Random note: 2 of every 3 MA residents moving to FL & NH are replaced by people moving from FL & NH to MA
 - Random note: \$1M income households are less than 1% of the returns filed from MA, but are 30% of the income share



Filing MA-2848

- Fax to 617-660-3995
- E-Signatures are allowed
- Email form as a .pdf file to POADOR@DOR.State.MA.US
- Include *“The attached Power-of-Attorney form, designating _____ to be the taxpayer’s representative, includes the (choose applicable term) taxpayer’s or representative’s typed name that they intend to serve as their valid signature, and intends to transmit on this form to the Massachusetts DOR.”*
- DD 2020-1
- MTC Third Party Access



2024 Circuit Breaker

- January 2024 Town Assessed Value < \$1,172,000
 - It's on the February 2024 tax bill
 - Only include the acre of land closest to the building
- Single filer CB Income Limit \$72,000; MFJ limit \$109,000
- \$2,730 maximum credit
- Betterments and Special Assessments count as Real Estate Tax
- Community Preservation Act is a Real Estate Tax
- TIR 24-10
- No Water & Sewer Bills
 - Winchester
 - Avon
 - Hadley
 - Arlington
 - Webster
 - Hatfield



Circuit Breaker Income is not Taxable Income

- MGL CH 62 §6(k)1, The definition of Circuit Breaker Total Income
- TIR 1999-19
- Sum of Parts A, B and C Incomes plus the total amounts received from
 - Social Security, line 4
 - Pensions and Retirements, line 5
 - Annuities, line 5
 - Cash, (this means gifts and proceeds from sale of personal property), line 6
 - Public Assistance, line 6
 - Tax Exempt Interest & Dividends, line 3
 - Net Capital Losses, line 3
 - Any Schedule D lines 8 thru 12 losses taken to determine Part C income, (long term capital gains), Schedule CB line 3



IRS Installment Agreements, (IA)



- Short Term
 - Phone call, 180 day pay off, no financials, no fees
- Guaranteed
 - Online, no financials, fees
 - Payoff in 3 years
 - Less than \$10k
- Streamlined
 - Online, no financials, fees
 - Payoff before CSED* & 6 years
 - Less than \$50k
- Non-Conventional
 - ACS, Financials, fees
- CNC
 - Manager Approval, Financials maybe, no fees
- Running Out the Clock
- Partial Pay
 - Manager Approval, Financials, fees

* CSED: Collection Statute Expiration Date, normally 10 years after the tax was assessed with some exceptions

MA DOR Collections

- No fees
- No missing returns
- No Doubt of Assessment
- No National Financial Collection Standards
- All personal financials are subject to full audit
- MA DOR will intercept refunds, lottery/casino winnings and court settlements
 - Collection enforcement after the payment plan is in effect
- MA DOR is allowed to reject a payment request for any reason
- Taxpayer must notify DOR of income increases; pay raises, gambling, investments
- Payments plans extend CSED
- Credit/Debit cards not accepted
- No Savings Account Direct Debits



MA DOR Collection Menu

- Short Term
- Hardship
- The Easy Plan
- Non-Conventional
- Offers



MA DOR Short Term Plan

- One Year Payoff
- Needs a downpayment, aka the show of good faith
- No Financials
- No Fees
- Twelve Equal Monthly Amounts
- Subject to a reasonable affordability assessment
- Can be rejected for any reason
- Must maintain full current year compliance
- Contact 617-887-6400



MA DOR Hardship

- No money down
- No fees
- No financials
- File on MTC
- 24 hour turn around
- Levies & Garnishments removed
- NEVER use form 911
- Driver License Restored
- Complain to Ed Coyle, Coyle@DOR.State.MA.US
- Does NOT extend the CSED



Reasonable MA DOR Hardship

- Notice of Eviction
- Utility Shutoffs
- Unemployed
- SNAP, Welfare, Public Assistance
- Advanced Age
- Debilitating Illness
- Terminal Illness



MA DOR: The Easy Plan

- Payoff in 3 years
- Balance Due under \$5,000
 - At least \$25 per month
 - Can be done on MTC or 617-887-6400
 - Not likely to need financials
- Balance Due over \$5,000
 - Assigned a Collections Examiner
 - At least \$50 per month with 433-I, (financials)
- No Fees
- Liens > \$25,000 & > 3 years
- Submit MA DOR EFT, if assigned a Collections Examiner



The Ugly MA DOR Financials, Form 433-I

- No missing state returns
- Must include recent federal filing
- Three most recent pay stubs
- Inventory of all bank and investment accounts
- Three months of bank & investment statements
- Crypto, Venmo & Paypal are banking records
- Proof of rental/mortgage payments
- Explanation for non-compliance
- The personal financial full audit



Before the License Was Revoked

- Notice of Intent to Assess, not yet payment plan eligible
 - Notice of Assessment
 - Consolidated State of Account, 30 days after the assessment
 - Notice of Collections, 60 days after the Statement of Account
 - Final Notice
 - Notice of Tax Lien
 - Notice of Levy
 - Notice of Intent to Disclose, (taxpayers who owe > \$25k have 30 days before the debt is public record)
 - Notice of Intent to Suspend License
- ** Banks need active government photo ID to retain a personal bank account



After the License Was Revoked

- Might take a few weeks
- Identify & Contact Collections Examiner & Supervisor
- Negotiation good faith payment and pay on MTC
- License can be restored before 433-I & MA DOR EFT
- MA DOR contacts taxpayer & representative
- Taxpayer need \$100 and a personal appearance at RMV Registry
- Collections Examiner might not require 433-I



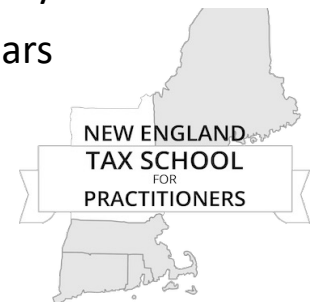
The MA DOR Offer Package



- MA 656
- MA 433-OIC
- MA EFT
- First Installment or 20% Down Payment
- Emails Offers require MTC Payment
- USPS Offers: personal checks not allowed
- Consensual Agreement to extend CSED
- MA 2848
- Offer Checklist Documents

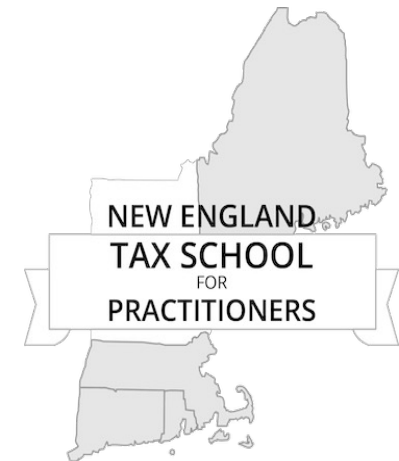
MA DOR Offer Checklist Documents

- Employment Status Statement
- Four Most Recent Pay Stubs
- Inventory of Income & Statements
- Bank, Credit Card & Investment Statements, Three Months
- Retirement Plan Statements
- Insurance Policies & Statements
- Essential Living Expenses with receipts
- Mortgage Statement or Rental Agreement
- Inventory of Assets & 3rd Party FMV statements
- Medical Issues Provided by Caretaker
- All Unpaid Liabilities
- Legal Decrees
- Federal & Other State Tax Returns, 3 years
- Any IRS OIC Application within 5 years



MA DOR Offers in Compromise

- Maybe rejected for any reason, including “I just don’t feel that this is in the best interest of the Commonwealth.”
- Common Reasons for rejections
 - The offer is less than 50% of the tax liability
 - The offer is less than \$5,000
 - The current year estimated tax payments are missing
 - The most recent tax year is not paid in full
 - The tax liability is in dispute
 - National Collection Financial Standards are used
 - A perceived potential for changing circumstances exists
 - A history of non-compliance exists

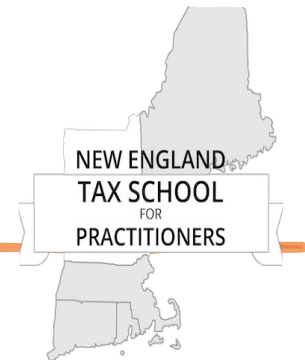


MA DOR Offers in Compromise

- Present & Future Income and Actual Expenses
- Yes, MA DOR Forecasts Future Income!
- DOR Qualitative Assessments
 - Potential for changed circumstances
 - The amount of the Offer in relation to the Tax
 - Best interest of the Commonwealth
 - Fraudulence and incomplete information



MA DOR Offers in Compromise



- Lump Sum option is 60 days
- Installment Option Payments are due while OIC is considered
- Installment Payments must be direct debit, MA EFT
- Six month personal financial audit
- Less than 50% of the tax is a reason for rejection
- Collection Enforcement continues while Offer is assessed.
- Intercepts are not suspended

MA DOR OIC Process



- Immediate eligibility evaluation
 - Rejections are refunded payments
- Six month Financial Audit and Application Review
 - Rejections are not refunded
- Offer in Compromise Unit requests a Legal Counsel review
- Two Deputy Commissioners forward their approval to the Commissioner
- An unpaid liability of \$20,000 or more is submitted to the Attorney General for review and approval
- Offer is published as a Public Record

MA DOR OIC Taxpayer Background



- No missing tax filings
- No unpaid recent year tax
- No missing current year estimated payments
- No asset transfers within the last ten years

MA DOR OIC Rules



- MGL Ch 62 §37A
- No Negotiation or Counter-Offer
- No Doubt of Liability
- No modified offers
- No Refunds or Withdrawn Offers
- No Appeals
- CSED is extended
- Serious Doubt of Collectability must exist
- National Collection Financial Standards are the maximum amount allowed for a living expense

MA DOR OIC Allowable Actual Expenses



- Rent/Mortgage
- Utilities
- Groceries
- Insurance
- Medical
- Vehicle
- Uber/Lyft
- Taxes
- Day Care
- Legal Fees

** College Expenses & Unsecured Debt Payments are not allowed

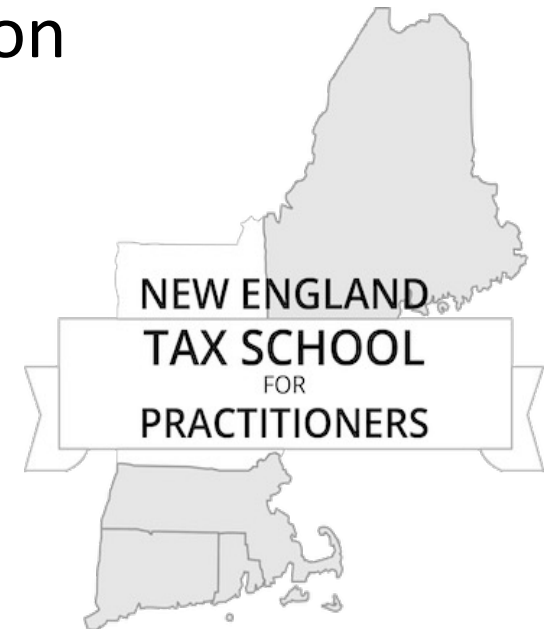
The 2023 Accepted MA Offers



- McElwee, Inc.
 - Unpaid Tax: \$53,199
 - Amount Paid: \$ 24,516
- John J. Santilli, Sr. and Center Consulting, Inc.
 - Unpaid Tax: 73,904
 - Amount Paid: 5,000.00
- Jean G. Ibrahim & Janine L. Ibrahim
 - Unpaid Tax: 156,712.70
 - Amount Paid: 52,000
- Neighborhood Brick Oven Pizza
 - Unpaid Tax: 60,452
 - Amount Paid: 15,000
- E. Albertowicz & Estate of Richard F. Albertowicz, Jr.
 - Unpaid Tax: 19,083
 - Amount Paid: 5,000
- Keith Martin
 - Unpaid Tax 52,599
 - Amount Paid: 25,000

House Bill 2760, An Act Providing for Settlements of Tax Liability

- Mail or E-mail your Beacon Hill Delegation
 - From Your Home Address
 - From Your Work Address
- <https://malegislature.gov/Legislators>
- Ask for support
- Ask them to co-sponsor the bill
- Ask to sit with them



MA House Ways & Means

Aaron Michlewitz, Chair, North End & South End

Ann-Margaret Ferrante, Vice Chair, Cape Ann

Pat Haddad, Assistance, Vice Chair, Taunton/Somerset

Russ Holmes, Sponsor, Dorchester/JP

Natalie Higgins, Leominister

Sam Montano, JP/Forest Hills

Steve Ultrino, Malden

Alan Silvia, Fall River

Vanna Howard, Lowell



MA House Ways & Means

Carol Doherty, Easton/Taunton

Patricia Duffy, Holyoke/Chicopee

Sally Kerans, Danvers

Natalie Blais, Franklin County

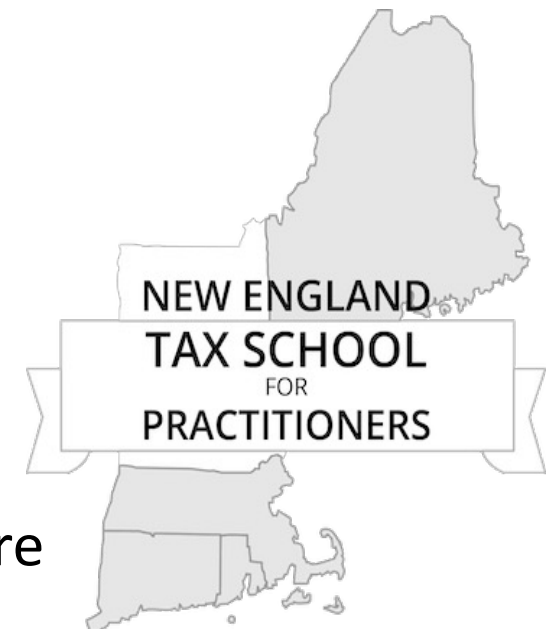
David Biele, South Boston

Andres Vargas, Haverhill

Dylan Fernandes, Falmouth & the Islands

Meghan Kilcoyne, Clinton/Boylston & around there

Orlando Ramos, Springfield



MA House Ways & Means

Patrick Kearney, Scituate/Marshfield

Kate Lipper-Garabedian, Melrose

Chynah Tyler, Roxbury

Bud Williams, Springfield

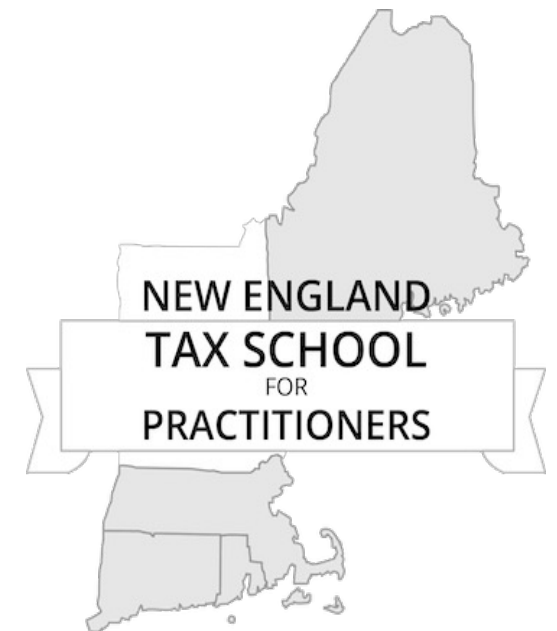
Kathleen LaNatra, Kingston/Plympton/Plymouth

Brian Murray, Mendon/Milford/Hopedale

James Hawkins, Attleboro

Rich Haggerty, Woburn

Christine Barber, Medford/Somerville



MA House Ways & Means

Todd Smola, Ranking Republican, Sturbridge/Palmer

Angelo D'Emilia, Bristol/Raynham

Mathew Muratone, Plymouth

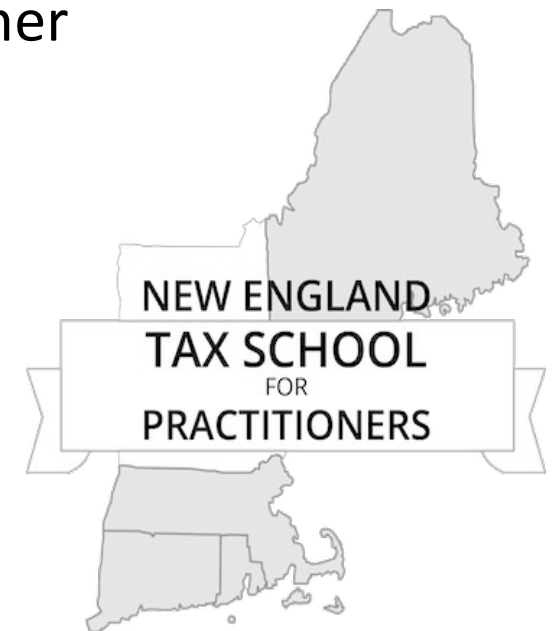
Donald Berthiaume, Spencer/Quabbin

Kelly Pease, Westfield

Allyson Sullivan-Almeida, Abington/Whitman

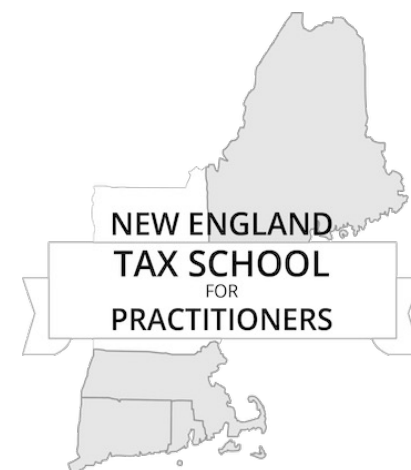
Steven Xiarhos, Sandwich/Barnstable

Marcus Vaughn, Wrentham/Norfolk



H2760

- An offer cannot be refused because of the amount
- DOR will explain the rejection
- DOR can provide a counteroffer
- Taxpayers have the right to appeal
- Taxpayers must be compliant for three full years
- DOR will publish guidelines and procedures
- DOR will accept National Collection Financial Standards or the Commissioner will publish a DOR Schedule of Essential Living Expenses



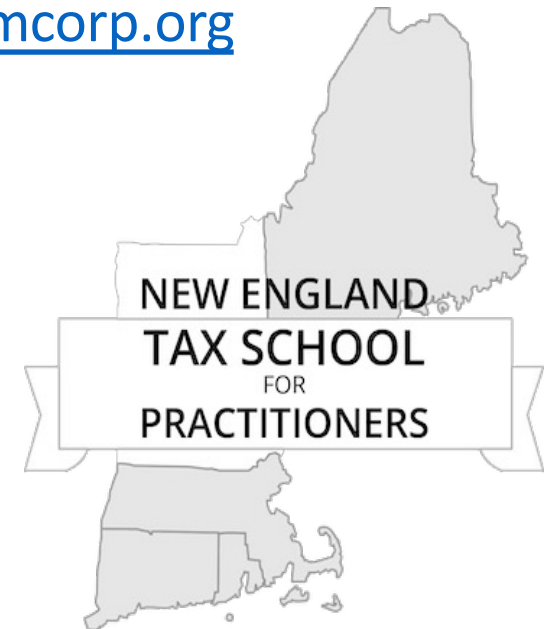
H2760



- Offers are allowed for
 - Doubt of Collectability
 - Doubt of Liability
 - The Promotion of a More Effective Administration of Tax
- Five Month lump sum payment w/ 10% down
- Periodic Payment Option up to 36 months
- Future Income does not void an offer
- A missed payment may be caught up and reconciled

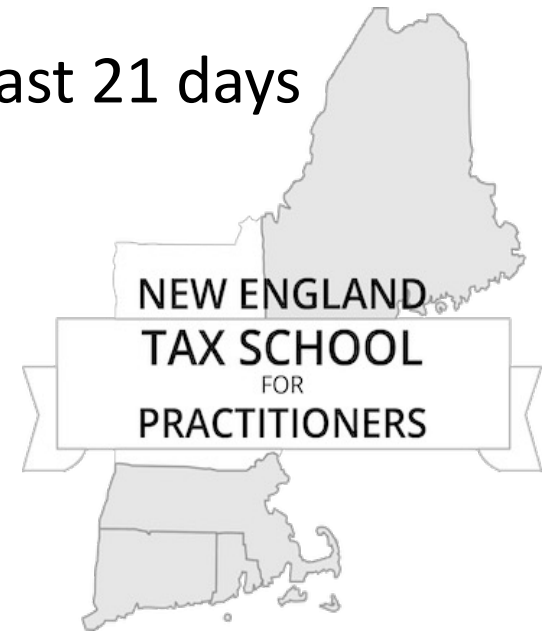
State Money for CE

- MA Workforce Training Fund Program, wtfp@commcorp.org
- Businesses with fewer than 100 employees
- Businesses capped at \$20,000 awards
- Invest to maintain today's skillsets
- Two Programs
 - Express – Business reimbursements
 - General – Business block grants
- CommCorp.org – Commonwealth Corporation



WorkForce Development Express Program

- Pick a course
- Submit application for reimbursement, at least 21 days before the program
- Attend
- Submit proof of payment & completion



MA Underpayment Interest Rates, TIR 23-13

- The federal short-term rate plus 4%
- 2023
 - Q1 – 8%
 - Q2 – 8%
 - Q3 – 8%
 - Q4 – 9%
- 2024 – 9% all quarters



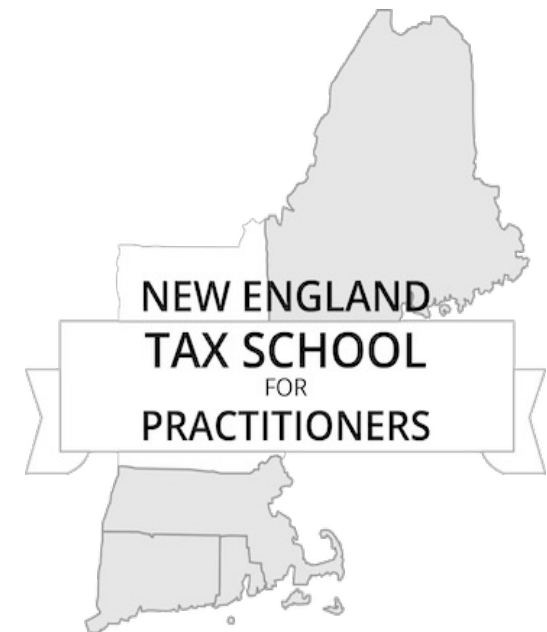
DOR Phishing

- Taxpayer notified by e-mail that an out of state return was filed on their behalf. Click on this hyperlink “Massachusetts Dept of Revenue” to address the discrepancy.
- MA DOR does collect email addresses for matters of
 - Penalty abatement
 - Collections
 - Appeals
- Note that MA DOR Operations issue letters with a Letter ID.
 - When calling or corresponding with DOR, the Letter ID is the co
 - 617-887-6367 – Operations Call Center
 - 617-887-6400 – MA DOR Collections



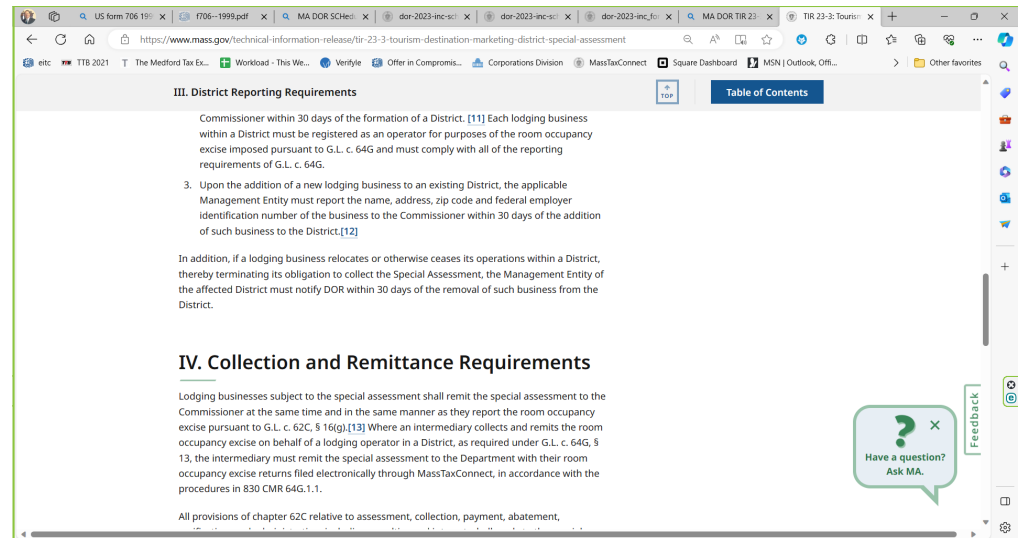
Non-Profits Don't Pay MA Tax; AGO Filing

- MA Form PC is online only
- www.mass.gov/info-details/online-charity-filing-portal
- Register as a preparer
- No printed form
- Attached PDF's
 - Federal 990, if revenue > \$25,000
 - Officers & Directors
 - Authorizers of Expenses & Fundraising Approval
- President & Treasurer need AGO login accounts
 - Submit filing approval
 - Pay \$35 Payment from President/Treasurer
- Hint: Do the 990-EZ in all cases



MA DOR Technology

- Mass.gov has CHATGPT
- MTC filing Form 1, Residents only
 - Must have already filed a MA return
- MTC filing MA 706
- Submit Documentation
- Secured Messaging
- ** MTC Access is not a legally binding responsibility **



MA DOR Assistance

- TaxPROFeedback@DOR.State.MA.US
- Mass.gov contact page
- What's Trending
- Hot Topics
- Tax Guides
- <https://www.mass.gov/lists/dor-administrative-procedures>
- <https://www.mass.gov/lists/dor-technical-information-releases>



Whom do you call?

- Call Center, 617-887-6367
 - Busiest at lunch time
- Collections, 617-887-6400
- Problem Resolution Office, 617-626-3833
- Estates, 617-887-6930

