

Combined Reporting Instructions

2010 Schedule U-ST Instructions

Member's Separate Income Tax

Each taxable member of a combined group must complete Schedule U-ST. Schedule U-ST determines the income tax liability of each such taxable member from all sources, including the tax liability due with respect to the members' apportioned share of the combined group's taxable income and the tax liability due with respect to allocable or apportionable income that is derived from sources other than the activities of the combined group. The use of any net operating losses or credits as applied against the member's current year income is also accounted for on Schedule U-ST. If the taxable member is subject to the non-income measure of the corporate excise, it must complete and submit such excise with Form 355 or 355S. Also, any taxable member that has a different taxable year than the combined group's taxable year must report its taxes on income from sources other than the combined group on Form 355 or 355S.

Header for Schedule U-ST

For each Schedule U-ST filed, enter the name of the member (as shown on the federal income tax return, if filed), its Federal Identification number and the beginning and ending dates of the combined group's taxable year.

Check one box to indicate whether the member is subject to the financial institution excise, the utility corporation excise or the general business corporation excise. Note that S corporations taxable under M.G.L. Ch. 63, sec. 2B are considered financial institutions and that S corporations taxable under M.G.L. Ch. 63, sec 32D are considered business corporations.

Check one box to indicate whether the member is either a research and development corporation within the meaning of M.G.L. Ch. 63, sec. 42B, a manufacturing corporation under the rules stated in 830 CMR 58.2.1 or a regulated investment corporation (i.e., RIC) or real investment trust (i.e., REIT) within the meaning of the Internal Revenue Code (I.R.C.). Do not check any box if the member is not included in one of these categories. A member is an Research and Development (R & D) corporation if its principal activity is research and development and it otherwise meets the requirements set forth in M.G.L. Ch. 63, sec.42B. A member is a manufacturing corporation if it is engaged in manufacturing in Massachusetts and has filed an application to be formally classified as such under 830 CMR 58.2.1 and has been so classified.

Also enter the name and Federal Identification number of the principal reporting corporation.

General Information

Question 3. Check "yes" if the member has terminated its existence (including by reason of a merger) or the member will not be a taxable member of the combined group in the next taxable year for any reason (including a change of ownership).

Questions 5 through 7. If the response in line 4 states that the member is an S corporation, check one box in response to each of questions 5, 6 and 7. If the response to line 4 states that the member is not an S corporation, do not check any box in questions 5, 6 and 7.

S corporations that are financial institutions or general business corporations are taxed at a different rate. The applicable tax rate for an S corporation is determined based on the business' receipts. However, the receipts used for purpose of this determination are calculated on an aggregated basis as

to entities under common control and engaged in a unitary business. Also, for tax periods of less than 12 months, such receipts are calculated on an annualized basis. See 830 CMR 62.17A.1.

Questions 8. Massachusetts requires that some tax credits be recaptured (see Schedule H-2). If the member is reporting recapture taxes on line 33 of this schedule, check “yes”. M.G.L. Ch. 62C, sec. 32A provides for an increase in the Ch. 63 excise where taxpayer has a deferred tax liability attributable to certain large installment sales. (See TIR 10-11.). If the member is reporting this tax on line 33, check “yes.” If neither condition applies, check “no”. A business corporation that is not an S corporation must enter “0” on line 33 if the answer to question 8 is “no”.

Question 12. Enter the member’s total assets as of the last day of the taxable year. If the member’s tax year ends on a different day than the combined group’s taxable year, enter the asset total as of the last day of the member’s most recently completed tax year. For member corporations that file U.S. Form 1120, this amount must match the total assets as shown on Schedule L as attached to such Form 1120.

Line Instructions

Line 13. Enter the total amount from all of the member’s Schedules U-MSI, line 33.

Line 14. If the member has s. 1231 gain (or loss) from a source other than the activities of the combined group’s unitary business, enter the amount of such income to be allocated or apportioned to Massachusetts. This amount must match the amount stated on Schedule U-MTI, line 29 as filed by the member. If the member files more than one Schedule U-MTI, this amount must match the total of all the amounts on line 29 of all such Schedules U-MTI.

Line 15. Combine the amounts on lines 13 and 14. If the total is a loss, enter “0” here; the combined loss will be entered on line 21.

Line 16. If the member has an un-recaptured sec. 1231 loss from a prior year combined report (e.g. 2009 Schedule U-ST, line 18 was less than zero) or the member has an un-recaptured sec. from a year not subject to combined reporting, enter the amount here as a positive amount. Un-recaptured losses from years not subject to combined reporting should be converted to post-apportionment amounts by multiplying the amount included in determining pre-apportionment income for the year in which the loss was deducted by the apportionment percentage applicable to the same year.

Line 17. If the amount on line 16 is greater than the amount on line 15, enter “0.” If the amount on line 15 is greater, subtract the amount on line 16 from the amount on line 15 and enter the result.

Line 18. Enter the total of all of the member’s Schedules U-MSI, line 31.

Line 19. If the member has capital gain (or loss) from a source other than the activities of the combined group’s unitary business, enter the amount to be allocated or apportioned to Massachusetts. This amount must match the amount stated on Schedule U-MTI, line 28.

Line 20. If the total of the amounts stated on lines 17 through 19 is a gain, enter the total here. Otherwise, enter “0”.

Line 21. If line 15 and line 16 were both greater than “0”, enter the smaller amount here. Otherwise, enter “0”.

Line 22. If the total of the amounts on lines 13 and 14 was a loss, enter the total here as a negative. Otherwise, enter “0”.

Line 23. Enter the total amount from all of the member’s Schedules U-MSI, line 29.

Line 24. If the member has any income other than gains or losses from a source other than the activities of the combined group's unitary business, enter the amount allocated or apportioned to Massachusetts. This amount must match the amount stated on Schedule U-MTI, line 27.

Line 25. Massachusetts S corporations may be subject to an entity-level tax under Ch. 63 on certain income taxed to the S corporation at the entity level under the I.R.C. (e.g., as to certain "built-in gains"). See M.G.L. Ch. 63 sec. 2B (a) (1) and 32D (a) (i). If the member is an S corporation and its apportioned share of the combined group's taxable income or income otherwise allocated or apportioned to Massachusetts includes such income, reference such income on this line as a negative number and enter the applicable tax on said income on line 33. The tax applicable to such income is determined by applying the chapter 63 tax rate that would apply to the S corporation if it were a C corporation (e.g., the rate that applies to a business corporation or a financial institution).

Other adjustments required by applicable law and not otherwise provided for on this Schedule U-ST should also be made on this line. Taxpayers must maintain contemporaneous records to support any such adjustment.

Line 27. A member that incurred a loss in a prior tax year and has a net operating loss (i.e., NOL) carry forward by reason of that fact should enter the amount of the allowable NOL deduction to be applied to the member's income in the current tax year on this line and enclose Schedule U-NOL. The amount stated must match the amount on Schedule U-NOL, line 58. See 830 CMR 63.32B.2 (8). Financial institutions and utility corporations are not allowed a NOL carry forward deduction. If a member is either a financial institution or utility corporation, enter "0" on this line.

Line 29. A member that is eligible to claim a NOL carry forward deduction that has exhausted its own such carry forwards, if any, may share the Massachusetts NOL carry forwards of other taxable members subject to the requirements and limitations that apply to the use of such carry forwards. For example, only a NOL that derives from a group loss **AS DETERMINED** on a prior year combined report may be shared and such loss may only be applied against apportioned income as derived from the combined group for the current year. See 830 CMR 63.32B.2 (8).

Enter the total amount of the allowable losses incurred and carried forward by other members that are being deducted by the member submitting this Schedule U-ST and enclose Schedule U-NOLS. The amount of the shared NOL deduction stated on this line must match the amount on all Schedules U-NOLS, line 24 filed by this member. Financial institutions and utility corporations are not allowed a NOL carry forward deduction. If the member is either a financial institution or utility corporation, enter "0" on this line.

Line 31. The member must determine its tax rate based on (a) its applicable tax type as indicated in its response to the question in the header, (b) whether it is an S corporation and, if so, its receipts for the tax year as stated in lines 4 through 7, and (c) the date of the beginning of the combined group's taxable year.

Members that are utility corporations taxable under M.G.L. Ch. 63, sec. 52A are taxed at a rate of 6.5% of the income allocated or apportioned to Massachusetts.

Members that are financial institutions taxable under Ch.63, sec.2 (not including financial institutions that are S corporations) are taxed at a rate of 10% for tax years beginning on or after January 1, 2010 but before January 1, 2011.

Members that are S corporation financial institutions taxed under Ch. 63, sec 2B and that have total annualized receipts (calculated on an aggregate basis with commonly controlled entities engaged in a unitary business) of \$9 million or more are taxed at the rate that applies to financial institutions that are C corporations less the rate that applies to Part B taxable income under Ch. 62 for the same tax year. For tax years beginning on or after January 1, 2010 the applicable rate is 4.7%.

Members that are S corporation financial institutions taxed under Ch. 63, sec 2B with annualized, aggregated receipts of at least \$6 million but less than \$9 million pay tax at a rate equal to 2/3 of the rate imposed on those financial institution S corporations that have receipts of \$9 million or more. For tax years beginning on or after January 1, 2010 the applicable rate is 3.13%.

Financial institution S corporations with annualized aggregated receipts of less than \$6 million are subject to an income measure excise only if they have income taxed to the S corporation at the entity level under the I.R.C. (e.g., as to “built in gains”). Enter “0” on line 31 if the annualized, aggregated receipts are less than \$6 million.

Members that are business corporations taxable under Ch. 63, sec. 39 (not including S corporations) are taxed at a rate of 8.75% for tax years beginning on or after January 1, 2010 but before January 1, 2011.

Members that are S corporations taxed under Ch. 63, sec. 32D and that have total annualized receipts (calculated on an aggregate basis with commonly controlled entities engaged in a unitary business) of \$9 million or more are taxed at the rate applicable to business corporations that are C corporations less the rate applicable to Part B taxable income under chapter 62 for the same tax year. For tax years beginning on or after January 1, 2010, the applicable rate is 3.45%.

Members that are S corporations taxed under Ch. 63, sec. 32D with annualized, aggregated receipts of at least \$6 million but less than \$9 million pay tax at a rate equal to 2/3 of the rate imposed on those non-financial institution S corporations with receipts of \$9 million or more. The rate for tax years beginning on or after January 1, 2010 is 2.30%.

S corporations that have annualized aggregated receipts of less than \$6 million are subject to an income measure excise only if they have income taxed to the S corporation at the entity level under the I.R.C. (e.g., as to “built in gains”). Enter “0” on line 31 if the member’s annualized, aggregated receipts are less than \$6 million.

Line 32. Multiply line 30 by line 31. Round to the nearest whole dollar.

Line 33. Enter any additional excise taxes that may be due from the member under M.G.L. Ch. 63, other than the non-income measure excise that may be due from the member pursuant to M.G.L. Ch. 63, sec. 39 (note that the non-income measure is to be accounted for on Form 355 or 355S).

These additional taxes may include the following:

- Recapture taxes due with respect to certain credits;
- Additional taxes due from an S corporation with respect to income taxed to the S corporation at the entity level under the I.R.C. (e.g., as to “built-in gains”). Note that this excise is calculated using the rate that applies to a financial institution or business corporation, as applicable, in the instance where such entity is not an S corporation;

- Additional taxes due with respect to certain installment sales under M.G.L. Ch. 62C sec. 32A.
- Additional taxes due from a financial institution filing under M.G.L. Ch. 63, sec. 2 or sec. 2B and subject to the minimum excise of \$456 if the total of the member's income excise as determined on line 32 is less than \$456.

DO NOT include in line 33 the non-income measure of excise due from business corporations. These corporations, if they are doing business in Massachusetts, are required to each file an additional return (Form 355 or Form 355S) to calculate and pay the non-income measure of excise.

Line 35. A taxable member that has generated an unused credit, including a credit carried forward from a prior tax year should enter the total amount of any of the member's own such credits that are being applied to reduce the member's excise for the tax year. See 830 CMR 63.32B.2 (9). This amount must match the amount stated on Schedule U-IC, line 41.

Line 36. A taxable member that is eligible to claim a credit that has exhausted its own credits, if any, may share a credit of one or more other members subject to the requirements and limitations that apply to the use of such credits. See 830 CMR 63.32B.2 (9). Enter the total amount of credits generated by other members that are being used by the member submitting this Schedule U-ST. This amount must match the amount stated on Schedule U-IC, line 42.

Line 39. Enter the amount from Schedule U-IC, line 46 if the member has income from a pass-through entity (e.g. a partnership) from which Massachusetts income tax has been withheld.

Line 40. Enter the amount from Schedule U-RF, line 5 if the member has refundable tax credits under any of several programs.