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## Massachusetts delays FAS 109 deduction - Again

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### In brief

With the enactment of the Massachusetts budget ([H.B. 4200](#)), the state once again delays the FAS 109 deduction allowed to corporations as a result of the state's shift to a combined reporting system in 2009. The FAS 109 deduction will take effect for tax years beginning in 2014.

### In detail

In 2008, Massachusetts enacted legislation requiring unitary businesses to file a combined report, effective for tax years beginning on or after January 1, 2009. The legislation contained a FAS 109 deduction for combined groups that had an increase in net deferred tax liability (NDTL) as a result of the enactment of combined reporting. As originally enacted, the deduction was to be effective for tax years beginning in 2012. The deduction was delayed for one year by the state's FY12 Budget, [H.B. 3581](#), enacted in July 2011.

In general, the FAS 109 deduction, taken rateably over a seven-year period, is equal to the lesser of: (1) the amount necessary to offset the increase in a combined group's net deferred tax liability (NDTL) as a result of the new combined reporting provisions, and (2) the "Massachusetts tax basis modification," defined as the aggregate adjusted book basis of the combined group's non-taxable members' eligible assets that are not subject to depreciation, amortization, or other cost recovery method under Massachusetts law and that were placed in service as of 7/2/08, less the aggregate adjusted tax basis of those same assets. The deduction cannot exceed



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the amount necessary to offset any increase in NDTL that would result from all provisions of the law that contained the combined reporting enactment.

Delayed for a second time, the FAS 109 deduction is now set to take effect for tax years beginning in 2014.

Please see [our summary of Mass. Dept. Of Rev., TIR 09-8 \(5/29/09\)](#) for further details on the deduction.

## ***Let's talk***

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