SENATE DOCKET, NO. 4351 FILED ON: 11/10/2026

SENATE . . . . . No.

The Commonwealth of Massachusetts

PRESENTED BY:

Ryan C. Fattman

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 relative to S corporation taxation.

PETITION OF:

NAME:	DISTRICT/ADDRESS:
Ryan C. Fattman	*Worcester and Hampden*

SENATE DOCKET, NO. 4351 FILED ON: 11/10/2026

SENATE . . . . . No.

By Mr. Fattman, a petition (accompanied by bill) (subject to Joint Rule 12) of Ryan C. Fattman for legislation relative to S corporation taxation. Revenue.

The Commonwealth of Massachusetts

In the One Hundred and Ninety-Fourth General Court
(2025-2026)

An Act relative to S corporation taxation.

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

Chapter 63 of the General Laws, as appearing in the 2024 Official Edition, is hereby amended by striking out section 32D in its entirety and inserting in place thereof the following:-

"Section 32D. (a) Any business corporation subject to an excise under section 39 which is an S corporation, as defined under section 1361 of the Code, as amended and in effect for the taxable year, shall determine the net income measure of the excise as follows:

(i) The net income shall be determined by taking into account subchapter S of said Code. Income or loss shall be determined as if it were realized or incurred directly by an owner subject to taxation under chapter 62 or 63, as applicable. In the case of an S corporation, income shall be included in the net income measure under this subsection to the extent that such income is taxed to the S corporation for federal income tax purposes; and

(ii) Any such business corporation which is an S corporation and has total receipts for the taxable year of $11,000,000 or more shall also include in the net income measure of the excise

imposed under section 39 an amount determined by multiplying its net income determined to be taxable in accordance with this chapter by 1 of the following rates, in lieu of the rate provided in said section 39:—

(1) when the total receipts for the taxable year are at least $11,000,000 but less than $16,000,000, the rate shall be two-thirds of the rate specified in clause (2); and

(2) when the total receipts for the taxable year are $16,000,000 or more, the rate in any taxable year shall be calculated by subtracting the rate applicable to Part B taxable income for that year in subsection (b) of section 4 of chapter 62 from the rate applicable to business corporations in that taxable year under clause (2) of paragraph (a) of subsection (3) of section 39 of chapter 63.

For purposes of this subsection, net income determined to be taxable in accordance with this chapter shall be determined without taking into account subchapter S of said Code, and shall not include income that is taxed to the S corporation at the entity level under paragraph (i) of subsection (a). The term "total receipts" shall mean gross receipts or sales, less returns and allowances, and shall include dividends, interest, royalties, capital gain net income, rental income and all other income. The cost of goods sold or the cost of operations shall not be deductible in determining such total receipts. The commissioner shall, by regulation, apply such limits on an aggregate basis to S corporations engaged in a unitary business with majority direct or indirect ownership by common stockholders. Such aggregating shall also include any other type of entity, including any qualified subchapter S subsidiary, so engaged and so owned which the commissioner finds was established for the purpose of avoiding the foregoing limits.

(b) Qualified subchapter S subsidiaries shall not be subject to separate entity level taxation under this section or section 39. Rather, the parent S corporation shall be subject to tax under this section and section 39, and shall include the income and take into account the activities of all qualified subchapter S subsidiaries for purposes of determining the excise due under subsection (a) of this section, and shall include the value of the property or the net worth of all qualified subchapter S subsidiaries for purposes of determining the non-income measure of the excise under clause (1) of subsection (a) of section 39. The parent S corporation and its qualified subchapter S subsidiaries shall be jointly and severally liable for the tax due under this chapter."