



New MA Business Entity Tax

This video and newsletter is intended for MA S-Corp & Partnership owners. Please watch the following video to understand more.

[Click here to watch our MA Entity Tax video](#)

What is an entity tax?

A state income tax paid at the entity level that is deductible which lowers federal taxes on your individual tax return.

A Massachusetts S corporation or partnership can now elect to pay a 5% state tax on flow through income.

The S corporation or partnership then receives a deduction, and the K-1 owners receive a credit on their individual return.

How much is the credit?

The K-1 owners receive a credit equal to 90% of the tax incurred, which could be different than the amount paid.

Is this required?

No, the tax is an election, but we are recommending it for many practices.

Are Schedule C's and Independent Contractors (1099s) eligible?

No

What entities are eligible?

Partnerships and S corporations with MA sourced income that is allocated to an individual. This is only on the flow-through (K-1) income after all practice expenses (including owner W-2 wages).

Examples:

- One owner S corporation with \$1,000 of K-1 income. S

corporation pays a \$50 entity tax and the shareholder receives a credit against MA taxes of \$45. Federal taxable income is reduced by \$50.

- Partnership owned by two S corporations has \$1,000 of K-1 income. The partnership is not eligible for the entity tax but the S corporations could be eligible to make the election.
- Partnership is owned by an individual and an S corporation, each 50% owners and has \$1,000 of income. The Partnership may make the election and pay the entity tax on the income allocated to the individual ($\$1,000 \times 50\% \times 5\% = \25) and that partner will receive a credit of \$22.50 ($\$25 \times 90\%$). The S corporation partner may separately make an election to opt into the tax.

How do you make an election to opt into the tax?

By filing Form 63D-ELT with the corporate or partnership tax return by the normal tax return due date, March 15.

How is the tax paid?

The tax is paid through [MassTaxConnect](#) (MTC). Instructions to assist you in adding this new entity tax are located on our website. [MA Entity Tax Instructions \(63D Tax\)](#)

This tax may not be paid by check and Rosen & Associates will not be able to make this payment on behalf of any clients.

When is the tax due?

Normally, the tax must be paid with quarterly estimates. Due to the tax being new, the estimates for all of 2021 must be paid by 1/15/22. To receive a 2021 deduction, cash basis taxpayers (almost all dental practices) need to pay the tax by 12/31/21. If it is paid after 12/31/21, it will be a 2022 tax deduction, which is OK.

What is a MassTaxConnect account?

Every business with employees has a MassTaxConnect account, however they may not know how to login. The Rosen tax team will be scheduling appointments with clients as needed to help them access their MTC account.

Who should opt in?

Any Massachusetts pass-through entity may opt in, but we are recommending this for MA pass-through entities that have taxable net income of greater than \$100,000.

How much should our business pay?

If you have not been previously notified, please email the partner on your account if you need assistance in determining the amount to pay.

Please notify us once this payment is made.

What if I need help logging into my MTC account?

If you need assistance in accessing your MTC account, please use the signup link located here: [Client Services](#)

The signup link will be available by 12/15/21 on our website to schedule a meeting with our tax team.

Please do not email your partner or account manager for assistance with MTC as our tax team will need to assist you.

Sincerely,

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Reach Out To Us

