

MASSACHUSETTS TAX INCENTIVES

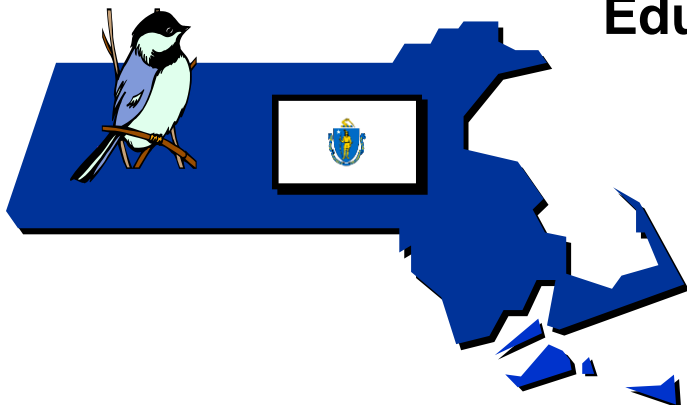


FOR *ALTERNATIVE ENERGY*

AND *ENERGY CONSERVATION*

**TURP Continuing
Education Conference**

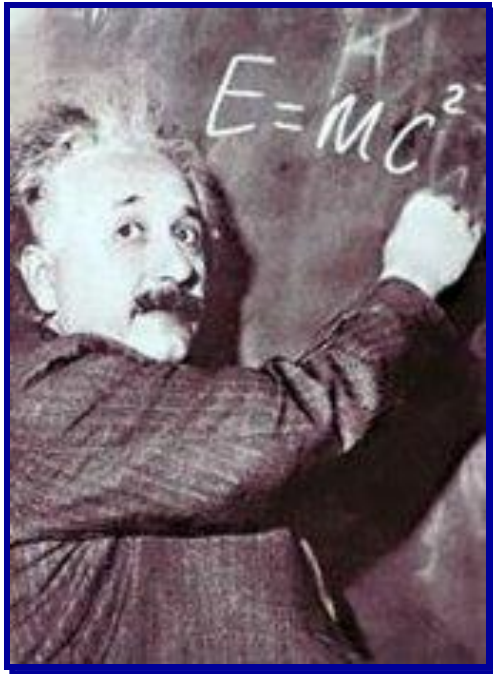
11-20-08



Linda M. Kaplan

Training Specialist, Tax Education Group
Employee Training & Development
Mass. Department of Revenue

“The hardest thing in the world to understand is the income tax”



ALBERT EINSTEIN

*American (German-born)
theoretical physicist
(1879 - 1955)*

Tax Incentives – Topics

★ Government tax incentives for alternative energy and conservation

- ◆ Federal (IRS)
- ◆ Massachusetts



★ Incentives – found in different chapters of Mass. Tax Law

- ◆ Sales Tax – MGL Ch. 64H
- ◆ Corporate – MGL Ch. 63
- ◆ Personal – MGL Ch. 62





Massachusetts Tax Law

- * Statute – Tax Laws

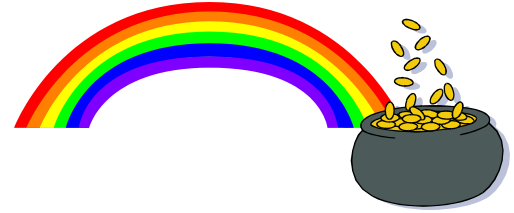
- ◆ Part I. Administration of Government
 - * Title IX. Taxation

- * Public Written Statements

- ◆ Regulations (CMR's)
 - * Code of Massachusetts Regulations
- ◆ Technical Information Releases (TIR's)
- ◆ Directives
- ◆ Letter Rulings (LR's)
- ◆ Administrative Provisions (AP's)
 - * Example: **AP 615 Public Written Statements**

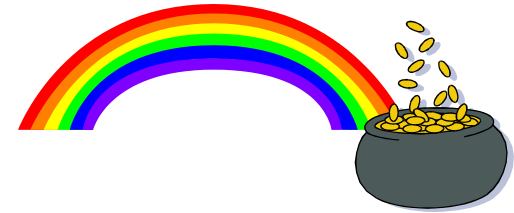


Credits



- ★ Credits Available – Depending on the credit, can apply to
 - ◆ Personal Income filers
 - ◆ Corporate filers
 - ◆ Both

Credits



- * Credit – Direct offset (dollar for dollar reduction) of tax liability
- * Types of credits:
 - ◆ **Refundable**

If credit exceeds tax liability, the excess is considered an **OVERPAYMENT OF TAX** and is refunded without interest.
 - ◆ **Non-refundable**

Reduces tax only up to the liability. Any unused portion is lost that year.
 - ◆ **Carryover**
 - * Unused portion of credit can be carried to next year.
 - * How many years – depends on the specific credit.
 - ◆ **Non-carryover**
 - * Credit will be lost if it cannot be used in that year.

Solar and Wind Energy Credit

Boston's First Wind Turbine Serves as Example

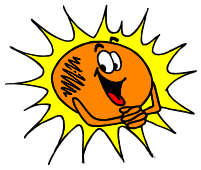


May 18, 2005

Boston's first commercial wind tower within city limits will help the IBEW electrical workers become familiar with wind power while also displaying wind power to thousands of commuters.

Photo: Henry duPont / Lorax Energy





Solar and Wind Energy Credit



- * Credit **allowed** for expenditures made for certain types of **renewable energy**

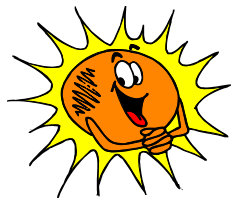
- ◆ Solar Energy or Wind Energy
- ◆ Used for **non-business residential purposes**



- * **Renewable energy source items include**

- ◆ Equipment which uses or transmits **solar** or **wind energy**
- ◆ Used to heat, cool, or provide hot water
- ◆ For a **principal residence** in Massachusetts
 - * Whether owned or rented





Solar and Wind Energy Credit

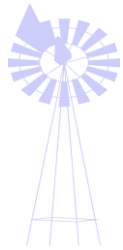


LET'S LOOK AT SOME EXAMPLES...



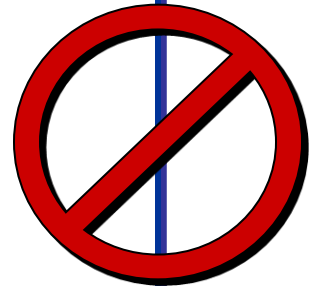
Examples – Solar

- Solar Collectors
- Rockbeds
- Heat Exchanges



Credit may **NOT** be claimed for:

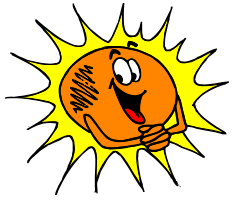
- Air and water heat pumps
- Caulking or weather stripping
- Costs of energy conservation
- Insulation
- Storm or thermal windows or doors
- Wood burning stoves and furnaces



Examples – Wind

- Windmills,
- Wind-Driven Generators,
- Power Conditioning and Storage Devices

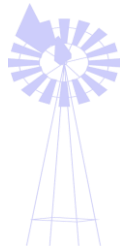




Solar and Wind Energy Credit



- * Taxpayer must be first to use property and
- * Property must be expected to last **at least 5 years**
- * Must meet quality/performance standards per Regulation 830 CMR 62.6.1
- * Tax Credit = Lesser of:
 - ◆ **15%** of net expenditure for renewable energy source property, *or*
 - ◆ **\$1,000.**
- * **Non-refundable**, 3 year **carryover**
- * References:
 - ◆ MGL Ch. 62, § 6(d) and
 - ◆ 830 CMR 62.6.1



Wind turbines on a ridge,
Searsburg, Vermont

Schedule EC – Solar and Wind Energy Credit – 2007



Schedule EC Solar and Wind Energy Credit

2007
Massachusetts
Department of
Revenue

Name(s) as shown on Massachusetts Form 1 or 1-NR/PY _____ Social Security number(s) _____

Costs of renewable solar and/or wind energy source property installed in a principal Mass. residence
Do not include repair or maintenance costs. See instructions on the back of this form.

1	Cost of renewable solar energy property installed in your principal Massachusetts residence in 2007	1	
2	Cost of renewable wind energy property installed in your principal Massachusetts residence in 2007	2	
3	Total qualifying expenditures. Add lines 1 and 2	3	
4	Enter any U.S. HUD grant or rebate for such expenditures	4	
5	Net 2007 expenditures. Subtract line 4 from line 3	5	
6	Enter 15% of line 5	6	

7a Maximum allowable credit for principal residence: \$1,000

7b	Total prior years credit allowed. Add amounts from: 1979 Schedule EC, line 10; 1980 through 1985, Schedule EC, line 12; and 1986 through 2006, Schedule EC, line 8. Enter result here	7b	
7c	Subtract line 7b from line 7a. Not less than "0"	7c	
8	2007 Massachusetts Energy Credit. Enter line 6 or line 7c, whichever is less	8	
9a	Enter 2004 unused Massachusetts Energy Credit (from 2006 Schedule EC, line 13, column c)	9a	
9b	Enter 2005 unused Massachusetts Energy Credit (from 2006 Schedule EC, line 13, column c)	9b	
9c	Enter 2006 unused Massachusetts Energy Credit (from 2005 Schedule EC, line 13, column c)	9c	
10	Massachusetts Energy Credit available this year. Add lines 8, 9a, 9b and 9c	10	

Computation of Energy Credit allowable on return

11	Total tax from Form 1, line 27 or Form 1-NR/PY, line 31 less Limited Income Credit, and/or Credit for Taxes Paid to Other Jurisdictions, and/or Home Energy Efficiency Credit, if any	11	
12	Massachusetts Energy Credit allowable this year. Enter the smaller of line 10 or line 11 here and on Form 1, Schedule Z, or Form 1-NR/PY, Schedule Z. Not more than \$1,000. Do not enclose with your return. Retain for your records	12	

Unused Massachusetts Energy Credit Carryover

13 Complete only if line 10 is more than line 11, or if you have unused credits from prior years.

Year	a. Unused credits from prior years and current year credit	b. Portion used this year	c. Unused credit available	
			Subtract col. b. from col. a	
			Amount	For
2005	(2006 Sch. EC, line 13, col. c)	\$	\$	2008
2006	(2006 Sch. EC, line 13, col. c)	\$	\$	2008-09
2007	(2007 Sch. EC, line 8)	\$	\$	2008-10
14	Totals	\$	\$	

Schedule EC Instructions

General Information

Massachusetts General Laws, Chapter 62, section 6(d) allows any owner or tenant of residential property located in Massachusetts, who is not a dependent of another taxpayer and who occupies the property as his/her principal residence, a credit equal to 15% of the net expenditure for renewable energy source property (installed on or after January 1, 1979) or \$1,000, whichever is less.

A summer or vacation home does not qualify as a principal residence. Property placed in a rental unit by a landlord does not qualify for the credit. Joint owners, who occupy residential property as their principal residence, share any credit available to the property in the same proportion as their ownership interests. A condominium or cooperative housing corporation dwelling unit may qualify. (See 830 CMR 62.6.1). In the case of new construction, the credit is available to the original owner-occupant.

If you move during the year, you can take the \$1,000 maximum credit for each Massachusetts principal residence in which you live. If you use all of your credit for one Massachusetts principal residence and then move, you may take the maximum credit amount on your next Massachusetts principal residence. To take the credit for a renewable energy source item, you must be the first one to use the item; it must be expected to last five years; and it must meet the performance and quality standards prescribed by the Commissioner of Revenue. Expenditures are generally treated as made when the installation is completed. Further information about restrictions and qualifications may be found in 830 CMR 62.6.1.

Line Instructions

Lines 1 and 2. Enter the cost, including installation, of the renewable energy source properties for your principal residence. Qualified renewable energy source property is property which

transmits or uses solar energy in heating hot water or electricity, or in generating hot water or electricity, or in generating power for residential purposes. Example: solar collectors, rockbeds and heat exchangers. Energy items include windmills, water conditioning and storage devices.

Note: The following renewable energy source property is not eligible for the credit (830 CMR 62.6.1):

- heating and cooling systems, other than solar or wind, that supplement renewable energy source equipment;
- energy storage mediums for nonessential functions, e.g. swimming pools;
- expenditures for heat pumps (air and water), wood burning stoves or furnaces;
- materials and components that have a structural function or are structural components; and
- energy conservation expenditures for insulation, storm or thermal windows or doors, caulking or weatherstripping, etc.

Line 4. Enter the amount of any U.S. HUD grant or rebate related to renewable solar and wind energy source property installed in your principal Massachusetts residence.

Lines 7 through 10. Complete all appropriate lines to determine the amount of credit available this year.

Lines 11 through 13. If the amount of energy credit available in line 10 is more than your total tax in line 11, less any Limited Income Credit and/or Credit for Taxes Paid to Other Jurisdictions, the excess may be carried over three succeeding years. Excesses are not refundable.



Computation of Energy Credit allowable on return

11	Total tax from Form 1, line 27 or Form 1-NR/PY, line 31 less Limited Income Credit, and/or Credit for Taxes Paid to Other Jurisdictions, and/or Home Energy Efficiency Credit, if any	11	
12	Massachusetts Energy Credit allowable this year. Enter the smaller of line 10 or line 11 here and on Form 1, Schedule Z, or Form 1-NR/PY, Schedule Z. Not more than \$1,000. Do not enclose with your return. Retain for your records	12	

http://www.mass.gov/Ador/docs/dor/Forms/IncTax07/addls/sch_ec.pdf

Sales Tax

* Background –

- ◆ Massachusetts – Imposes a Sales Tax of 5%
 - * Tangible Personal Property or certain telecommunications services sold or rented in the Commonwealth
- ◆ Exemption –
 - * Basically, everything is subject to Sales tax unless specifically exempted in Ch. 64H
 - * Exemption means “you don’t have to pay sales tax on the exempted item”
- ◆ Common examples – baby oil

Small Business Energy Exemption

- * Purpose
- * Who may qualify – Qualifying Small Business owner (all entities)
 - ◆ Prior calendar year - gross income < \$1,000,000
 - * Reasonably expect gross income < \$1,000,000 for current year
 - ◆ 5 or Fewer employees
- * Provides exemption from paying sales tax on purchases of gas, steam, electricity, or steam
- * Must be solely for own use
- * Required –
 - ◆ Must complete Form ST-13, Small Business Exemption Certificate, and
 - ◆ Submit to vendor prior to purchase

Form ST-13

Small Business Energy Exemption Certificate



Form ST-13 Small Business Energy Exemption Certificate for Purchases On or After April 1, 2006

Rev. 2/06
Massachusetts
Department of
Revenue

Vendor's name _____

Address _____

City/Town _____ State _____ Zip code _____

Description of energy being purchased (check one): _____ Number of employees _____

Gas Steam Electricity Heating Fuel

I hereby certify that the energy described above is purchased solely for my own use as a qualifying small business which, during the previous calendar year, had gross income of less than \$1,000,000 and which reasonably expects to have gross income of less than \$1,000,000 for the current calendar year, and which has five or fewer employees. I further certify that I have records sufficient to document the eligibility of the business claiming exemption under this certificate. This certificate may not be used to claim exemption if any portion of the energy purchased is provided to or for the benefit of other entities.

Full liability is hereby assumed by the purchaser for the payment of any use tax due in the event that the purchaser does not meet all of the requirements above. This certificate shall be considered part of each order unless revoked in writing. All vendor purchase orders under this certificate shall clearly state that they represent purchases for the use of exempt small business.

Signed under the penalties of perjury.

Signature _____ Title _____

Name of company _____ Federal Identification number _____

Address _____

City/Town _____ State _____ Zip code _____

Date _____

Type of certificate (check one): Single Purchase Certificate Blanket Certificate (for calendar year _____)

Form ST-13 Instructions

“Employee” also includes any other individual who is an employee as defined for federal tax withholding purposes under Internal Revenue Code (I.R.C.) Sec. 3401 and who normally works for the business for thirty hours per week or more and who is hired for a period of five months or more.

If a business is a member of an affiliated group, as defined in I.R.C. Sec. 1504, all employees of all members of the group must be counted to determine whether the entire affiliated group qualifies as a small business.

The business must maintain adequate weekly employee time and wage records to substantiate any claim to this exemption.

If at any time a business that has claimed a small business exemption under this certificate ceases to qualify for exemption, it must notify the vendor in writing.

A purchaser is liable for the payment of any use tax in the event that the purchaser is not eligible for the exemption.

For further information about the Small Business Energy Exemption, see Massachusetts Regulation 830 CMR 64H.6.11; Technical Information Release 06-2.

Warning: Willful misuse of this certificate may result in criminal tax evasion penalties of up to one year in prison and \$10,000 (\$50,000 for corporations) in fines.

If you have any questions about the acceptance or use of this certificate, please contact the Massachusetts Department of Revenue at (617) 887-MDOR.

less than \$1,000,000 for the current calendar year, and which reasonably expects to have gross income of less than \$1,000,000 for the current calendar year, and which has five or fewer employees. I further certify that I have records sufficient to document the eligibility of the business claiming exemption under this certificate. This certificate may not be used to claim exemption if any portion of the energy purchased is provided to or for the benefit of other entities.

entitled to the small business energy exemption if the vendor accepts in good faith that the purchaser is not eligible for the exemption.

For the small business exemption, the purchaser must provide the name, address, and business claiming the exemption, and a copy of Form ST-13. Requirements for retaining records are found in 830 CMR 62C.25.1.

certificate to the vendor for the date of its first purchase of energy. If a purchaser presents the certificate only for purchases of energy that are signed and presented to the vendor, the certificate is not valid.

“Employee” includes any part-time employee who normally works for the business for thirty hours or more per week. Unless a taxpayer demonstrates otherwise, the Department of Revenue will presume that an individual normally works for a business for thirty hours or more per week.

http://www.mass.gov/Ador/docs/dor/Forms/Wage_Rpt/PDFs/st_13.pdf

This form is approved by the Commissioner of Revenue and may be reproduced.

Small Business Energy Exemption

* References

- ◆ Law – G.L. c. 64H, § 6 (qq)
- ◆ Regulation - 830 CMR 64H.6.11 Qualifying Small Business Exemption
- ◆ TIR 06-2: Amendments to Qualifying Small Business Exemption under G.L. c. 64H, § 6(qq)
- ◆ Also – See DOR website for tutorial.



Small Business Energy Exemption

Tutorial

- Department of Revenue Website
- One of several tutorials

The screenshot shows the official website of the Department of Revenue (DOR) for the state of Massachusetts. The header includes the DOR logo and navigation tabs for 'DOR Home', 'For Individuals and Families', 'For Businesses', 'For Local Officials', and 'For Tax Professionals'. The main content area features a 'COMMISSIONER NAVJEET BAL' section with a 'Welcome Message' and a 'Welcome Message' button. Below this is the 'OUR ORGANIZATION' section with links to 'About DOR', 'Tax Administration', 'Child Support Enforcement', 'Division of Local Services', and 'Underground Storage Tank Program'. A 'KEY RESOURCES' section lists 'Forms & Publications', 'News and Reports', 'Legal Library', 'Workshops and Seminars', 'Tax Guides', and 'Links to Other Tax Sites'. The central focus is a video player titled 'Small Business Energy Exemption Form ST-13'. The video player includes a play button, a progress bar, and a volume icon. Below the video player, there are several thumbnail images for 'SUPPORT', 'EXEMPTIONS', 'Taxpayer Bill of Rights TAX TIPS', and 'UPDATE'. A 'Video accessibility' note is located at the bottom of the page, stating: 'Video accessibility: To access videos from your keyboard, Tab to the video player and press the spacebar to start or stop, right arrow = fast forward; left arrow = rewind; C = closed captioning; M = sound on or off and N = next video.'

The screenshot shows a video player interface for a video titled 'Small Business Energy Exemption'. The video player has a title bar with the text 'Small Business Energy Exemption' and a subtitle 'This informational video explains the basics of the exemption and how to claim it by completing Form ST-13.' Below the title bar, there are several thumbnail images for 'SUPPORT', 'EXEMPTIONS', 'Taxpayer Bill of Rights TAX TIPS', and 'UPDATE'. A hand cursor is pointing at the 'EXEMPTIONS' thumbnail. The video player includes a play button, a progress bar, and a volume icon.

<http://www.mass.gov/?pageID=dorhomepage&L=1&L0=Home&sid=Ador>

Solar, Windpower or Heat Pump System

- * Purpose
- * Basic provisions – Exemption from Sales Tax for equipment
 - ◆ Directly relating to any **solar, windpowered; or heat pump system**
 - ◆ Being utilized as a primary or auxiliary power system for the purpose of
 - * **heating** or
 - * otherwise **supplying the energy needs**
 - * individual's **principal residence** in the commonwealth
- * References –
 - ◆ Law – G.L. c. 64H, § 6 (dd)

MGL Chapter 64H: Tax on Retail Sales of Certain Tangible Personal Property


Section 6. Exemptions

*The following sales and the gross receipts therefrom **shall be exempt** from the tax imposed by this chapter: ...*

*(dd) Sales of equipment **directly relating** to any **solar, windpowered; or heat pump system**, which is being utilized as a **primary** or **auxiliary** power system for the purpose of **heating** or otherwise **supplying the energy needs** of an individual's **principal residence** in the commonwealth.*



Form ST-12 Exempt Use Certificate



Form ST-12
Exempt Use Certificate

Rev. 7/08
Massachusetts
Department of
Revenue

Vendor's name _____

Address _____ City/Town _____ State _____ Zip _____

I hereby certify that the property herein described is purchased or leased for the following indicated purpose and is exempt from the sales or use tax pursuant to Massachusetts General Laws (MGL), Chapter 64H, section 6(i), (j), (r), (s) or (dd), or is prewritten computer software that qualifies for Multiple Points of Use treatment.

- 1 The materials, tools or fuel will become an ingredient or component part of tangible personal property to be sold.
- 2 **A** The materials, tools or fuel will be consumed and used directly and exclusively in, or
 - B** The machinery, and/or replacement parts thereof, will be used directly and exclusively in
 - 1 agricultural production
 - 2 commercial fishing
 - 3 industrial plant in the actual manufacture, conversion or processing of tangible personal property to be sold
 - 4 publishing a newspaper
 - 5 operation of commercial radio broadcasting or television transmission
 - 6 furnishing power to an industrial manufacturing plant
 - 7 furnishing gas, water, steam or electricity when delivered to consumers through mains, lines or pipes
 - 8 research and development by a manufacturing or research and development corporation under MGL, Ch. 63, sec. 38C or 42B
 - 9 production of animals for research, testing or other purposes to promote human or animal well-being
 - 10 other (explain) _____
- 3 Sales of equipment used directly in solar, wind-powered or heat pump systems to heat or provide energy needs of the person's principal residence in the Commonwealth.
- 4 The fuel will be used in the operation of aircraft or railroads.
- 5 The heating fuel will be consumed or used directly and exclusively in heating an industrial plant where at least 75% of the building, location or

3 Sales of equipment used directly in solar, wind-powered or heat pump systems to heat or provide energy needs of the person's principal residence in the Commonwealth.

8 The tangible personal property is a production expense directly incurred in the production of a motion picture by an accredited film school student, clearly and demonstrably incurred in the Commonwealth and related to a school film project.

9 Multiple Points of Use Certificate. The prewritten computer software will be concurrently available for use in multiple tax jurisdictions. The purchaser agrees to remit apportioned use tax to Massachusetts.

10 Pesticides purchased by a person licensed or certified as a pesticide applicator by the Dept. of Agricultural Resources under MGL, Ch. 132B.

Description of property (complete for any exemption claimed in line 1 or 2; attach statement if necessary) _____

Service location(s) of qualified property (complete for any exemption claimed in line 6) _____

Account number(s) _____

Full liability is hereby assumed for the payment of any sales or use tax due in the event that the property purchased is used for any purpose other than that herein certified. This certificate shall be considered a part of each order unless revoked in writing. All purchase orders under this certificate will clearly indicate that they represent exempt use purchases.

Signed under the penalties of perjury.

Signature _____ Title _____

Name of company _____

Address _____ City/Town _____ State _____ Zip _____

Date _____ Federal identification number (if applicable) _____

Check applicable box: Single purchase certificate Blanket certificate

Form ST-12 Instructions

General Information

Certain consumers may not be required to pay a sales tax if the property they purchase is to be used in a manner which exempts it from taxation.

If tangible personal property, including fuel, gas, steam or electricity is purchased and that purchase qualifies for an exemption from the sales or use tax, the purchaser may present an exempt use certificate to the vendor to certify that the property will be used in an exempt manner. The burden of proving that a sale of tangible personal property by any vendor is exempt from tax is on the vendor, unless the vendor accepts from the purchaser a certificate declaring that the property is exempt from tax. The Multiple Points of Use Certificate claimed on line 9 is only applicable to prewritten computer software that will be concurrently available for use in multiple tax jurisdictions.

Notice to Vendors

The vendor must make sure that the certificate is completed properly and signed before accepting it.

An exempt use certificate relieves the vendor from the burden of proof only if it is taken in good faith from a purchaser who, at the time of purchase, intends to use the property in an exempt manner, or is unable to ascertain at the time of purchase that it will be used in an exempt manner.

A Multiple Points of Use Certificate claimed on line 9 relieves the vendor from the obligation to collect, pay, or remit the applicable tax on sales of prewritten software.

A contractor purchasing property exempt under MGL chapter 64H, section 6(r) or (s), may sign and present this form to its vendor. The contractor bears the burden of proof of demonstrating on audit that the items purchased are or will be used in an exempt manner. In the event that the items do not qualify for exemption under section 6(r) or (s), the contractor will be liable for the tax. An exempt use certificate furnished by the contractor's customer to the contractor will not relieve the contractor from liability. See DD 07-6, "Exemptions under G.L. c. 64H, sec. 6(r) and sec. 6(s)" for further information.

Notice to Purchasers

This form is not to be used by an exempt organization (use Form ST-5), or to claim the exemption for containers used to transport food or drink off premises (use Form ST-12EC), or to claim the small business energy exemption (use Form ST-13). For further information on the proper form to use to claim an exemption for the purchase of utilities and fuel see DD 92-3.

If a purchaser makes any use of the property other than an exempt use, such property will be subject to the Massachusetts sales or use tax, as of the time the property is first used.

For any exemption claimed in line 1 or 2, the purchaser must provide a description of the exempt property. For any exemption claimed in line 8 for the purchase of gas, steam or electricity, the purchaser must provide the service locations of the qualified property and utility account numbers. Attach an additional statement if more space is needed.

A purchaser submitting a Multiple Points of Use Certificate by

well as other pesticides commonly regarded in the same category and for the same purpose. See TIR 08-8 for more information.

The vendor must retain this certificate as part of his/her tax records. For further information regarding the requirements for retaining records, see Massachusetts Regulation, 830 CMR 62C.25.1.

Notice to Contractors


This form may be used by a contractor when purchasing or leasing tangible personal property from a vendor in connection with fulfilling a contract with its customer if the property will be used for one of the exempt uses described in Massachusetts General Laws (MGL) chapter 64H, section 6(r) or (s), which include the following: use directly and exclusively in an industrial plant in the actual manufacture of tangible personal property to be sold; in the furnishing of power to an industrial manufacturing plant; in the furnishing of gas, water, steam or electricity when delivered to consumers through mains, lines or pipes; in research and development by a manufacturing corporation or research and development corporation; in agricultural production; in commercial fishing.

to qualify for the exemption, it must revoke in writing the Form ST-12 it has given to its vendor(s).

For further information regarding the acceptance or use of exempt use certificates see Massachusetts Regulation, 830 CMR 64H.8.1.

Warning: Willful misuse of this certificate may result in criminal tax evasion penalties of up to one year in prison and \$10,000 (\$50,000 for corporations) in fines.

If you have any questions about the acceptance or use of this certificate, please contact: **Massachusetts Department of Revenue, Customer Service Bureau, PO Box 7010, Boston, MA 02204; (617) 887-MDOR, or toll-free in-state 1-800-392-6089.**

 printed on recycled paper

Guide to Sales & Use Tax

A Guide to Sales and Use Tax

2008

 *Common Questions*

 *Tax-Exempt Items*

 *Filing and Payment Information*

 *Department of Revenue Resources*



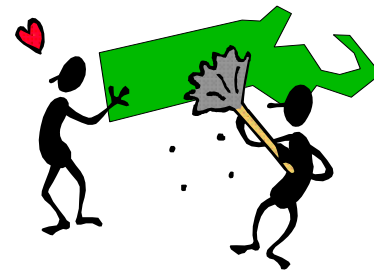
Massachusetts Department of Revenue

*For additional information
regarding SALES and
USE TAX...*



Credits – Related to Clean-up and / or Preservation

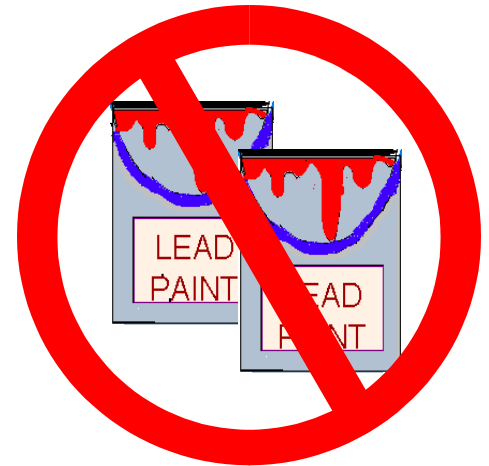
- * Lead Paint Credit
- * Septic System Credit
- * Brownfields Credit
- * Historic Rehabilitation Credit





Lead Paint Credit

- * Credit allowed for **removing** or **covering** materials on Mass. residential premises **having high lead levels**
- * **Credit to Owner** of **qualified premises** = lesser of
 - (1) Cost of deleading expense, or
 - (2) \$1,500
- * **Non-refundable; 7 year carryover**
- * **Required for Return:**
 - ◆ **Mass. Schedule LP – Credit for Removing or Covering Lead Paint on Residential Premises *and...***
 - ◆ Letter of Compliance
- * **Inspection** and use of **qualified deleader** required



Schedule LP – 2007

Part 4. Unused Lead Paint Carryover

10 Complete only if line 7 is greater than line 8, or if you have unused credits from prior years.

Year	a. Unused credits from prior years and current year credit		b. Portion used this year	c. Unused credit available Subtract column b from column a	
		\$		Amount	F
2001	(2006 Sch. LP, line 10, col. c)	\$ _____	\$ _____	\$ _____	2008-
2002	(2006 Sch. LP, line 10, col. c)	\$ _____	\$ _____	\$ _____	2008-
2003	(2006 Sch. LP, line 10, col. c)	\$ _____	\$ _____	\$ _____	2008-
2004	(2006 Sch. LP, line 10, col. c)	\$ _____	\$ _____	\$ _____	2008-
2005	(2006 Sch. LP, line 10, col. c)	\$ _____	\$ _____	\$ _____	2008-
2006	(2006 Sch. LP, line 10, col. c)	\$ _____	\$ _____	\$ _____	2008-
2007	(2007 Sch. LP, line 5)	\$ _____	\$ _____	\$ _____	2008-

General Information

What Is the Lead Paint Credit?

The Lead Paint Credit is a credit provided for covering or removing materials on residential premises in Massachusetts that have been established as containing dangerously high levels of lead. The credit for each residence is equal to the cost of the deleading expenses, or \$1,500, whichever is less. In addition, a credit for interim controls — abatement measures taken pending complete deleading — is allowed for up to \$500 per residence. This \$500 amount applies toward the \$1,500 limit.

What Kinds of Properties Qualify for the Lead Paint Credit?

Only "residential premises" qualify for the lead paint removal credit. Among the residential premises that qualify for the credit are:

- single family homes;
- individual units in an apartment building;
- condominium units; or
- individual units in multi-family homes.

Which Taxpayers Are Qualified to Take the Credit?

The credit may only be claimed by the owner of a residential premise.

What Type of Work Is Covered by the Credit?

A tax credit is available for work done actually deleading, containing or covering lead. Deleading refers to the removal or covering of paint. Covering refers to work that would be readily accessible to the general public and the costs that are incurred for lead abatement, including the tax credit.

What Are Interim Control Measures?

Interim control measures are deleading activities under dress urgent lead hazards pursuant to an emergency abatement plan pending the issuance of a Letter of Compliance.

What Steps Must Be Taken to Claim the Credit?

To claim the Lead Paint Credit, the following steps must be completed:

- The residential unit must be inspected by an inspector (in the case of full compliance) or by a risk assessor (for interim control) licensed by the Department of Public Health (Childhood Lead Poisoning Prevention Program) who certifies the presence of dangerous levels of lead.

- The contaminated areas must be deleading or interim control measures instituted by a licensed deleader or authorized person.

- The property must be reinspected by a licensed risk assessor who issues a Letter of Interim Control or by a licensed inspector who issues a Letter of Compliance.

When Does the Taxpayer Become Entitled to the Credit?

You are entitled to claim a Lead Paint Credit in the tax year in which compliance is certified or in the year in which the deleading occurs, whichever is later.

Do not enclose or attach Schedule LP with your return or your records. Taxpayers must also retain a copy of the Letter of Interim Control and/or Letter of Compliance.

What If My Lead Paint Credit Is Larger Than My Tax Liability?

If the credit you derive from deleading a residential premise is more than the amount you owe in income tax for the year, the balance may be carried over into the next year. You may carry over an unused portion of the original credit for up to seven years.



Schedule LP Credit for Removing or Covering Lead Paint on Residential Premises

2007

Massachusetts
Department of
Revenue

Name(s) as shown on Massachusetts Form 1, 1-NR/PY or 2

Social Security number(s)

Part 1. Interim Control Deleading.

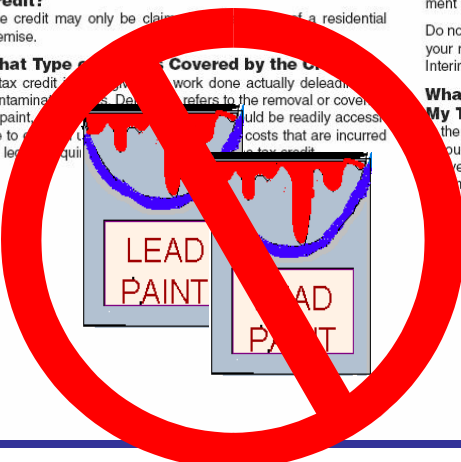
1 a. Address(es) of unit(s) under an emergency lead management plan. Include unit or apartment number, if applicable	b. Date of compliance or payment, whichever is later	c. Total cost of qualified interim control measures	d. Enter 50% of column c	e. Enter the lesser of column d or \$500
2 Total amounts qualifying for interim control deleading. Add all amounts in column e				2

Part 2. Full Compliance Deleading.

3 a. Address(es) of unit(s) deleading. Include unit or apartment number, if applicable	b. Date of compliance or payment, whichever is later	c. Total cost of qualified lead removal or covering	d. Total cost, or \$1,500, whichever is less	e. For each address, subtract from col. d any entry in Part 1, col. e or any entry from 2000 through 2006 Schedule LP, Part 1, col. e
4 Total amounts qualifying for full compliance deleading. Add all amounts in column e				4

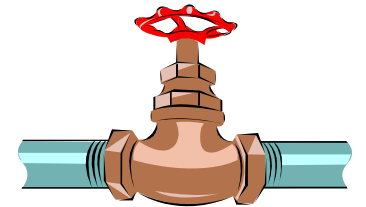
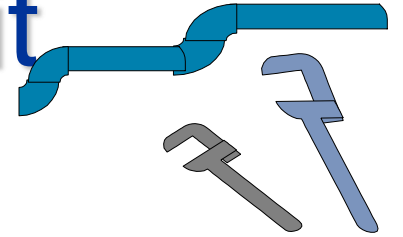
Part 3. Current Year Credit

5 Total Lead Paint Credits for this year. Add lines 2 and 4	5
6 Enter unused credits from prior year (from 2006 Schedule LP, line 10, column c)	6
7 Massachusetts Lead Paint Credit available this year. Add lines 5 and 6	7
8 Total tax from return (Form 1, line 27; Form 1-NR/PY, line 31; or Form 2) less Limited Income Credit, and/or Credit for Taxes Paid to Other Jurisdictions, and/or Home Energy Efficiency Credit, and/or Energy Credit, and/or Economic Opportunity Area Credit, and/or Full Employment Credit, and/or Septic Credit, and/or Brownfields Credit, and/or Low Income Housing Credit, and/or Historic Rehabilitation Credit, and/or Film Incentive Credit, and/or Medical Device Credit, if any	8
9 Massachusetts Lead Paint Credit allowable this year (smaller of lines 7 or 8). Enter here and on Form 1, Schedule Z; Form 1-NR/PY, Schedule Z; Form 3F, line 25; or Form 2. Do not enclose with your return. Retain for your records	9



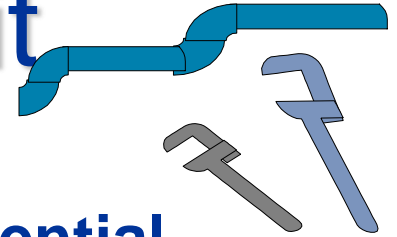


Septic System Credit





Septic System Credit

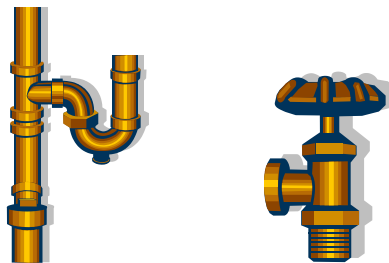


- * Title V Credit - Available to **owner** of **residential property** located in Massachusetts who occupies it as **principal residence**
- * G.L. c. 62, § 6(i)
- * Allowed a **credit for design & construction expenses** for
 - ◆ **Repair or replacement** of **failed cesspool or septic system or**
 - ◆ **Mandated Hookup – connect** to a **municipal sewer system** pursuant to a **legal requirement**
 - * e.g., federal court order, administrative consent order, state court order, consent decree, or similar mandate



Septic System Credit

- * **Amount - 40%** of cost up to **\$15,000**
\$1,500 per year. Maximum aggregate \$6,000.
 - ◆ For taxpayers receiving an **Interest Subsidy** -
Credit received must be reduced by amount of the
Interest Subsidy
- * Non-refundable, 5 year carryover



Septic System Credit

- ★ **Required** - Taxpayers should retain the following records for documentation to substantiate the credit. They should **not** attach these items to the return.
 - ◆ Completed **Mass. Schedule SC – Septic Credit**
 - ◆ **Certificate of Compliance**
 - ★ **Verification Letter** from city or town in lieu of Certificate of Compliance if due to mandated hookup
 - ◆ Documentation related to any Interest Subsidy the taxpayer has received
 - ◆ Enter amount from Schedule SC on Form 1 or Form 1-NR/PY, Schedule Z, Line 4

Septic System Credit

* Sources:

◆ **Technical Information Releases (TIR's)**

- * **TIR 97-12:** Personal Income Tax Credit for Failed Cesspool or Septic System
Title 5 Expenditures
- * **TIR 98-8:** Massachusetts 1998 Reducing Income Taxes Act ("the Act") [*Section 11.J*]
- * **TIR 99-5:** *The Title 5 Credit and Federally Mandated Sewer Connections*
- * **TIR 99-20:** Title 5 Septic System Expenditures Credit -- Calculation of Subsidy Deduction

◆ **DOR Directive**

- * **Directive 01-6:** The Title 5 Credit and State Mandated Sewer Connections

◆ **Regulation:**

- * **310 CMR 15.000 et seq.,** State Environmental Code, Title 5, promulgated by the Massachusetts Department of Environmental Protection in 1995

Schedule SC - Septic Credit - 2007

Part 4. Unused Septic Credit Carryover


Complete only if line 9 is more than line 15, or if you have unused credits from prior years.

Year Certificate of Compliance was issued	a. Total credit available	b. Portion used this year (2007 Sch. SC, line 19)	c. Unused credit Subtract col. b. from col. a.
2003	(2006 Schedule SC, line 16) \$	\$	\$
2004	(2006 Schedule SC, line 16) \$	\$	\$
2005	(2006 Schedule SC, line 16) \$	\$	\$
2006	(2006 Schedule SC, line 16) \$	\$	\$
2007	(2007 Schedule SC, line 9) \$	\$	\$

Part 5. Computation of Interest Subsidy

If Certificate of Compliance or verification letter was issued in 2007, complete all applicable lines. If claiming a carryover credit, only through 37.

17	Total amount of loan or betterment outstanding during 2002	17
18	Number of days the loan or betterment was issued during 2002	18
19	Amount in line 17 x (number of days in line 18 + 365) x 7%	19
20	Total amount of loan or betterment outstanding during 2003	20
21	Number of days the loan or betterment was issued during 2003	21
22	Amount in line 20 x (number of days in line 21 + 365) x 6.75%	22
23	Total amount of loan or betterment outstanding during 2004	23
24	Number of days the loan or betterment was issued during 2004	24
25	Amount in line 23 x (number of days in line 24 + 365) x 5.5%	25
26	Total amount of loan or betterment outstanding during 2005	26
27	Number of days the loan or betterment was issued during 2005	27
28	Amount in line 26 x (number of days in line 27 + 365) x 7%	28
29	Total amount of loan or betterment outstanding during 2006	29
30	Number of days the loan or betterment was issued during 2006	30
31	Amount in line 29 x (number of days in line 30 + 365) x 8.5%	31
32	Total amount of loan or betterment outstanding during 2007	32
33	Number of days the loan or betterment was issued during 2007	33
34	Amount in line 32 x (number of days in line 33 + 365) x %	34
35	Total interest at market rate. Add lines 19, 22, 25, 28, 31 and 34.	35
36	Total interest actually paid on the loan or betterment. If Certificate of Compliance or verification letter was issued in 2007, enter the total interest paid during all periods listed above. If claiming a carryover credit only, enter the amount of interest paid in 2007.	36
37	Amount of interest subsidy. Subtract line 36 from line 35. Enter result here and in Part 5, line 12.	37



Schedule SC Credit for Repairing or Replacing a Failed Cesspool or Septic System

2007
Massachusetts
Department of
Revenue

Name(s) as shown on Massachusetts Form 1, 1-NR/PY (Social Security number(s))

Address of principal residence with a failed system (must be in Massachusetts)

City/Town State Zip

Part 1. General Information

- 1 May your parents (or someone else) claim you as a dependent on their 2007 Massachusetts income tax form? You must check yes or no:
 - Yes No. If "Yes," you do not qualify for this credit.
- 2a Date certificate of compliance or verification letter issued: / / Retain a copy of Certificate of Compliance or verification letter.
- 2b Name of approving authority: / /
- 3 List names, addresses and percentage of ownership of any co-owners of the above property. If a condominium, list legal name of the condominium association and total number of owners.
- 4 If you were a co-owner of the property for which this credit is being claimed, enter the percentage of the total actual costs that you paid. If you were the sole owner of the property, enter 100%. %
- 5 If you received a subsidized loan from the Commonwealth, or a betterment issued by a municipality to complete repairs or replacement of a qualified cesspool or septic system, complete the following (you must also complete Part 5):
 - 5a Subsidized loan issued under homeowner septic repair program
 - Name of participating lender: _____
 - Amount of loan \$: _____
 - Loan term (in months): _____
 - Interest rate: 0% % %
 - 5b Loan received by municipality and assessed as a betterment (see instructions) to your property tax bill
 - Name of municipality: _____
 - Amount of betterment \$: _____
 - Number of years to repay betterment: _____
 - Interest rate: _____

Part 2. Computation of Credit. Complete Part 2 only if Certificate of Compliance or verification letter was issued in 2007.

6a Briefly describe the nature of expenditures made to comply with Title 8 to be connected to a municipal sewer system pursuant to a federal court order, Administrative Consent Order, state court order, consent decree or similar mandate. Complete details must be available upon request. Also include any actual costs incurred in 1995 through 2006.

	Date paid	c Actual cost

7 Total actual costs to repair or replace a failed cesspool or septic system or to connect to a municipal sewer system. Add all amounts in line 6, column c. 7

8 Maximum amount available for comparison of the credit. Enter the smaller of line 7 or \$15,000. 8

9 Amount of actual costs available for the credit. Multiply line 8 by .40 (40%) 9

Part 3. Current Year Credit

- 10 Maximum Septic Credit available this year. If Certificate of Compliance or verification letter was issued in 2007, enter the smaller of line 9 or \$1,500. If claiming a carryover credit, enter the smaller of 2006 Schedule SC, line 16, column c or \$1,500. 10
- 11 Adjusted Septic Credit. Multiply line 10 by the percentage in line 4. Enter the result in line 11. 11
- 12 Interest subsidy received, if any (from Part 5, line 37) 12
- 13 Adjusted Septic Credit available for 2007. Subtract line 12 from line 11. 13
- 14 Total tax from Form 1, line 27 or Form 1-NR/PY, line 31 less Limited Income Credit, and/or Credit for Taxes Paid to Other Jurisdictions, and/or Home Energy Efficiency Credit, and/or Energy Credit, and/or Lead Paint Credit, Economic Opportunity Area Credit, and/or Full Employment Credit, and/or Brownfields Credit, and/or Low Income Housing Credit, and/or Historic Rehabilitation Credit, and/or Film Incentive Credit, and/or Medical Device Credit, if any. 14
- 15 Massachusetts Septic Credit allowable this year. Enter the smaller of line 13 or line 14 here and on Form 1, Schedule Z or Form 1-NR/PY, Schedule Z. Do not enclose with your return. Retain for your records. 15

Schedule SC Instructions

What is the Title 5 Septic Credit?

The Septic Credit is a credit equal to 40% of the actual costs incurred in the repair or replacement of a failed septic system. The expenses are the lesser of the taxpayer's actual costs paid to repair and replace the system, or \$15,000. The maximum amount of the credit that may be claimed in any tax year is \$1,500. Any excess credit amount may be used in the five tax years following the year in which the credit was initially claimed. The total amount of credit that may be claimed by the owner for a residential property is \$6,000.

Who is Qualified to Claim the Credit?

To claim the Septic Credit, you:

- must be the owner of the residential property located in Massachusetts;
- must occupy the property as your principal residence; and
- may not be the dependent of another taxpayer.

What is an Interest Subsidy?

The Commonwealth, through the efforts of the DEP, and the Massachusetts Housing Finance Agency (MHFA) and the state's cities and towns, offers qualified owner interest subsidies in the form of low interest rate loans and betterments for the repair and replacement of failed septic systems. If an owner has received an interest subsidy, the amount of the Title 5 credit that the owner may claim is reduced by the amount of the interest subsidy the owner receives. Generally, the amount of the interest subsidy is the difference between the non-subsidized interest rate determined under G.L. c. 62C, § 32(a) in effect at the time the owner receives the subsidy and the amount of interest the owner actually pays.

How Do I Claim the Credit?

To claim the credit, you must complete Schedule SC. Do not enclose or attach Schedule SC with your return. Retain for your records. You must also retain:

- a copy of the Certificate of Compliance or verification letter;
- if you have received an interest subsidy from the Commonwealth, a copy of a truth in lending statement or similar document from the lender stating the lender's name, the amount of the loan, the interest rate imposed, the length of the repayment term, and the amount of the loan that you have repaid; and/or
- if the interest subsidy is in the form of a betterment, the relevant property tax bill(s) or other documents received from the taxpayer's city or town stating the name of the city or town, the amount of the betterment, the interest rate imposed, the length of the repayment term, and the amount of the betterment that you have repaid.

What are Actual Costs?

Actual costs are the reasonable and necessary costs paid by the owner to repair and replace a failed septic system, including the costs for materials, equipment, demolition, relocation, design, engineering, testing and inspection. Expenses incurred by the owner in 1995 through 2006 to repair or replace a failed system are also actual costs. Actual costs do not include costs paid for the repair and replacement of any system that is not a failed system, or for the repair and replacement of any system not undertaken pursuant to the relevant Department of Environmental Protection (DEP) regulations. A copy of the Certificate of Compliance or verification letter issued to the owner by the appropriate authority stating that the system has been repaired or replaced in compliance with the DEP regulations must be kept with your records.

Schedule Z Other Credits Enclose with Form 1 or Form 1-NR/PY. Do not cut or separate these schedules.

2007

Part 1. Credits			
1	Lead Paint	▶ 1	00
2	Economic Opportunity Area	▶ 2	00
3	Full Employment	▶ 3	00
4	Septic	▶ 4	00

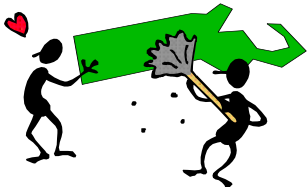
Schedule Z, Line
4 - Septic Credit

2007 Schedule Z, Line 4
Instructions - Pg 21

Brownfields Credit



- * Allowed for amounts expended to **rehabilitate contaminated property**
 - ◆ **Owned or leased** for **business purposes** and
 - ◆ **Located** in an **economically distressed area**
- * Amount - 25% or 50% of certain **environmental response and removal costs** (cleanup costs) incurred between **8/1/98 and 1/1/2012**
 - ◆ **25%** – Permanent solution – **Limited use**
 - * achieves and maintains a permanent solution or remedy operation status that results in **limited use** of the property
 - ◆ **50%** – Permanent Solution – **Unrestricted use**
 - * achieves and maintains a permanent solution or remedy operation status that makes the site **safe** for **unrestricted use**



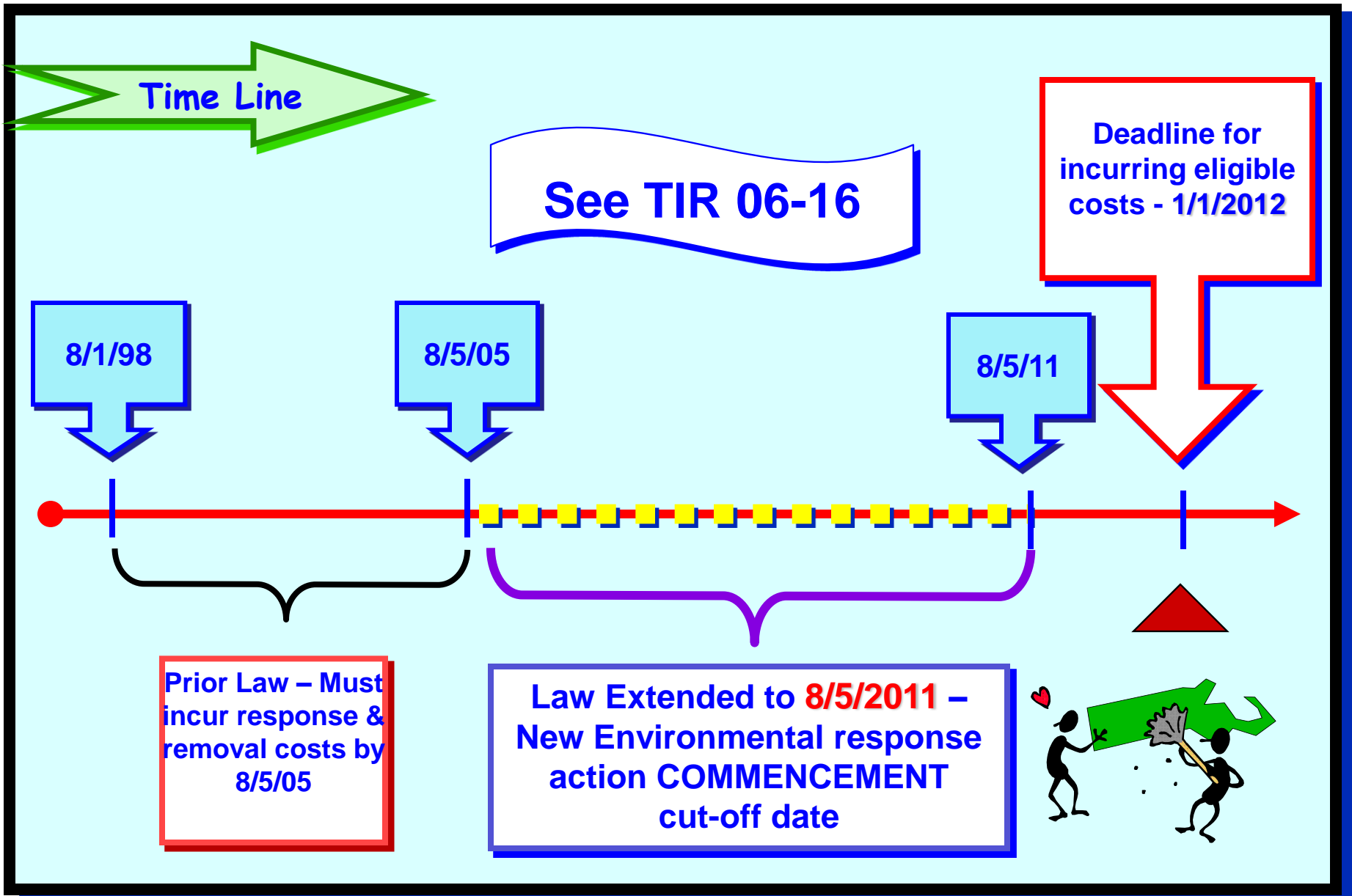
Brownfields Credit



- * Yearly **limit - 50%** of taxpayer's **liability**
- * See **TIR 06-16**, **TIR 99-13**, **TIR 00-9**
- * **Non-refundable, 5 year carryover** allowed
 - ◆ **Provided** that taxpayer **maintains** the required **remedies**
- * **Schedule BC – Brownfields Credit**



Brownfields Credit – Time Line



2007 – Brownfields Credit – Schedule BC to Schedule Z

**Form 1, Sched Z
Instructions –
Pg. 21**

Schedule Z Other Credits		2007	
Part 1. Credits			
1	Lead Paint		00
2	Economic Opportunity Area		00
3	Full Employment		00
4	Septic		00
5	Brownfields. Enter certificate number ▶		00
6	Low-Income Housing		00
7	Historic Rehabilitation		00
8	Home Energy Efficiency		00
9	Film Incentive. Enter certificate number ▶		00
10	Medical Device. Enter certificate number ▶		00
11	Add lines 1 through 10. Nonresident part-year residents, enter the result here and on Form 1-NR/PY, line 33. Part-year residents also complete lines 12 through 14, if applicable. Full-year residents, also complete line 15		00
Part 2. Credits for Full-Year Residents Only			
12	Income tax paid to another state or jurisdiction. Enter two-letter state or jurisdictional postal abbreviation ▶		00
13	Solar wind and energy		00
Part 3. Totals			
14	Add lines 12 and 13. Part-year residents only		00
15	Full-year residents only		00

**Schedule Z – Line
5 – Brownfields
Credit**

Line 5. Brownfields

Recent legislation extends the Brownfields credit to nonprofit organizations, extends the time frame for eligibility for the credit, and permits the credit to be transferred, sold, or assigned. Under prior law, net response and removal costs incurred by a taxpayer between August 1, 1998 and August 5, 2005, were eligible for the credit provided that the environmental response action before August 5, 2005. As a result of the recent legislation, the environmental response action commencement cut-off date is changed from August 5, 2005 to August 5, 2011, and the time for incurring eligible costs that qualify for the credit is extended to **January 1, 2012**. See **TIR 06-16** for more information. If you qualify for this credit, complete Massachusetts Schedule BC, Brownfields Credit, and enter the amount of credit in line 5. Also, be sure to enter the **DOR-issued certificate number** in the space provided on line 5. Certificate application forms and additional information are available at www.mass.gov/dor.

5	Brownfields. Enter certificate number ▶		00
---	---	--	----

2007 - Brownfields Credit Application— Form BCA

Brownfields Forms

**NOTE: 2006 –
Schedule BC**

Form BCTA - Brownfields Credit – Transfer Application – 2007

**Form BCA
Brownfields
Credit Application**

2007
Massachusetts
Department of
Revenue

For calendar year 2007 or taxable year beginning _____ and ending _____
Name of company/nonprofit organization _____ Federal Identification or Social Security number _____

Mailing address _____ City/Town _____ State _____ Zip _____

Name of contact person _____ Telephone _____ E-mail address _____

Type of entity:
 Corporation Trust Partnership Sole proprietorship LLC Nonprofit Other: _____
Address of property _____ City/Town _____ State _____ Zip _____

Debts eligible costs incurred _____

1 Percentage of costs with respect to the assessed value of the property prior to remediation _____ 1 _____

2 Net response and removal costs incurred during the taxable year. Net response and removal costs are eligible costs as described in TP 98-13. However, the environmental response action commencement cutoff date has been extended to August 5, 2011 and the time for incurring eligible costs that qualify for the credit has been extended to January 1, 2012. _____ 2 _____

Note: Include only those eligible costs pertaining to an environmental response action which has been commenced and diligently pursued and which achieves and maintains a permanent solution or remedy operation status in compliance with M.G.L. Ch. 21E and the regulations promulgated there under. Eligible costs must pertain to a property owned or leased for a business purpose and which is located in an economically distressed area as defined in M.G.L. Ch. 21E, sec. 2. The costs must be equal to or greater than 15% of the assessed value of the property prior to remediation. The credit cannot be claimed until a response action outcome statement or remedy operation status substantial has been filed with the Massachusetts Department of Environmental Protection.

3 Brief description of environmental response action to which the eligible cost relate _____

I declare under the pains and penalties of perjury that to the best of my knowledge, the information contained herein is accurate and complete.
Signature _____ Date _____

Mail to: Massachusetts Department of Revenue, Audit Division, 200 Arlington Street, Room 4300, Chelsea, MA 02150, attn: Brownfields Unit.

**Form BCTA
Brownfields Credit
Transfer Application**

2007
Massachusetts
Department of
Revenue

For calendar year 2007 or taxable year beginning _____ and ending _____
Name of company/nonprofit organization _____ Federal Identification or Social Security number _____

Mailing address _____ City/Town _____ State _____ Zip _____

Name of contact person _____ Telephone _____ E-mail address _____

Type of entity:
 Corporation Trust Partnership Sole proprietorship LLC Nonprofit Other: _____
Certificate number issued by DEP _____ Certificate expiration date _____

Amount of Brownfields credit in line 1 to be transferred with this application _____

1 Brownfields credit amount eligible for transfer (amount on line 1 of Form BCC issued by the taxpayer/transferor) _____

Note: The taxpayer desiring to make a transfer, sale or assignment of a Brownfields credit must submit to the Commissioner a statement describing the amount of the credit, which is eligible for such a transfer, sale or assignment. See M.G.L. Ch. 63, sec. 90A(3) and M.G.L. Ch. 62, sec. 90J(5).

Name of purchasing company _____ Federal Identification or Social Security number _____

Mailing address _____ City/Town _____ State _____ Zip _____

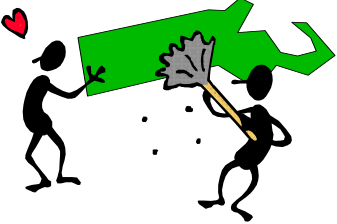
I declare under the pains and penalties of perjury that to the best of my knowledge, the information contained herein is accurate and complete.
Signature _____ Title of authorized representative _____ Date _____

A copy of Form BCC must be enclosed with this application. Mail to: Massachusetts Department of Revenue, Audit Division, 200 Arlington Street, Room 4300, Chelsea, MA 02150, attn: Brownfields Unit.

On this _____ day of _____, 20____, before me, the undersigned notary public, personally appeared _____, provided to me through satisfactory evidence of identification, which was _____, to be the person whose name was signed above, and who is or is affirmed to be that the private financial assistance specified in line 1 above has been provided.

Signature of notary public _____ Date of expiration of commission _____

Notary and _____



**Schedule BC
Brownfields Credit**

2006
Massachusetts
Department of
Revenue

Name _____ Federal Identification or Social Security number _____

General Information
1 Type of business for which property is being used (check only one):
 Sole proprietorship Partnership S corporation Corporate trust Corporation
 Corporation included in a combined return (enter name and Federal Identification number of principal reporting company): _____
 Other (specify) _____

2 Type of return this schedule is filed with _____

3 Location of project _____

4 Date of filing of Response Action Outcome Statement or Remedy Operation Status Substantial with DEP (enclose copy) _____

Allowable Tax Credit Percentage
5 Enter 25% if the property is located in an economically distressed area. _____

Comptax
6 Briefly, but completely, describe the property being used for the credit. _____

General Information
What is the Brownfields Credit?
The Brownfields Credit (BC) is a tax credit designed to encourage private sector investment in the cleanup of contaminated sites in economically distressed areas. The Brownfields Act of 1998 created liability for innocent owners and operators once they meet DEP's cleanup standards for oil and hazardous material releases. See TFR 98-13, 06-3 and 06-16 for further information.

What is an Eligible Site?
To qualify for this credit, a site must be located in an "Economically Distressed Area." A list of economically distressed areas can be obtained from the Governor's Office of Economic Revitalization, 10 Park Plaza, Boston, MA 02110.

Who is Eligible to Take the BC?
The credit is available to all businesses regardless of whether the business is a sole proprietorship, partnership, corporate trust or corporation. The taxpayer must be an owner or operator who did not own or operate the site at the time of the contamination and did not contribute to the contamination of the site. The site must be used for a business purpose. The taxpayer must complete the cleanup and submit a Response Action Outcome Statement or Remedy Operation Status Substantial document prior to claiming the credit.

What is the Allowable Tax Credit?
A credit of 25% of the cleanup costs is allowed for a cleanup that achieves and maintains a permanent solution or remedy operation status that results in limited use of the property. A credit of 50% of the cleanup costs is allowed for a cleanup that achieves and maintains a permanent solution or remedy operation status that makes the site safe for unrestricted use.

Are There Special Requirements to Obtain the Credit?
Yes. Costs must be incurred between August 1, 1998 and August 5, 2011. Costs must be greater than 15% of the assessed value of the property prior to cleanup. The site must be reported to the DEP.

Are There Limitations to the Credit?
Yes. Taxpayers subject to tax under MGL Ch. 62 (sole proprietorships, trusts, corporate trusts and partnerships) are allowed to use the credit only once up to 50% of their tax. Corporations may offset up to 50% of the credit due with the credit. Corporations cannot use the credit to offset their state income tax liability.

May Excess Credits be Carried Over From Year to Year?
Yes. Taxpayers subject to tax under MGL Ch. 62 may carry over unused credits for five years. Taxpayers subject to tax under MGL Ch. 62 may carry over for five years any credits not used due to the 50% or minimum excess limitation.

Line Instructions
Taxpayers who are subject to MGL Ch. 63: Corporations who file Form 355, 355C or 355D must complete lines 1 through 10, 17 and 18.
Taxpayers who are subject to MGL Ch. 62: Taxpayers who are subject to MGL Ch. 62 must complete lines 1 through 18. Lines 11 through 16 are used to calculate the amount of credit that can be used this year. Taxpayers can offset up to 50% of their tax due with the BC. Lines 17 and 18 are used to calculate the amount of the credit to be carried over to future years.
Line 1: Check the type of business for which the property is being used.
Line 2: Enter the type of return that you file. Enclose a copy of this schedule with your return.
Line 3: The location of the qualified project should be entered here.
Line 4: Enter the date the Response Action Outcome Statement or Remedy Operation Status Substantial was filed with DEP.
Line 5: Enter 25% limited use results or 50% unlimited use results. If you are an S corporation shareholder, you will be notified by the S corporation of the amount to enter in line 5. If you are a general or limited partner you will be notified by the partnership of the amount to enter in line 5. You must still complete lines 1 through 4.
Line 6: Enter here an accurate description of the qualifying property. Also list the date of acquisition, assessed value of property prior to cleanup, and cost of cleanup.
Line 7: This is the total cost of the cleanup.
Line 8: Multiply line 7 by 25% or 50%, whichever applies. This equals the credit your BC.
Line 9: Corporate taxpayers cannot reduce the tax due below the minimum corporate tax of \$450 or reduce the tax due by more than 50% using the BC. Enter the allowable credit that will be used in tax year 2006 in line 9. Enter the appropriate corporate form. Skip to line 17.
Line 10: Enter in line 11 the total tax from Form 1, line 27; Form 1-NR/PY, line 31; Form 2, line 40; or Form 3F, line 24.
Line 12: Add the Limited Income Credit, Credit for Income Taxes Paid in Other Jurisdictions, Level Paid Credit, Energy Credit, Full Employment Credit, Specific Credit, Low Income Housing Credit, Home Rehabilitation Credit, Home Energy Efficiency Credit, Head Start Credit, Medical Device Credit and Film Incentive Credit, if any. Enter the result in line 12.
Line 13: Subtract line 10 from line 9 and enter the result here. Do not enter less than "0".
Line 14: Enter 50% of line 13.
Line 15: Enter the amount from line 9.
Line 16: If line 14 is greater than or equal to line 15, enter line 15 here. If line 14 is less than line 15, enter line 14 here.
Enter the amount from line 16 on Form 1, Schedule 2, line 5; Form 1-NR/PY, Schedule 2, Form 2, line 41; or Form 3F, line 28.



Historic Rehabilitation Credit



New!

- ★ **Effective** (*revised law*)— for tax years beginning on **1/1/06** and ending on or before **12/31/11**
- ★ To claim this credit, a historic rehabilitation project must be **complete** and have been **certified** by the Massachusetts Historic Commission (HRC).
- ★ Non-refundable; unused portions – **5 year carryover**
- ★ May be **transferred or sold** to another taxpayer
- ★ Upon disposal, may be subject to recapture
- ★ Reference: **TIR 06-16** & **830 CMR 63.38R.1**
Massachusetts Historic Rehabilitation Credit



**New in
2005**

2007 – Historic Rehabilitation Credit



Schedule Z Other Credits		Enclose with Form 1 or Form 1-NR/PY. Do not cut or separate these schedules.		2007	
Part 1. Credits					
1	Lead Paint	▶ 1			0 0
2	Economic Opportunity Area	▶ 2			0 0
3	Full Employment	▶ 3			
4	Septic	▶ 4			
5	Brownfields. Enter certificate number ▶				
6	Low-Income Housing	▶ 6			
7	Historic Rehabilitation	▶ 7			
8	Home Energy Efficiency	▶ 8			
9	Film Incentive. Enter certificate number ▶				
10	Medical Device. Enter certificate number ▶				
11	Add lines 1 through 10. Nonresidents and part-year residents, enter the result here and on Form 1-NR/PY, line 33. Part-year residents, also complete lines 12 through 14, if applicable. Full-year residents, also complete lines 12 through 15	▶ 11			
Part 2. Credits for Full-Year and Part-Year Residents Only					
12	Income tax paid to another state or jurisdiction. Enter two-letter state or jurisdictional code	▶ 12			
13	Solar wind and energy	▶ 13			
Part 3. Totals					
14	Add lines 12 and 13. Part-year residents, enter the result here and on Form 1-NR/PY, line 34	▶ 14			
15	Full-year residents only. Add lines 11 and 14	▶ 15			


Line 7. Historic Rehabilitation

Effective for tax years beginning on January 1, 2005 and ending on or before December 31, 2011, taxpayers may be eligible for the Historic Rehabilitation Credit (HRC). To claim this credit, a historic rehabilitation project must be complete and have been certified by the Massachusetts Historical Commission. Unused portions of the credit may be carried forward for 5 years. The credit may be transferred or sold to another taxpayer. The HRC is not subject to the 50% limitation rule for corporate taxpayers. If the taxpayer disposes of the property generating the HRC, a portion of the credit may be subject to recapture. For further information, see TIR 06-16 and 830 CMR 63.38R.1, Massachusetts Historic Rehabilitation Credit. If you qualify for this credit, enter the amount in line 7.

**Schedule Z, Line 7 -
Historic
Rehabilitation Credit**

**Form 1, Sched Z
Instructions – Pg. 21**

2007 Historic Rehabilitation Credit - Schedules



Allotment HRC Historic Rehabilitation Credit Summary

2007
Massachusetts
Department of
Revenue

For calendar year 2007 or taxable year beginning _____ and ending _____

Name of project _____ Building identification number _____

Street address _____ City/Town _____ State _____ Zip _____

Name of project owner _____ Federal identification number _____

Street address _____ City/Town _____ State _____ Zip _____

Certificate Number
Certificate number issued by Massachusetts Historical Commission

Allotment Information
Total amount allotted to other taxpayers


Distribution Information

Name of recipient	Social Security number or Federal Identification number	Amount of credit being allotted

Distribution to Partners, Members or Owners
If the project distributes or assigns any portion of the credit to its partners, members or owners, the project or owner must complete an Allotment HRC Historic Rehabilitation Credit Summary. In addition, the project or owner must fill out and provide to each partner, member or owner, an Individual Certificate HRC, Historic Rehabilitation Credit, indicating the amount of the individual credit distributed or assigned.

Tax Return Filing
The project or owner must file a copy of the Project Certificate issued by the Massachusetts Historical Commission, and copies of both the Allotment HRC Historic Rehabilitation Credit Summary and the Individual Certificate HRC, with its Massachusetts tax return. In addition, partners, members or owners receiving an Individual Certificate HRC, must file copies of the certificate and copies of the attendant Project Certificate and Allotment HRC Historic Rehabilitation Credit Summary with their Massachusetts tax return.

Department of Revenue Filing
The project or owner must file a copy of the Project Certificate issued by the Massachusetts Historical Commission, and copies of both the Allotment HRC Historic Rehabilitation Credit Summary and the Individual Certificate HRC, with the Department of Revenue. Mail to: **Massachusetts Department of Revenue, Rulings and Regulations Bureau, PO Box 9566, Boston, MA 02114-9566.**



Allotment HRC Historic Rehabilitation Credit Summary

2007
Massachusetts
Department of
Revenue

For calendar year 2007 or taxable year beginning _____ and ending _____

Name of project _____ Building identification number _____

Street address _____ City/Town _____ State _____ Zip _____

Name of project owner _____ Federal identification number _____

Street address _____ City/Town _____ State _____ Zip _____

Certificate Number
Certificate number issued by Massachusetts Historical Commission

Allotment Information
Total amount allotted to other taxpayers

Distribution Information

Name of recipient	Social Security number or Federal Identification number	Amount of credit being allotted

Distribution to Partners, Members or Owners
If the project distributes or assigns any portion of the credit to its partners, members or owners, the project or owner must complete an Allotment HRC Historic Rehabilitation Credit Summary. In addition, the project or owner must fill out and provide to each partner, member or owner, an Individual Certificate HRC, Historic Rehabilitation Credit, indicating the amount of the individual credit distributed or assigned.

Tax Return Filing
The project or owner must file a copy of the Project Certificate issued by the Massachusetts Historical Commission, and copies of both the Allotment HRC Historic Rehabilitation Credit Summary and the Individual Certificate HRC, with its Massachusetts tax return. In addition, partners, members or owners receiving an Individual Certificate HRC, must file copies of the certificate and copies of the attendant Project Certificate and Allotment HRC Historic Rehabilitation Credit Summary with their Massachusetts tax return.

Department of Revenue Filing
The project or owner must file a copy of the Project Certificate issued by the Massachusetts Historical Commission, and copies of both the Allotment HRC Historic Rehabilitation Credit Summary and the Individual Certificate HRC, with the Department of Revenue. Mail to: **Massachusetts Department of Revenue, Rulings and Regulations Bureau, PO Box 9566, Boston, MA 02114-9566.**

Thank You!

