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Reagan v. Commissioner of Revenue

Supreme Judicial Court of Massachusetts, Suffolk - March 10, 2023 - N.E.3d - 2023 WL 2437788

Taxpayer, a limited partner in limited partnerships that had owned, operated, and maintained tax-exempt urban redevelopment projects, appealed Commissioner of Revenue's notice of assessment related to distributive share of capital gains from sales of such properties, denial of application for abatement.

The Appellate Tax Board upheld the assessment. Taxpayer appealed.

The Supreme Judicial Court, sua sponte transferred case from the Appeals Court and held that:

- Tax exemption for urban redevelopment projects extends to capital gain realized from sale of such projects, and
- Conclusory statement in letter ruling was not entitled to deference.

Tax exemption for urban redevelopment projects extends to capital gain realized from sale of such projects as causally related to projects in connection with acquisition, construction, operation, and maintenance efforts, notwithstanding canon of statutory construction requiring courts to construe tax concessions narrowly; Legislature intended to provide a significant incentive to spur private investment to transform blighted areas and to build sorely needed low income housing to remedy a situation that had become a public exigency, which the Commonwealth's police powers alone could not solve and which was not being addressed by operation of the private marketplace in the absence of such an incentive, and legislative history evinced intent to spur private entities to invest in urban redevelopment projects by expanding the available tax exemption.

Conclusory statement in Commissioner of Revenue's letter ruling that sales proceeds from tax-exempt urban redevelopment projects are subject to tax under the general tax provisions of Massachusetts law, was not entitled to deference, absent citation to any authority or any rationale whatsoever, since statement conflicted with plain statutory language, statute as a whole, and legislative history.

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