

NEWS ALERT

TAX GROUP



Massachusetts Department of Revenue Issues Guidance in Response to CARES Act Tax Relief Provisions

By Marc T. Finer | July 29, 2020

On July 13, 2020, the Massachusetts Department of Revenue issued [Technical Information Release 20-9](#) to explain the impact of selected tax provisions of the CARES Act on Massachusetts taxation.

Highlights of this guidance include:

- **Economic Stimulus Payments:** The federal economic stimulus payments of up to \$1,200 (\$2,400 if married filing jointly) are not subject to Massachusetts personal income tax because the payments are not subject to federal income tax.
- **Expanded Unemployment Benefits:** The additional \$600 per week increase in unemployment benefits to individuals who are unable to work as a direct result of the COVID-19 public health emergency is subject to Massachusetts personal income tax because it is subject to federal income tax.
- **Qualified Retirement Account Distributions:** The Massachusetts taxation of Coronavirus-related distributions from qualified retirement accounts for a particular year will be dictated by whether the distributions are included or excluded from the individual participant's federal gross income for a particular year. These distributions will be included in Massachusetts gross income at the same time and in the same amounts as they are included in federal gross income.
- **Partial Above-the-Line Deduction for Charitable Contributions:** Massachusetts does not adopt the change made by the CARES Act to permit individual taxpayers to deduct up to \$300 of qualified charitable contributions even if they do not itemize deductions.
- **Paycheck Protection Program Loan Forgiveness:** Massachusetts generally follows the Internal Revenue Code in effect on January 1, 2005 for Massachusetts personal income tax purposes. As a result, borrowers who are subject to the Massachusetts personal income tax and have their Paycheck Protection Program loan forgiven will be required to include the forgiveness amount in Massachusetts gross income as cancellation of indebtedness income, but deductions attributable to the payment of expenses resulting in loan forgiveness will not be disallowed.

Because Massachusetts generally follows the Internal Revenue Code as currently in effect for Massachusetts corporate excise tax purposes, any Paycheck Protection Program loan amount forgiven for a corporate borrower will be excluded from Massachusetts gross income, but deductions attributable to the payment of expenses resulting in loan forgiveness will be disallowed.

- **Modification of Net Operating Loss Limitations:** The CARES Act suspends the rule limiting the net operating loss (“NOL”) deduction to 80% of taxable income and permits NOLs incurred in the years 2018 through 2020 to be carried back for up to 5 years. These modifications have no impact on the calculation of the Massachusetts corporate excise or personal income tax because Massachusetts has its own specific rules for corporate NOLs and does not allow an NOL deduction for Massachusetts personal income tax purposes.
- **Excess Business Loss Limitations:** The CARES Act provides that for the years 2018 through 2020, losses related to a trade or business of a non-corporate taxpayer are not limited to \$250,000 (\$500,000 for joint filers) in excess of trade or business income and gain. Because Massachusetts generally follows the Internal Revenue Code in effect on January 1, 2005 for Massachusetts personal income tax purposes and the loss limitation rule was enacted under the Tax Cuts and Jobs Act of 2017, the suspension of the limitation has no impact for Massachusetts personal income tax purposes.
- **Modification to Limitation on Business Interest Deduction:** The CARES Act increases the percentage of a taxpayer’s current year business interest that may be deducted from 30% to 50% of adjusted taxable income for the years 2019 and 2020. Massachusetts conforms to this change for both personal income and corporate excise tax purposes.
- **Qualified Improvement Property:** The CARES Act changed the depreciable life of qualified improvement property (QIP) from 39 years to 15 years under the general depreciation system and 20 years under the alternative depreciation system. This change allows taxpayers to apply 100% bonus depreciation to eligible QIP placed in service after Dec. 31, 2017. Massachusetts adopts the change made by the CARES Act with respect to the depreciable life of QIP but has decoupled from the federal bonus depreciation rules. Consequently, the Massachusetts depreciation deduction for QIP must be calculated without regard to bonus depreciation.

The CARES Act provides significant current Federal tax relief for many individuals and businesses financially impacted by the Coronavirus. Technical Information Release 20-9 issued by the Massachusetts Department of Revenue provides extremely helpful assistance to taxpayers with questions related to the impact of the CARES Act on the calculation of Massachusetts personal income and corporate excise tax.

If you have any questions regarding Technical Information Release 20-9 or how it might affect your Massachusetts business or personal tax situation, please contact:

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