SENATE DOCKET, NO. 188 FILED ON: 1/22/2021

SENATE . . . . . No. 1813

The Commonwealth of Massachusetts

PRESENTED BY:

Sonia Chang-Diaz

To the Honorable Senate and House of Representatives of the Commonwealth of Massachusetts in General Court assembled:

The undersigned legislators and/or citizens respectfully petition for the adoption of the accompanying bill:

An Act improving the fairness of our tax laws.

PETITION OF:

NAME:	DISTRICT/ADDRESS:
Sonia Chang-Diaz	*Second Suffolk*

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SENATE . . . . . No. 1813

By Ms. Chang-Diaz, a petition (accompanied by bill, Senate, No. 1813) of Sonia Chang-Diaz for legislation to improve the fairness of our tax laws. Revenue.

[SIMILAR MATTER FILED IN PREVIOUS SESSION
SEE SENATE, NO. *1609* OF 2019-2020.]

The Commonwealth of Massachusetts

In the One Hundred and Ninety-Second General Court
(2021-2022)

An Act improving the fairness of our tax laws.

Be it enacted by the Senate and House of Representatives in General Court assembled, and by the authority of the same, as follows:

SECTION 1. Chapter 63 of the General Laws, as appearing in the 2018 Official Edition, is hereby amended by inserting after section 29E the following new section:-

Section 29F. Certain Non-Insurance Trade or Business Income.

(a) An insurance company subject to sections 20 through 29E shall, in addition to the excise determined under those sections, be subject to this section if the company owns, directly or indirectly, 50 per cent or more of the interests in an entity treated as a partnership or disregarded entity that is engaged in a non-insurance trade or business in Massachusetts.

(b) Without limitation, this section shall not apply to income of an insurance company from the buying, selling, holding, or dealing in securities or other investment intangibles on its own behalf, and not as a broker. Gain from the sale of real property and improvements shall also

be excluded to the extent that the gain exceeds cumulative depreciation and similar expenses with respect to the property and improvements that have been deducted in determining income taxable under subsection (c).

(c) An insurance company with non-insurance trade or business income from a partnership or disregarded entity, as described in subsection (a), shall file a return under this chapter with respect to the income and activities of the partnership or disregarded entity in the manner of a business corporation, financial institution, or utility corporation, as applicable, and pay the associated excise. The income and activities shall, to the extent applicable, be included in a combined return filed under section 32B.

(d) The commissioner may issue regulations or other guidance as may be needed for the implementation of this section.

SECTION 2. Section 7B of chapter 64C of the General Laws, as so appearing, is hereby amended by adding the following paragraph:

(m) In addition to the excise imposed by paragraph (b), an excise shall be imposed on all cigars weighing more than 3 pounds per 1,000 units and not more than 12 pounds per 1,000 units held in the commonwealth at the rate of 80 per cent of the wholesale price of such product. In addition to the excise imposed by paragraph (b), an excise shall be imposed on all smoking tobacco held in the commonwealth at the rate of 90 per cent of the wholesale price of such product.

SECTION 3. Section 7C(a) of chapter 64C of the General Laws, as so appearing, is hereby amended by striking out the sentence “Notwithstanding the provisions of this section, the excise imposed by this section shall equal twenty-five percent of the price paid by such licensee

or unclassified acquirer to purchase smokeless tobacco so sold, imported, or acquired" and inserting in place thereof the following sentence: "Notwithstanding the provisions of this section, the excise imposed by this section shall equal forty-five percent of the price paid by such licensee or unclassified acquirer to purchase smokeless tobacco so sold, imported or acquired."

SECTION 4. Chapter 64D of the General Laws, as so appearing, is hereby amended by inserting after section 1 the following new section: -

Section 1A. In addition to the tax levied under section 1 of this chapter and any surtax imposed thereon, an additional tax is hereby imposed on each deed, instrument or writing, whereby any lands, tenements or other realty sold shall be granted, assigned, transferred or otherwise conveyed to, or vested in, the purchaser or purchasers, or any other person or persons, by his, her or their direction, when the consideration of the interest or property conveyed, exclusive of the value of any lien or encumbrance remaining thereon at the time of the sale, is one million dollars or more. The rate of such additional tax shall be five dollars for each five hundred dollars of consideration or fractional part thereof in excess of one million dollars. This section shall not apply to any instrument or writing given to secure a debt or to any deed, instrument or writing to which the commonwealth, a city or town of the commonwealth, or the United States or any of their agencies are a party. All provisions of chapter 64D relative to the assessment, collection, payment, abatement, verification and administration of the tax imposed under section 1 of this chapter, including penalties, shall, so far as pertinent, be applicable to the tax imposed by this section. The tax imposed under this section shall be exempt from the surtax levied under section 23 of chapter 546 of the Acts of 1969.

SECTION 5. Section 1 of chapter 64G of the General Laws, as so appearing, is hereby amended by inserting after the definition of "Commissioner" the following new paragraph:-

“Doing business in the commonwealth”, ownership or operation of a bed and breakfast establishment, hotel, lodging house or motel that is located in the commonwealth, maintenance otherwise of a place of business in the commonwealth, the presence of an employee in the commonwealth on more than a de minimis basis, solicitation in the commonwealth of orders for transfer of occupancy of accommodations located in the commonwealth, solicitation in the commonwealth by a reseller of a contract or other cooperative arrangement with an operator with respect to accommodations located in the commonwealth, inspection in the commonwealth of accommodations that may be the subject of a cooperative arrangement between an operator and a reseller, or other exploitation of the market for accommodations or resale of accommodations located in the commonwealth by any means whatsoever, including, but not limited to, salesmen, solicitors or representatives in the commonwealth, whether those salesmen, solicitors or representatives are employed by the operator or reseller, by a person affiliated with the operator or the reseller by common ownership, or by any other party. This definition is intended to extend the jurisdiction of the commonwealth over operators and resellers to the full extent authorized by the Constitution and the laws of the United States.

SECTION 6. Said section 1 of said chapter 64G, as so appearing, is hereby further amended by inserting after the word “operator”, in line 53, the following words: - or the room reseller.

SECTION 7. Section 16 of said chapter 62C, as so appearing, is hereby amended by inserting after the word “operator”, in line 68, as so appearing, the following words: - or room reseller.

SECTION 8. Section 25 of said chapter 62C, as so appearing, is hereby amended by inserting after the word “operator”, in line 5, the following words: - or room reseller.

SECTION 9. Section 67 of said chapter 62C, as so appearing, is hereby amended by inserting after the word “operator”, in line 2, the following words: - or room reseller.

SECTION 10. Said section 1 of said chapter 64G, as so appearing, is hereby further amended by inserting after the definition of "Rent" the following new paragraph:-

"Room Reseller" or “Reseller”, any person having any right, permission, license, or other authority from or through an operator to reserve or arrange transfer of occupancy of accommodations the transfer of which is subject to this chapter, such that the occupant pays all or a portion of the rent to the reseller, but the term shall not include a tour operator.

SECTION 11. Said chapter 64G is hereby further amended by striking out section 3, as so appearing, and inserting in place thereof the following section: -

Section 3. An excise is hereby imposed upon the transfer of occupancy of any room or rooms in a bed and breakfast establishment, hotel, lodging house, or motel in this commonwealth by any operator or room reseller doing business in the commonwealth at the rate of 5 per cent of the total amount of rent for each occupancy. No excise shall be imposed if the total amount of rent paid by the occupant is less than $15 per day or its equivalent.

The operator or room reseller shall pay the excise to the commissioner at the time provided for filing the return required by section 16 of chapter 62C.

SECTION 12. Section 3A of said chapter 64G, as so appearing, is hereby amended by striking out the first 3 sentences and inserting in place thereof the following 3 sentences:-

Any city or town that accepts this section may impose a local excise tax upon the transfer of occupancy of any room or rooms in a bed and breakfast establishment, hotel, lodging house or motel located within the city or town by any operator or room reseller at a rate up to, but not exceeding, 4 per cent of the total amount of rent paid by the occupant for the occupancy ,but the city of Boston may impose a local excise upon the transfer of occupancy of any room in a bed and breakfast establishment, hotel, lodging house or motel located within the city by any operator or room reseller at the rate of up to but not exceeding 4.5 per cent of the total amount of rent paid by the occupant for the occupancy. No excise shall be imposed if the total amount of rent paid by the occupant is less than $15 per day or its equivalent or if the accommodation is exempt under section 2 of this chapter. The operator or room reseller shall pay the local excise tax imposed under this section to the commissioner at the same time and in the same manner as the excise tax due the commonwealth.

SECTION 13. Said chapter 64G is hereby further amended by inserting after section 3A the following section:-

Section 3A1/2. Notwithstanding any other provision of this chapter, in cases in which occupancy is transferred through the use of a room reseller, the application of the excise shall be as follows:

If the room reseller is required to register under section 6 to collect the excise, the room reseller shall collect and pay to the commissioner the excise upon the amount of rent paid by the occupant to the room reseller, less the amount of rent that the reseller has paid to the operator.

Whether or not the room reseller is so registered, the operator shall collect and pay to the commissioner the excise upon the amount of rent paid to the operator by the reseller or the occupant.

SECTION 14. Said chapter 64G is hereby further amended by striking out sections 4 to 6, as so appearing, and inserting in place thereof the following 3 sections:-

Section 4. Reimbursement for the excise imposed under sections 3 and 3A shall be paid by the occupant or the room reseller to the operator and by the occupant to the room reseller, as the case may be, and each operator and room reseller doing business in the commonwealth shall add to the rent and shall collect from the occupant or the room reseller the full amount of the excise imposed, in accordance with sections 3 and 3A, and that excise shall be a debt to the operator or room reseller, when so added to the rent, and shall be recoverable at law in the same manner as other debts.

Section 5. The amount of the excise collected by the operator or the room reseller under this chapter shall be stated and charged separately from the rent and shown separately on any record thereof at the time the transfer of occupancy is made, or on any evidence of the transfer issued or used by the operator or the room reseller. A room reseller shall not be required to disclose to the occupant the amount of tax charged by the operator. The reseller shall represent to the occupant that the separately stated taxes charged by the reseller include taxes charged by the operator.

Section 6. No person shall operate a bed and breakfast establishment, hotel, lodging house or motel in this commonwealth, or do business as a room reseller in the commonwealth, unless a certificate of registration has been issued to him in accordance with section 67 of chapter 62C.

SECTION 15. Section 7A of said chapter 64G, as so appearing, is hereby amended by inserting after the word “operator”, in line 1, the following words:- or room reseller .

SECTION 16. Said section 7A of said chapter 64G, as so appearing, is hereby further amended by inserting after the word “operator”, in line 7, the following words:- or room reseller.

SECTION 17. Said chapter 64G is hereby further amended by striking out section 7B, as inserted by section 30 of chapter 163 of the acts of 2005, and inserting in place thereof the following section:-

Section 7B. Every operator or room reseller who fails to pay to the commissioner any sums required to be paid by this chapter shall be personally and individually liable for those amounts to the commonwealth. The terms “operator” and “room reseller”, as used in this section, include an officer or employee of a corporation, or a member or employee of a partnership, who as an officer, employee or member is under a duty to pay over the taxes imposed by this chapter.

SECTION 18. Section 12 of said chapter 64G, as so appearing, is hereby amended by inserting after the word “operator”, in line 5, the following words:- and each room reseller.

SECTION 19. The definition of “sale at retail” or “retail sale” in section 1 of chapter 64H of the General Laws, as so appearing, is hereby amended by inserting after the word

"services.", in line 215, the following sentence:- A sale for resale in the regular course of business does not include a lease, rental or sale to a leasing or procurement entity for subsequent lease, rental or sale to any related entity, related member as defined in section 31I of chapter 63, or affiliate, including persons described in. section 267(b) or 707(b)(1) of the Internal Revenue Code of the United States. The previous sentence does not apply to a sale of tangible personal property held for resale to any third party that is not related as described in this section.

SECTION 20. Section 6 of said chapter 64H, as amended by section 15 of chapter 260 of the acts of 2006, is hereby further amended by inserting after paragraph (xx), the following paragraph:-

(yy) Sales of tangible personal property purchased by a business entity for keeping or retention in the commonwealth for the purpose of subsequently transporting that property outside of the commonwealth for business use thereafter solely outside of the commonwealth, or for the purpose of being processed, fabricated or manufactured into other tangible personal property to be transported outside of the commonwealth and thereafter used solely outside of the commonwealth. A taxpayer must retain adequate documentation substantiating that the requirements of this exemption are met.

SECTION 21. Section 1 of chapter 64H of the General Laws, as so appearing, is hereby amended by inserting the following sentence before the last sentence of the definition of "tangible personal property":

A transfer of an interest in an aircraft shall be considered a transfer of tangible personal property under rules determined by the commissioner.

SECTION 22. Section 6 of said chapter 64H, as so appearing, is hereby amended by striking out paragraph (vv).

SECTION 23. Section 7 of chapter 64I of the General Laws, as so appearing, is hereby amended by striking out paragraph (e).

SECTION 24. Section 8 of chapter 64I of the General Laws, as so appearing, is hereby amended by inserting after the word “purchase.”, in line 48, the following sentence:- Notwithstanding this paragraph, tangible personal property purchased for placement in inventory is presumed to be purchased for use in the commonwealth if the property is subsequently used in the commonwealth without regard to whether it is brought into the commonwealth within 6 months after purchase, and use tax is due at the time the property is first used in the commonwealth.

SECTION 25. The commissioner of revenue shall annually credit any tax revenue obtained under chapters 64H and 64I from the sale, storage, use, or other consumption of aircraft to line item 7007-0334, the small business technical assistance program.

SECTION 26. The commissioner of revenue may adopt rules and regulations to implement the provisions of sections 1 through 25 of this act.

SECTION 27. Section 1 of this act shall be effective for tax years beginning on or after January 1, 2022.

SECTION 28. Sections 2 through 18, sections 22 through 25 of this Act shall take effect on July 1, 2022.

SECTION 29. Sections 19 through 20 shall apply to transactions on or after January 1, 2022 and shall have no retroactive impact on existing leases or rentals. Section 21 shall apply to property brought into the commonwealth for use on or after July 1, 2022. A termination of any existing lease or rental between related entities, related members, or affiliates, including persons described in section 267(b) or 707(b)(1) of the Internal Revenue Code, after the effective date of this act shall be considered to be a sale at fair market value of the leased or rented property if the lessee retains possession or use of the property.

SECTION 30. Sections 26 and 27 of this Act shall take effect upon enactment.