

November 2008**Issue 1**

This will be our last paper newsletter, as we are switching to an e-newsletter format. Please fill out and return the enclosed information form in the postage-paid envelope to ensure that we have your e-mail address and all of your updated information.

As always please contact us at partners@sharkcpa.com or call us at (508) 584-2120 with any questions you may have about your specific tax situation.

MASSACHUSETTS TAX LAW CHANGES

The Probable Demise of MBTs and LPs

As a result of recent changes to Massachusetts tax law, attorneys and accountants will probably stop using Massachusetts Business Trusts (MBTs) and Limited Partnerships (LP's).

MBTs

Massachusetts Business Trusts (MBTs) are used as holding companies and much less frequently as operating companies because MBTs provide tax benefits in certain situations. These benefits will end next year. After 2008, MBTs will be taxed for Massachusetts purposes the same way they are taxed for Federal purposes (usually as an S corporation). If the MBT owns a corporate subsidiary we are probably going to recommend merging the MBT into its subsidiary. If the MBT does not have a corporate subsidiary, you may want to consider converting the MBT to a corporation. In general this can be done without any additional tax consequence.

LPs

Limited partnerships (LPs) at one time were commonly used in real estate ventures, but have in general been replaced by limited liability companies (LLCs) and limited liability partnerships (LLPs). LLCs and LLPs offer limited liability protection to all its members, but that protection has a cost, LLCs and LLPs pay an annual filing fee of \$500. LPs have to have at least one general partner with unlimited liability, and until recently, did not have to pay annual filing fees.

Since LPs did not have to pay an annual filing fee, LPs were and occasionally still are used when there is no need to insulate the general partner from liability (such as family limited partnerships which hold only investments). Effective July 1, 2008, Massachusetts is requiring LPs to pay an annual filing fee of \$500 (\$450 if filed electronically).

If you have an LP, you might want to convert it to a general partnership (which continues to have no filing fee and offers no liability protection to its partners) or to a LLC or LLP.

The first annual fee is due on the first anniversary date of the formation of the LP following 6/30/08. To avoid paying this initial \$500/\$450 fee, you have to file a Certificate of Cancellation before that date. The filing fee for the Certificate of Cancellation is \$100.

Caution:

This article is intended to provide general information only. Since every situation is unique we strongly advise that you seek guidance from a professional on the specifics of your situation. Please contact us with any questions or comments at: partners@sharkcpa.com or (508) 584-2120.

New Wage Amendment Means Triple Damages for MA Employers

As a result of a recent amendment to the Wage Act Massachusetts employers are subject to triple damages for *all* employee wage violations. Previously only employers whose conduct was found to be "willful" or "egregious" were charged triple damages in wage/hour litigation. As of July 2008, all wage violations will be subject to triple damages whether they are intentional or not.

To reduce your company's risk and exposure, we recommend that you re-evaluate all your employment policies to ensure compliance with all the many nuances of the Wage Act. Due to the complexity of the law, we recommend you seek professional legal advice to address specific questions you may have.

The Massachusetts Society of Certified Public Accountants (MSCPA) is offering a seminar entitled "Perilous Waters: Navigating the New Massachusetts Wage and Hour Law", designed specifically for HR personnel and managers. This seminar addresses both Federal and MA Wage and Hour Laws. For more information on this upcoming, November 21st, seminar please contact the MSCPA at 1-617-556-4000.

As always, we look forward to discussing these matters with you. Please feel free to contact us with any specific questions you have at: partners@sharkcpa.com or (508) 584-2120.