



MULTISTATE INCOME/FRANCHISE TAX

Massachusetts pass-through entity tax estimated payments due January 18, 2022 Tax Alert

Overview

As noted in the Tax Alert issued on [October 8, 2021](#), a new elective pass-through entity (“PTE”) tax has been established in Massachusetts. Preliminary guidance in the form of a [draft technical information release](#) (draft TIR) has been issued by the Massachusetts Department of Revenue (“Department”) regarding the new tax and specifically notes that the total amount of all estimated payments for the tax year beginning January 1, 2021 must be made by **January 18, 2022**.

This Tax Alert provides a summary of how an estimated payment should be made as well as some important considerations.

Process of making an estimated payment

- For taxable years beginning January 1, 2021 the total amount of estimated payments must be made by January 18, 2022.
- Estimated payments for taxable calendar years following tax year 2021 will follow a calendar of April 15, June 15, September 15, and January 15 (due dates for fiscal year filers will be adjusted based upon their fiscal year).
- Estimated payments must be made at [MassTaxConnect](#).
- If the filing entity does not already have an existing account, the entity must first register for an account.
- All filing entities must register their MassTaxConnect account for the Elective PTE Excise Tax payment. This can be done by logging in and finding the Access panel and selecting “More” and then selecting “Add an Account”. Once the “Add an Account” page has loaded, please select “63D Entity Level Tax” and complete the registration.
- This tax should then appear as an option under the “Summary” tab.

- After selecting “63D Entity Level Tax,” the filing entity can then proceed by clicking “Make a Payment” and selecting “Estimated Payment” from the drop-down menu.

Important considerations

- Estimated payments are required from electing PTEs that have greater than \$400 in estimated tax. Estimated tax is defined as the annual tax liability after consideration of certain credits.
- Estimated payments are required even though the election will not actually be made until the return is timely filed, inclusive of a valid extension.
- Guidance from the Department is still pending regarding the threshold and specific policies for interest and underpayment penalties.
- The draft TIR clarifies that the qualified income taxable in Massachusetts (the base of the PET tax) for any qualified member that is a Massachusetts resident is based on the *full distributive share* of the member’s income taxable under Massachusetts income tax regulations and is not subject to the electing entity’s apportionment percentage.
- For non-resident partners the qualified income taxable in Massachusetts is based on the pro rata distributive share after application of the electing entity’s apportionment percentage.
- The draft TIR also specifically notes that an entity may elect into the PTE even if they are not otherwise required to file a Massachusetts return. *This may be beneficial to entities with Massachusetts resident partners, even if there is no Massachusetts activity.* Please note that any eligible PTE making the election in this scenario will have voluntarily submitted to Massachusetts tax jurisdiction.
- Sole proprietorships and single member limited liability companies that are disregarded for federal income tax purposes may not elect to be subject to the PTE.
- However, owners of disregarded entities which are partners in an electing partnership, will be treated as qualified members of such electing partnership where they would be qualified members if they held the ownership interest in the PTE directly.

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