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The tax man can treat BofA as Mass. resident, SJC rules

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Greg Ryan Law and Money Reporter *Boston Business Journal*

Massachusetts can tax [Bank of America](#) as an inhabitant of the Bay State even though it is based in North Carolina, the Supreme Judicial Court ruled Monday in a case that drew attention from national and local banking industry groups.

The ruling applies to how corporate trustees are taxed for fiduciary income in Massachusetts. Bank of America had argued that the state wrongly assessed it for \$2.2 million for nearly three dozen trusts since it considered the bank (NYSE: BAC) to be domiciled in the Bay State, even though its headquarters is in Charlotte.

The court held that corporate trustees can be taxed as Massachusetts residents if they operate an office in the state for at least half of the year and conduct administration activities in the state for the trusts at issue. Bank of America checks both of those boxes, the court found, upholding a decision by the Massachusetts Appellate Tax Board.

The [American Bankers Association](#) and [Massachusetts Bankers Association](#) had filed briefs in support of Bank of America, arguing that “banks may reconsider engaging in new or continued business in Massachusetts” if the tax board’s decision were allowed to stand. Other banks such as BNY Mellon (NYSE: BK) and Northern Trust (Nasdaq: NTRS) are headquartered outside of Massachusetts but have a presence in Boston.

The SJC did not go as far as the groups feared it would, said [Brad Papalardo](#), the director of government relations at Mass Bankers. The SJC is not requiring corporate trusts to pay Massachusetts taxes just because they have a presence in the state. Rather, such a determination will depend on where the services are carried out.

“It’s not a total win... but in the end we’re definitely pleased they narrowed the scope,” he said.

The ruling will still help the state collect more in taxes from trust administrators, Marcum LLP partner [Paul Graney](#) said, at a time the Baker administration is dealing with revenue shortfalls. “It definitely will make it easier for (the state) to go after it,” Graney said.

Greg Ryan covers the financial services industry and law firms.