



This Week in State Tax (TWIST)

September 9, 2024



Massachusetts: Appellate Board Says Financial Institutions Eligible for Tax Credits

The Massachusetts Appellate Tax Board (Board) recently determined that a financial institution is eligible to claim the state's research credit. For tax years 2016 - 2018, the taxpayer filed a combined return as a "Financial" group, which included a principal banking subsidiary and investment software company. On its returns for the relevant tax years, the taxpayer claimed the Massachusetts research credit. The Commissioner of Revenue (Commissioner) audited the relevant years and denied the credit. The taxpayer appealed to the Board.

Before the Board, the Commissioner contended that eligibility for the research credit was limited to general corporations subject to the corporation excise tax. This disqualified financial institutions that are subject to a separate tax. The Board ultimately held in favor of the taxpayer, holding that under the plain and ordinary meaning of the statutory language of the research credit, there was nothing to limit it to corporations subject to the corporation excise tax. The statute says that "business corporations" are eligible to claim the research credit. Massachusetts law defines "business corporation" as "any corporation," which would include a financial institution. The Board rejected the Commissioner's argument that the statute was limited to business corporations subject to the general corporation tax, holding that no such limitation exists and creating one would be beyond the plain reading of the statute. Further, there was nothing "absurd" or "illogical" about a financial institution claiming a research credit for which it otherwise qualified. The Board ultimately granted the taxpayer a full abatement of the assessment. Please contact [Nikhil Sequeira](#) for more information on [State Street Co. v. Massachusetts Commissioner of Revenue \(August 15, 2024\)](#).

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