

7 “Code”, the Internal Revenue Code of the United States as defined in section 1 of chapter
8 62.

9 “Commissioner”, the commissioner of revenue.

10 “Eligible pass-through entity”, an S corporation under section 1361 of the Code, a
11 partnership under section 7701 of the Code or a limited liability company that is treated as an S
12 corporation or partnership under said section 1361 of the Code or said section 7701 of the Code.

13 “Qualified income taxable in Massachusetts”, the income of an eligible pass-through
14 entity determined under chapter 62 allocable to a qualified member and included in the qualified
15 member’s Massachusetts taxable income under said chapter 62.

16 “Qualified member”, a shareholder of an S corporation or a partner in a partnership,
17 including a member of a limited liability company that is treated as an S corporation or
18 partnership under section 1361 of the Code or section 7701 of the Code, that is a natural person
19 or trust or estate subject to tax under section 10 of chapter 62; provided, however, that a qualified
20 member may be a resident, nonresident or a part-year resident.

21 Section 2. An eligible pass-through entity may elect to pay an excise on its qualified
22 income taxable in Massachusetts at a rate of 5 per cent. A qualified member of an electing
23 eligible pass-through entity shall be allowed a refundable credit against the tax imposed under
24 this chapter. The credit shall be available to qualified members in an amount proportionate to
25 each qualified member’s share of the tax due and paid under this chapter by the eligible pass-
26 through entity multiplied by 0.9. The credit shall be available for the member’s taxable year in
27 which the electing eligible pass-through entity’s taxable year ends.

28 Section 3. This chapter shall not apply to any taxable year for which the federal limitation
29 on the state and local tax deduction imposed by section 164(b)(6) of the Internal Revenue Code
30 of the United States, as amended and in effect for the applicable year, has expired or is otherwise
31 not in effect.

32 Section 4. The excise under this chapter shall be in addition to, and not in lieu of, any
33 other Massachusetts tax required to be paid, including tax imposed by chapter 62 or chapter 63.
34 The excise under this chapter shall be due and payable on the eligible pass-through entity's
35 original, timely-filed return. A return that reports the excise shall be due at the same time as a
36 partnership information return or corporate excise return would be due for the entity under
37 chapter 62C. Nothing in this chapter shall alter any filing requirements for a qualified member
38 under said chapter 62C.

39 Section 5. The collection and administration of the excise under this chapter shall be
40 governed by chapter 62C unless expressly provided otherwise in this chapter or in regulations
41 promulgated by the commissioner pursuant to this chapter.

42 Section 6. The election under this chapter shall be made by the eligible pass-through
43 entity on an annual basis in a manner determined by the commissioner. All members of the
44 electing eligible pass-through entity shall be bound by the election. Once an election is made for
45 a particular year, the election shall not be revoked.

46 Section 7. The commissioner shall promulgate regulations or other guidance to carry out
47 the purposes of this chapter. Such regulations or other guidance may: (i) make the credit
48 available to qualified members with income from eligible pass-through entities that in turn have
49 income from other eligible pass-through entities; (ii) provide rules on the application of this

50 chapter to eligible trusts and estates; and (iii) require estimated payments of the excise by
51 electing eligible pass-through entities and their qualified members in a manner consistent with
52 chapter 62B.

53 SECTION 2. Section 1 shall apply for taxable years beginning on or after January 1,
54 2021.