



Department of Revenue | Commonwealth of Massachusetts

2018 Massachusetts Nonresident or Part-Year Resident Income Tax

Turn the page for information on E-Filing your return this year.

FORM 1-NR/PY

Give E-file a try this year!

**C'mon, admit it —
filing paper tax returns is no fun!
So forget about longer refund wait
times and calculation mistakes.
E-file this year!**

**There are three easy and
convenient ways to do it:**



1

File for Free Electronically

About 70 percent of Bay State taxpayers likely qualify to file both federal and state returns for free, enhancing fraud protection and cutting down on identity theft. Massachusetts joined the Free File Alliance, a nonprofit partnership between tax software companies, the IRS and the states to increase opportunities for taxpayers to e-file their tax returns for free. Check out the free filing options available to taxpayers at mass.gov/efile.

2

Commercial Tax Preparation Software

You can also E-file using DOR-approved commercial tax filing products or websites. Visit our website for a complete listing of approved websites and products. Although some of these products offer a paper filing option, you may only use that option if it incorporates a 2D barcode into the right-hand corner of all pages. If you have a 2D printing issue, be sure to contact the software manufacturer for instructions before filing to avoid having your return rejected. Also, be sure to use the correct 2D barcode mailing address: PO Box 7000 for refunds/ no payments or PO Box 7003 for payments. See DOR's online tax form instructions for more information.

3

Paid Preparers

The majority of tax preparers recognize that their clients don't want mistakes, delays, or longer refund times so they offer e-filing for their customers. Moreover, Massachusetts law requires any preparer who completes more than 10 Massachusetts income tax returns to E-file (TIR 11-13 has a specific taxpayer opt-out provision to this law). Preparers who do file paper returns for their clients have specific requirements they must meet to avoid paying penalties and fines.

You'll find a list of DOR-approved tax preparers on the DOR website.

Who Must File

You must file Massachusetts Form 1-NR/PY, Nonresident/Part-Year Resident Income Tax Return if you were not a resident of Massachusetts for any part of the year and the lesser of either:

1. Your Massachusetts source income was more than \$8,000; or

2. Your Massachusetts source income was more than your personal exemption amount multiplied by the ratio of your Massachusetts income to your total income.

You also must file Form 1-NR/PY if you were a resident of Massachusetts for part of the year and you had more than \$8,000 in gross income during that time, whether received from sources inside or outside of Massachusetts.

To see whether you are a full-year resident, nonresident, part-year resident, or a nonresident and part-year resident, determine which category applies to you:

1. You are a **full-year resident** if your residence (domicile) was in Massachusetts for the entire taxable year or if you maintained a permanent place of abode in Massachusetts and during the year spent more than 183 days, in the aggregate, in the state. If you fit this description, you should file Form 1, Massachusetts Resident Income Tax Return.

2. You are a **nonresident** if you are not a resident of Massachusetts as defined above but received Massachusetts source income (e.g. from a job in Massachusetts). Fill in the "Nonresident" oval at the top of the form if this category applies to you. A nonresident who is filing Form 1-NR/PY to report income not included on a Nonresident Composite Return filed on their behalf also should fill in the "Nonresident" oval.

3. You are a **part-year resident** if, during the taxable year, you moved to Massachusetts or established a permanent place of abode here and became a resident, or you terminated your status as a Massachusetts resident to establish a residence outside the state. Fill in the "Part-year resident" oval at the top of the form if this category applies to you.

4. If you were a Massachusetts resident for part of the 2018 tax year, and while you were not a resident of Massachusetts you received Massachusetts source income (e.g., from a job in Massachusetts), file as **both a nonresident and part-year resident**. Fill in the "Filing as both a nonresident and part-year resident" oval below the address section of the form if this category applies to you. Complete Schedule R/NR, Resident/Nonresident Worksheet, to calculate the portion of

income earned while a nonresident and the portion of income earned while a part-year resident. Schedule R/NR is included in this booklet.

5. Fill in the "Nonresident composite return" oval if this return is being filed as a composite return on behalf of nonresident professional athletic team members. See the instructions on page 9.

For more information on Massachusetts source income, refer to the section Filing Your Massachusetts Return.

Major 2018 Tax Changes

Filing Due Dates

Form 1 is due on or before April 17, 2019. In Massachusetts, April 15, 2019 is Patriot's Day, a legal holiday in the Commonwealth. In Washington, D.C., Emancipation Day, observed on April 16, 2019 is a legal holiday. Therefore, the Internal Revenue Service (IRS) has announced that because of these two legal holidays, Massachusetts residents' federal tax returns that would normally be due on April 15, 2019 will be treated as timely if filed on or before April 17, 2019. For Massachusetts tax purposes, returns, payments made with returns, and estimated payments otherwise due on April 15, 2019 will be treated as timely if they are filed and/or paid on or before April 17, 2019.

2018 Personal Income Tax Rates

Effective for tax years beginning on or after January 1, 2018, the tax rate on most classes of taxable income remains unchanged at 5.1%. The tax rate on short-term gains from the sale or exchange of capital assets and on long-term gains from the sale or exchange of collectibles (after a 50% deduction) remains at 12%.

Penalty for Failure to Obtain Health Insurance

Massachusetts requires most adults 18 and over with access to affordable health insurance to obtain it. In 2018, individuals must be enrolled in health insurance policies that meet minimum creditable coverage standards defined in regulations adopted by the Commonwealth Health Insurance Connector Authority (Health Connector). Individuals who are deemed able to afford health insurance but fail to obtain it are subject to penalties for each month of non-compliance in the tax year (provided that there is no penalty in the case of a lapse in coverage of 63 consecutive days or less). The monthly penalties, which will be imposed through the individual's personal income tax return, are set out in Technical Information Release (TIR) 18-2 and are based on half of the minimum monthly insurance premium for

which an individual would have qualified through the Health Connector.

Schedule HC, Health Care Information, must be completed by all full-year and certain part-year residents age 18 and over to notify DOR whether or not they had health insurance for each month of 2018. Taxpayers who did not have coverage for all of 2018, or had a gap in coverage of four or more consecutive months will need to determine if they had access to affordable health insurance (through an employer, the government, or on their own) using worksheets and tables available for this purpose. If it is determined that a taxpayer could have afforded health insurance, the taxpayer has the right to appeal the application of the penalty due to hardship by requesting an appeal to the Connector on the Schedule HC.

For more information about the health care reform law, including the Department of Revenue's (DOR) regulation at 830 CMR 111M.2.1, Health Insurance Individual Mandate; Personal Income Tax Return Requirements, or the Health Connector's regulation at 956 CMR 6.00, Determining Affordability for the Individual Mandate, see the Health Connector's website at mahealthconnector.org or DOR's website at mass.gov/dor.

Annual Update of Circuit Breaker Tax Credit

Taxpayers age 65 or older who own or rent residential property located in Massachusetts are allowed a credit equal to the amount by which their real estate tax payments, or 25% of the rent constituting a real estate tax payment, exceeds 10% of the taxpayer's total income, not to exceed \$1,100. The amount of the credit is subject to limitations based on the taxpayer's total income and the assessed value of the real estate, which for tax year 2018 must not exceed \$778,000.

For purposes of calculating the credit, total income and maximum credit thresholds are adjusted annually. For tax year 2018, an eligible taxpayer's total income cannot exceed \$58,000 in the case of a single filer who is not a head of household filer; \$73,000 for a head of household filer; and \$88,000 for joint filers. In order to qualify for the credit, a taxpayer must be age 65 or older and must occupy the property as his or her principal residence. See TIR 18-10.

Employer-Provided Parking, Transit Pass, and Commuter Highway Vehicle Benefits Exclusion Amounts

Massachusetts adopts Internal Revenue Code (Code, or IRC) § 132(f) as amended and in effect on January 1, 2005, which excludes from an employee's gross income (subject to a monthly maximum) employer-provided parking, transit pass, and commuter highway vehicle transporta-

tion benefits. For tax year 2018, the IRS has calculated, based on inflation adjustments contained in IRC § 132(f) as set forth in the January 1, 2005 Code, the 2018 monthly exclusion amounts of \$260 for employer-provided parking and \$135 for combined transit pass and commuter highway vehicle transportation benefits. Massachusetts adopts these 2018 monthly exclusion amounts as they are based on the January 1, 2005 Code. See TIR 17-12.

Changes Related to Federal Tax Reform

As a general rule, Massachusetts does not adopt any federal personal income tax law changes incorporated into the IRC after January 1, 2005. However, certain specific Massachusetts personal income tax provisions, as set forth in MGL ch 62, § 1(c), automatically conform to the current IRC. Provisions of the IRC Massachusetts adopts on a current basis are:

- ▶ Roth IRAs;
- ▶ IRAs;
- ▶ The exclusion for gain on the sale of a principal residence;
- ▶ Trade or business expenses;
- ▶ Travel expenses;
- ▶ Meals and entertainment expenses;
- ▶ The maximum deferral amount of government employees' deferred compensation plans;
- ▶ The deduction for health insurance costs of self-employed taxpayers;
- ▶ Medical and dental expenses;
- ▶ Annuities;
- ▶ Health savings accounts;
- ▶ Employer-provided health insurance coverage;
- ▶ Amounts received by an employee under a health and accident plan; and
- ▶ Contributions to qualified tuition programs.

See TIRs 98-8, 02-11, 02-18, 07-4 and 09-21 for further details.

On December 22, 2017, Public Law 115-97, commonly known as the Tax Cuts and Jobs Act (TCJA), was signed into law. The TCJA provides for federal changes to a variety of provisions in the IRC that affect the personal income tax. The following explains some of the Massachusetts personal income tax treatment of various changes in the TCJA.

Internal Revenue Code Provisions Massachusetts Adopts

Certain Combat Zone Compensation (IRC § 112)

Compensation received by certain military personnel for services performed in designated combat zones is excluded from federal gross income. Under the TCJA, the Sinai Peninsula of Egypt is treated as a combat zone as of June 9, 2015 for purposes of IRC § 112. Massachusetts adopts this change because of the way in which Massachusetts conforms to IRC § 112.

Entertainment Business Expenses (IRC § 274)

For tax years beginning before 2018, 50% of certain entertainment expenses incurred in the course of business were deductible. Entertainment expenses are no longer allowed as a federal deduction. Massachusetts adopts this change as Massachusetts follows the current IRC in effect for trade or business expenses under IRC § 62(a)(1).

Employee Business Expense Deductions (IRC §§ 67(a))

Beginning with the 2018 tax year, miscellaneous itemized deductions that are subject to the 2% adjusted gross income limitation are suspended. Deductions that are suspended include expenses:

- ▶ For travel, meals and lodging while away from home, or expenses for transportation paid or incurred by the taxpayer in connection with the performance of services as an employee; or
- ▶ That are attributable to a trade or business carried on by the taxpayer, if such trade or business consists of the performance of services by the taxpayer as an employee, are no longer allowed as federal deductions.

Massachusetts adopts these changes because Massachusetts does not allow these deductions unless they are itemized deductions on a federal return under MGL ch 62, § 2(d)(2).

Election to Expense Certain Depreciable Business Assets (IRC § 179)

Expense amounts related to depreciable property that can be deducted as a trade or business expense are increased for certain types of property, such as sport utility vehicles and real property. Massachusetts adopts this change as Massachusetts follows the current IRC in effect for trade or business expenses under IRC § 62(a)(1).

Interest Expense Deduction Limitations (IRC § 163(j))

Beginning with the 2018 tax year, a trade or business deduction for net business interest in a given taxable year is now limited to 30% of adjusted taxable income, and the excess is carried forward.

Massachusetts adopts this change as Massachusetts follows the current IRC in effect for trade or business expenses under IRC § 62(a)(1).

Gambling Losses (IRC § 165(d))

The deduction for gambling losses has been limited. For tax years beginning before 2018, a professional gambler could deduct all trade or business expenses incurred in gambling activities, and could deduct gambling losses up to the amount of gambling winnings. Under the TCJA, all deductions for both business expenses and losses are capped at the amount of winnings. Massachusetts adopts this change as Massachusetts follows the current IRC in effect for trade or business expenses under IRC § 62(a)(1). See TIR 18-14 for more information.

Eligible 529 Plan Expenses (IRC § 529)

New provisions allow 529 plan account funds to be used for elementary or secondary school expenses, up to \$10,000 per year. Massachusetts adopts this change as Massachusetts follows the current IRC with respect to IRC § 529. See TIR 18-14 for more information.

Medical Expenses (IRC § 213)

Taxpayers are allowed a deduction for medical expenses for amounts that exceed a certain percent threshold of their federal adjusted gross income. Under the TCJA, the threshold was decreased from 10% to 7.5% of federal adjusted gross income for the 2018 tax year. The deduction is available only to those taxpayers who itemize their deductions. Taxpayers that take the standard deduction, which has been increased for 2018, are not eligible to take the deduction for medical expenses. Massachusetts adopts this change. Massachusetts allows a deduction for medical expenses under MGL ch 62, § 3B(b)(4) equal to the federal deduction only for taxpayers that itemize deductions on a federal return.

Contributions to Qualified ABLE Programs (IRC § 529A)

The TCJA made several changes to IRC § 529A including increasing the limitation for contributions from compensation of individuals with disabilities. Massachusetts adopts these changes as Massachusetts follows the current IRC with respect to IRC § 529A. See TIR 18-14 for more information.

Inclusion of GILTI in Gross Income; Dividend Treatment (IRC § 951A)

The TCJA added new IRC § 951A, which requires U.S. individual shareholders of a controlled foreign corporation (CFC) to include their pro rata share of the CFC's global intangible low-taxed income (GILTI) in federal gross income each year, starting with taxable years beginning after December 31, 2017. Massachusetts adopts this

change as Massachusetts follows the current IRC with respect to IRC § 951A. In addition, GILTI income is treated as Part A dividend income under MGL ch 62.

Internal Revenue Code Provisions Massachusetts Does not Adopt Deductions for Personal Exemptions (IRC § 151)

Personal and dependent exemption deductions are eliminated under the TCJA. Massachusetts does not adopt this change because Massachusetts law does not tie to the federal exemption amounts. Massachusetts law on dependent exemption deductions as provided in MGL ch 62, § 3 refers to the federal definition of dependents which remains in effect.

Moving Expense Deduction (IRC § 217)

For tax years beginning before 2018, if you moved due to a change in your job or business location or because you started a new job or business, you can deduct reasonable unreimbursed moving expenses if you meet all of the following requirements:

- ▶ Your move was closely related to the start of work;
- ▶ You meet a distance test; and
- ▶ You meet a time test.

Under the TCJA, a deduction for moving expenses is no longer allowed except for certain members of the Armed Forces. Massachusetts does not adopt this change. A deduction for moving expenses continues to be allowed if the above requirements are met as Massachusetts follows IRC § 217 in effect as of January 1, 2005. See TIR 18-14 for more information.

Moving Expense Reimbursement (IRC § 132(g))

For tax years beginning before 2018, moving expense reimbursements made to employees by their employers were not included in federal gross income. Moving expense reimbursements made to employees, other than certain members of the Armed Forces, by their employers are now included in federal gross income. Reimbursements will be included in employee wages. Massachusetts does not adopt this change as Massachusetts follows the IRC in effect as of January 1, 2005 on this issue. See TIR 18-14 for more information.

Bonus Depreciation Deduction (IRC § 168(k))

Various changes were made to the provisions in IRC 168(k) related to bonus depreciation. Massachusetts does not adopt any of these changes as Massachusetts specifically disallows the

bonus depreciation deduction under MGL ch 62, § 2(d)(1)(N).

Qualified Business Income Deduction (IRC § 199A)

Under the TCJA, a new deduction is allowed for 20% of qualified business income earned in a qualified trade or business, subject to certain limitations. Although Massachusetts follows current IRC § 62(a)(1) in effect for trade or business expenses, the TCJA specifically excludes the deduction in IRC § 199A from IRC § 62(a)(1). Therefore, Massachusetts follows the IRC in effect as of January 1, 2005 on this issue and does not adopt the change. See TIR 18-14 for more information.

Income from Discharge of Indebtedness (IRC § 108(f)(5))

The exclusion from federal gross income for amounts discharged from certain student loan debt is broadened to include discharges on account of death and disability. Massachusetts does not adopt this change as Massachusetts follows IRC § 108 in effect as of January 1, 2005.

Excess Business Loss Deduction (IRC § 461(l))

For non-corporate taxpayers, business losses in excess of certain thresholds are now capped in a taxable year, with the remainder carried forward as a net operating loss. Massachusetts does not adopt this change as Massachusetts follows the IRC in effect as of January 1, 2005 on this issue. See TIR 18-14 for more information.

Qualified Equity Grant Programs (IRC § 83(i))

For tax years beginning before 2018, amounts from non-qualified stock options and restricted stock units were included in federal gross income at the time they were exercised or deemed transferred. New provisions allow taxpayers to elect to defer income from this type of stock for up to 5 years. Massachusetts does not adopt this change. Amounts from these types of options continue to be included in Massachusetts gross income in the year exercised or deemed transferred as Massachusetts follows the IRC in effect as of January 1, 2005 on this issue. See TIR 18-14 for more information.

Alimony Income (IRC § 61(a))

Under the TCJA, alimony will no longer be deductible by the payor or includable in federal gross income by the recipient for divorce or separation instruments signed after December 31, 2018. Massachusetts does not adopt this change. Alimony will continue to be deductible by the payor and included in Massachusetts gross income of the recipient, as Massachusetts follows the IRC in

effect as of January 1, 2005 on this issue. See TIR 18-14 for more information.

Like-Kind Exchanges (IRC §1031)

Under the TCJA, beginning in 2018 like-kind exchange treatment is limited to real property. All other property, including personal property and intangible property, is no longer eligible for the deferral of gain provided by IRC §1031. Massachusetts does not adopt this change for purposes of the personal income tax, as Massachusetts follows the IRC in effect as of January 1, 2005 on this issue. See TIR 18-14 for more information.

Privacy Act Notice

Under the authority of 42 USC § 405(c)(2)(C)(i), and MGL ch 62C, § 5, the DOR has the right to require an individual to furnish his or her Social Security number on a state tax return. This information is mandatory. DOR uses Social Security numbers for taxpayer identification to assist in processing and keeping track of returns and in determining and collecting the proper amount of tax due. Under MGL ch 62C, § 40, the taxpayer's identifying number is required to process a refund of overpaid taxes. Although tax return information is generally confidential pursuant to MGL ch 62C, § 21, DOR may disclose return information to other taxing authorities and those entities specified in MGL ch 62C, §§ 21, 22 or 23, and as otherwise authorized by law.

Filing Your Massachusetts Return

As a nonresident, you must file Form 1-NR/PY if your Massachusetts source income for 2018 exceeded the smaller of your apportioned personal exemption, or \$8,000.

What Is Massachusetts Source Income for Nonresidents?

The term "Massachusetts source income" is used throughout this booklet to describe the types of income which are taxable to a nonresident.

A nonresident is only subject to tax on items of income derived from or effectively connected with:

- ▶ Any trade, business, or employment carried on in Massachusetts (see the following section);
- ▶ Participation in any lottery or wagering transaction in Massachusetts; or
- ▶ Ownership of any interest in real or tangible personal property located in Massachusetts.

Some examples of the types of income taxable to a nonresident:

- ▶ All wages, salaries, tips, bonuses, fees and other compensation which relate to activities carried on in Massachusetts, regardless of where or when the compensation is paid;
- ▶ Unemployment compensation related to previous Massachusetts employment;
- ▶ Profit from a business, trade, profession, partnership or S corporation conducted in Massachusetts;
- ▶ Rents and royalties from real and tangible personal property located in Massachusetts or from other business activities in Massachusetts;
- ▶ Gain from the sale of real or tangible personal property located in Massachusetts;
- ▶ Interest and dividends, only if derived from or connected with Massachusetts business activity, or the ownership of Massachusetts real estate or tangible personal property; and
- ▶ The definition of Massachusetts source income now includes gain from the sale of a business or an interest in a business, separation, sick or vacation pay, deferred compensation, income from covenants not to compete, and nonqualified pension income that federal law allows states to tax.

Income from Massachusetts sources which is not taxed to residents is not taxed to nonresidents, e.g., interest on debt obligations of the U.S. and amounts received as Social Security and certain worker's compensation.

In general, the same exemptions and deductions allowed to residents are available to nonresidents to determine taxable income. These items are allowed, however, only to the extent they relate to, or are allocable to, Massachusetts source income.

Am I Carrying on a Trade, Business or Employment in Massachusetts as a Nonresident?

A nonresident generally does not have a trade, business or employment carried on in Massachusetts if his/her presence for business in Massachusetts is casual, isolated and inconsequential. A nonresident's presence for business will be considered casual, isolated and inconsequential if the nonresident's business presence in Massachusetts is ancillary to the nonresident's primary business or employment duties performed at a base of operations outside Massachusetts — for example, an occasional presence in Massachusetts for management functions, and other similar activities which are secondary to the individual's primary out-of-state duties.

Are Military Personnel Required to File?

If you enlisted in the service as a Massachusetts resident and have not established a new domicile (residence) elsewhere (refer to military guidelines) and if your gross income is more than \$8,000, you are required to file a Massachusetts resident income tax return. This applies even though you may be stationed outside of Massachusetts. The terms "residence" and "domicile" are used to denote that place where you have your permanent home and to which, whenever you are absent, you have the intention of returning. Nonresident military personnel stationed in Massachusetts may be subject to Massachusetts taxes and should file Form 1-NR/PY if they earn income from outside military sources.

Military spouses. On November 11, 2009, the Military Spouses Residency Relief Act (P.L. 111-97) was enacted. For tax years beginning on or after January 1, 2009, the Act prohibits a servicemember's spouse from either losing or acquiring a residence or domicile for purposes of taxation because of being absent or present in any U.S. tax jurisdiction solely to be with the servicemember in compliance with the servicemember's military orders. In general, for Massachusetts tax purposes, the new law will affect only servicemembers and their spouses who are domiciled in a state other than Massachusetts. In general, income for services performed by a nonresident spouse of a nonresident servicemember will not be deemed to be income for services performed (or from sources) within Massachusetts if the spouse is in Massachusetts solely to be with the servicemember serving in compliance with military orders. For more information see TIR 09-23.

Note: Massachusetts excludes from gross income compensation earned by members of the armed forces for service in a combat zone, to the same extent it is excluded under federal law.

No guidance is intended on the tax treatment of such pay under the laws of other states. Generally, when income is taxable in two jurisdictions, a credit for taxes paid to the other jurisdiction is allowed on the taxpayer's return in the state of his/her residence.

How Do I Determine My Residence (Domicile)?

Your residence is determined by all the facts and circumstances in your case. If you have two or more residences, your residence is the one you regard as your true home or principal residence. You cannot choose to make your home in one place for the general purposes of life and in another for tax purposes. Your residence is usually the place where you maintain your most important family, social, economic, political and religious ties. A change of residence will not be accom-

plished by a temporary or protracted absence from a place; you must not intend to return.

Note: A person is also considered a resident if they maintain a permanent place of abode in Massachusetts and spend more than 183 days, in the aggregate, in the state. See TIR 95-7 for a further explanation.

What is Gross Income for a Part-Year Resident?

As a part-year resident, you must file Form 1-NR/PY if your gross income was more than \$8,000 — whether received from sources inside or outside of Massachusetts.

Gross income for a part-year resident includes:

- ▶ All wages, salaries, tips, bonuses, fees and other compensation;
- ▶ Taxable pensions and annuities;
- ▶ Alimony;
- ▶ Income from a business, trade, profession, partnership, S corporation, trust or estate;
- ▶ Rental, royalty and REMIC income;
- ▶ Unemployment compensation;
- ▶ Taxable interest and dividends;
- ▶ Gambling winnings;
- ▶ Capital gains;
- ▶ Forgiveness of debt;
- ▶ Mortgage forgiveness;
- ▶ Taxable portion of scholarships and fellowships; and
- ▶ Any other income not specifically exempt.

Massachusetts gross income also includes the following which are not subject to the U.S. income tax:

- ▶ Interest from obligations of states and their political subdivisions, other than Massachusetts and its political subdivisions; and
- ▶ Income earned by a resident from foreign employment.

Massachusetts gross income does not include:

- ▶ Interest on obligations of the U.S. and U.S. territories;
- ▶ Pension income received from a contributory annuity, pension, endowment or retirement fund of the U.S. government or the Commonwealth of Massachusetts and its political subdivisions.
- ▶ Amounts received as U.S. Social Security, public welfare assistance, Veterans Administration disability payments, G.I. Bill education payments, certain worker's compensation, gifts, accident or life insurance payments, or certain payments received by Holocaust survivors; and

► Compensation earned by members of the armed forces for service in a combat zone (excluded to the same extent as under federal law).

What Adjustments Must I Make as a Part-Year Resident?

Part-year residents must adjust income, deductions and exemptions when completing Form 1-NR/PY. In general, these items are reduced because all of your income may not be subject to Massachusetts tax. Your deductions and exemptions are based on the number of days you were a Massachusetts resident or the amount of income that is subject to Massachusetts tax.

Income

Lines 5 through 11, 24, 27a and Schedule D, Line 21

If you earned only a portion of the income you reported on your U.S. return while you were a Massachusetts resident, subtract from your U.S. income the amount earned and received while you were domiciled in another state or country. However, you may be required to include all income derived from Massachusetts sources earned while you were a nonresident, such as from rental property or from a trade or business, including employment, on Schedule R/NR, Resident/Nonresident Worksheet. Such income now includes gains from the sale of a business or an interest in a business, separation, sick or vacation pay, deferred compensation, income from covenants not to compete, and nonqualified pension income that federal law allows states to tax.

Deductions

Lines 15 through 19

Most deductions are based on the actual amounts paid by you associated with the deduction for the period of time you were in Massachusetts.

The deductions listed below are based on the proration of the number of days you were a Massachusetts resident. For example, if you are entitled to claim one dependent under age 12, and if you lived in Massachusetts for only four months, you can claim a deduction equal to \$1,200 (one-third of the \$3,600 to which you are otherwise entitled). See line 3 on Form 1-NR/PY for the proration formula.

- Line 17, the deduction for a dependent under age 12, or dependents age 65 or over as of December 31, 2018, or disabled dependent(s);
- Schedule Y, line 6, Archer medical savings account (MSA) deduction;
- Schedule Y, line 8, health savings account deduction;
- Schedule Y, line 10, student loan interest deduction;

► Schedule Y, line 12, undergraduate student loan interest deduction;

► Schedule Y, line 15, commuter deduction; and

► Schedule Y, line 18, prepaid tuition or college savings program deduction.

The deductions listed below are based on the actual amounts paid or received for the period of time you were in Massachusetts. For example, you may only deduct the amount of alimony paid (Schedule Y, line 3) while you were a Massachusetts resident. Similarly, the deduction for attorney's fees and court costs involving certain unlawful discrimination suits (Schedule Y, line 9) must be directly related to Massachusetts income as reported on Form 1-NR/PY, line 12.

- Lines 15, 16 and 18;
- Schedule Y, lines 1 through 4;
- Schedule Y, line 5, moving expenses;
- Schedule Y, line 7, self-employed health insurance deduction;
- Schedule Y, line 9, qualified performing arts-related expenses, jury duty pay given to your employer, reforestation amortization, repayment of supplemental unemployment benefits under the Trade Act of 1974, employee business expenses of fee-basis state or local government officials, business expenses of National Guard Reserve members, the deduction for attorney's fees and court costs involving certain unlawful discrimination suits and deductible expenses related to income reported on U.S. Form 1040, Schedule 1, line 21 and Massachusetts Schedule X, line 4;
- Schedule Y, line 13, deductible amount of qualified contributory pension income from another state or political subdivision; and
- Schedule Y, line 17, certain gambling losses.

Exemptions

Lines 4a through 4f

Your total exemptions (line 4g) must be prorated based upon the ratio of days you were a Massachusetts resident. To adjust your exemptions, use the formula in line 3 and see line 22 instructions.

Federal Health Care Penalty

Line 39c

If you are reducing your Massachusetts health care penalty by the federal shared responsibility payment (federal health care penalty), you must prorate the federal health care penalty amount based upon the number of days you were a Massachusetts resident. To adjust this payment, use the formula in line 3 and see line 39 instructions.

Earned Income Credit

Line 47

Your earned income credit (line 47) must be prorated based upon the ratio of days you were a Massachusetts resident. To adjust this credit, use the formula in line 3 and see line 47 instructions.

Should I Make Estimated Tax Payments in 2019?

Every taxpayer (whether a resident or nonresident) who expects to pay more than \$400 in Massachusetts income taxes on income which is not covered by Massachusetts withholding must pay Massachusetts estimated taxes. Estimated tax payments can be made online by using DOR's MassTaxConnect application at mass.gov/dor. See line 44 instructions for more information.

How Do I File a Decedent's Return?

A final income tax return must be filed for a taxpayer who died during the taxable year. It must be signed and filed by his/her executor, administrator or surviving spouse for the portion of the year before the taxpayer's death. Be sure to fill in oval 1 if the taxpayer who was listed first on last year's income tax return is deceased, or oval 2 if the taxpayer who was listed second on last year's income tax return is deceased. Also, enclose Form M-1310 with the refund claimant's name and Social Security number clearly printed.

A joint return may be filed by a surviving spouse. In the case of the death of both spouses, a final return must be filed by their legal representative.

Any income of \$100 or more received for the decedent for the taxable year after the decedent's death, and for succeeding taxable years until the estate is completed, must be reported each year on Massachusetts Form 2, Massachusetts Fiduciary Income Tax Return.

If the decedent's return shows a refund due, and if the Probate Court has not appointed a legal representative and none is contemplated, a Massachusetts Form M-1310, Statement of Claimant to Refund Due on Behalf of Deceased Taxpayer, must be enclosed with the return so the refund check may be made payable to the proper person.

When to File Your Return

Your 2018 Form 1-NR/PY is due on or before April 17, 2019.

Automatic Extensions

All taxpayers filing personal income tax returns are automatically granted a six-month extension of time to file their tax return as long as at least 80% of the total amount of tax ultimately due on

or before the due date prescribed for payment of the tax has been paid. See TIR 16-10.

Also, if you are making a payment of \$5,000 or more, you are required to file your extension electronically, either through Electronic Funds Withdrawal.

Visit mass.gov/dor to file via the Web.

Form 1-NR/PY Extension Worksheet	
1. Enter amount from Form 1-NR/PY, line 41	<input type="text"/>
2. Enter the total of Form 1-NR/PY, lines 42 through 44 and 47 through 49	<input type="text"/>
3. Amount due. Subtract line 2 from line 1, not less than 0.	<input type="text"/>

Note: Your extension will not be valid if you fail to pay 80% of your total tax liability through withholding, estimated tax payments or with your extension. Form M-4868 is available at mass.gov/dor or by calling (617) 887-6367 or toll-free in Massachusetts (800) 392-6089.

Must I File on a Calendar Year Basis?

No. You may file on a fiscal year basis if you keep your books and records on that fiscal year basis and if you receive permission from the Commissioner of Revenue. If you file on a fiscal year basis, you must file on or before the fifteenth day of the fourth month after the end of your fiscal year. Taxpayers filing on a fiscal year basis must complete and file Form 13, Notice of Designation of Fiscal Year, available at mass.gov/dor or by calling (617) 887-6367 or toll-free in Massachusetts (800) 392-6089.

Fiscal Year Filers and Short Year Filers

File the 2018 return for calendar year 2018 and fiscal years that began in 2018 and ended in 2019. For a fiscal year return, fill in the tax year space at the top of page 1. Short year filers should file using the tax form for the calendar year within which the short year falls. If the short year spans more than one calendar year, the filer should file using the tax form for the calendar year in which the short year began. If the current form is not available at the time the short year filer must file, the filer should follow the rules explained in TIR 11-12.

What If I Am Unable to Pay?

If you are unable to pay the full amount of tax that you owe, you should pay as much of your tax liability as possible with this return. You will receive a bill from DOR for the remaining amount of tax due plus accrued interest and penalty charges. If the amount of that bill is less than \$10,000 and you still cannot pay it in full, you must apply formally to DOR for a small payment agreement in

order to avoid collection activity. You can apply for a small payment agreement by visiting [MassTaxConnect at mass.gov/dor](http://MassTaxConnect.mass.gov/dor).

Note: Do not mail your request for a payment agreement with your tax return. Requests can be made once a bill is issued through DOR's MassTaxConnect application at mass.gov/dor or by calling DOR at (617) 887-6367 or toll-free in Massachusetts (800) 392-6089. Setting up a small payment agreement will allow you to make monthly payments within a set time period to satisfy your unpaid liability.

Name and Address

Print the full name, address, and Social Security number of each person filing the return in the spaces provided. Enter names as they appear on your federal return.

Social Security Number(s)

Be sure to enter your Social Security number on your return. Also, enter your Social Security number on pages 2 through 5 of Form 1-NR/PY and on page 2 of Schedules B or C, if filed. Failure to show the correct Social Security number in the space provided will delay the processing of your return. If filing jointly, list your numbers in the order they appear on your federal return. Also, be sure your employer has listed the correct Social Security number on your Form W-2. If you are married, you must list your spouse's name and Social Security number even if you are filing a separate return.

Beginning January 1, 1997, each foreign person must use an identification number on any U.S. or Massachusetts tax return or refund claim filed. Certain aliens who cannot obtain Social Security numbers (SSNs) must obtain an IRS-issued individual taxpayer identification number (ITINs). This number can be obtained by filing Form W-7 with the IRS. The ITIN is not available for U.S. citizens or persons legally permitted to reside permanently or to work in the United States. These taxpayers qualify for SSNs and should obtain them from the Social Security Administration by filing Form SS-5. You may obtain Form SS-5 from your local Social Security Administration (SSA) or call the SSA at (800) 772-1213.

Filing an Original Return or Amended Return

Original Return

If this is the original filing of your 2018 tax return, fill in the "Original return" oval.

Filing an Amended Return

If you need to change a line item on your return, complete a new return with the corrected information and fill in the "Amended return" oval.

Your amended return must include all schedules filed with the original return even if there are no changes to the schedules. Mail your amended return to the same address used for original returns. Do not file Form ABT with your amended return. An amended return can be filed to either increase or decrease your tax. An amended return should also be filed to correct a credit amount (such as withholding) or to dispute a health care penalty. Generally, an amended return must be filed within three years of the date that your original return was filed. Visit mass.gov/dor/amend for more information about filing an amended return.

Federal Changes

If your amended return includes changes you have reported on an amended federal return filed with the IRS for the same tax year, check the "Amended return due to federal change" oval.

If your amended return does not report changes that result from the filing of a federal amended return or from a federal audit (for example, if the amended Massachusetts return is reporting a rental deduction not claimed on the original return) fill in only the "Amended return" oval.

Consent to Extend the Time to Act on an Amended Return treated as Abatement Application

In certain instances, an amended return showing a reduction of tax may be treated by DOR as an abatement application. Under such circumstances, by filing an amended return, you are giving your consent for the Commissioner of Revenue to act upon the abatement application after six months from the date of filing. See TIR 16-11. You may withdraw such consent at any time by contacting the DOR in writing. If consent is withdrawn, any requested reduction in tax will be deemed denied either at the expiration of six months from the date of filing or the date consent is withdrawn, whichever is later.

Voluntary Contribution to State Election Campaign Fund (part-year residents only)

You, and your spouse if filing jointly, may voluntarily contribute \$1 each to the state Election Campaign Fund. The purpose of the fund is to provide limited public financing for campaigns of eligible candidates for statewide and elective office. This contribution will not change your tax or reduce your refund.

Veterans Benefits

Fill in the appropriate oval(s) for you, and/or your spouse if married filing a joint return, if you are a veteran who served in the Armed Forces of the United States in active service as part of Operation Enduring Freedom, Operation Iraqi Freedom or Operation Noble Eagle and were discharged under

honorable conditions and were domiciled for six months in Massachusetts immediately prior to entry into the Armed Forces. DOR will then forward the name and address to the Department of Veterans' Services and the adjutant general of the Massachusetts National Guard to verify eligibility for any benefits you may be entitled to.

Deceased Taxpayer

Be sure to fill in the appropriate oval if a taxpayer died during the taxable year. For further information, refer to the section How Do I File a Deceased's Return? in the instructions.

Under Age 18

If you are under age 18 as of January 1, 2019, be sure to fill in the oval(s).

Note: Lines without specific instructions are considered to be self-explanatory.

Residency Status

Fill in the "Nonresident" oval if you were not a resident of Massachusetts and you received Massachusetts source income. See the section What is Massachusetts Source Income for Non-residents? for an explanation of Massachusetts source income.

Fill in the "Part-year resident" oval if you were a resident of Massachusetts for less than the full year and you did not receive Massachusetts source income while a nonresident.

Fill in the "Filing both as a nonresident and part-year resident" oval if both categories apply to you in the same tax year. See the section Who Must File. You must also complete and enclose with your return Schedule R/NR, Resident/Nonresident Worksheet.

Nonresident Composite Return for Professional Athletic Team Members

Massachusetts allows professional athletic teams to file a composite return and make estimated tax payments as an agent on behalf of two or more qualified electing nonresident team members. Eligible members of a composite return must meet the following requirements:

- ▶ Must be nonresidents for the entire taxable year;
- ▶ Must elect to be included in the composite return by signing a statement;
- ▶ Must agree to be subject to Massachusetts tax jurisdiction; and
- ▶ Must waive the right to claim deductions, exemptions and credits allowable under MGL ch 62, §§ 3, 5 and 6.. Taxpayers filing a nonresident composite return should enter 0 on Form 1-NR/PY, lines 20 (total deductions), 22 (exemption amount) and lines 33 to 35 (credits).

Each electing nonresident team member must sign under penalties of perjury a statement affirmatively stating such team member's qualifications and election to file a composite return. The composite return is filed on Massachusetts Form 1-NR/PY along with the applicable schedules and attachments. The total Massachusetts gross income reported on the composite Form 1-NR/PY must be the sum of all the qualified electing nonresident members' Massachusetts source income.

Be sure to fill in the "Nonresident composite return" oval if this category applies to you.

Name/Address Change

If you legally changed your name or address in 2018, fill in the oval. If you changed your name, enclose a copy of your Social Security card or driver's license showing your new name. Failure to include this documentation could delay processing of your return. If you move after filing, be sure to leave a forwarding address with your local post office and file a Change of Address Form with the Massachusetts Department of Revenue. This form is available to be filed online at mass.gov/dor, or by calling (617) 887-6367 or toll-free in Massachusetts (800) 392-6089.

Noncustodial Parent

Fill in this oval if you are a noncustodial parent. A noncustodial parent is defined as a person who has a minor child, but does not live with the child.

Note: If you are the biological parent of a child, but your parental rights have been terminated, you are not the noncustodial parent of that child.

Schedule TDS. Inconsistent Filing Position Penalty

Fill in the oval and enclose Schedule TDS, Taxpayer Disclosure Statement, if you are disclosing any inconsistent filing positions. Schedule TDS is available on our website at mass.gov/dor. The inconsistent filing position penalty (see TIR 06-5, section IV) applies to taxpayers that take an inconsistent position in reporting income. These taxpayers must "disclose the inconsistency" when filing their Massachusetts return. If such inconsistency is not disclosed, the taxpayer will be subject to a penalty equal to the amount of tax attributable to the inconsistency. This penalty is in addition to any other penalties that may apply.

A taxpayer is deemed to have taken an "inconsistent position" when the taxpayer pays less tax in Massachusetts based upon an interpretation of Massachusetts law that differs from the position taken by the taxpayer in another state where the taxpayer files a return and the governing law in that other state "is the same in all material respects" as the Massachusetts law. The Com-

missioner may waive or abate the penalty if the inconsistency or failure to disclose was attributable to reasonable cause and not willful neglect.

a. Total Federal Income

Enter your total federal income (from U.S. Form 1040, line 6). If married filing a separately and living in the same household, each spouse must combine their income figures from their separate U.S. returns when completing this section. If you did not have a requirement to file a U.S. return, you must enter 0 in this section.

Note: Failure to enter this information will delay the processing of your return.

b. Federal Adjusted Gross Income

Enter your federal adjusted gross income (from U.S. Form 1040, line 7). If married filing separately and living in the same household, each spouse must combine their income figures from their separate U.S. returns when completing this section. If you did not have a requirement to file a U.S. return, you must enter 0 in this section.

Note: Failure to enter this information will delay the processing of your return.

Line 1. Filing Status

Note: More than one filing status may apply to you. If so, you may wish to figure your taxes based upon more than one filing status to see which status is to your benefit.

Single

Fill in the **Single** oval if you were single as of December 31, 2018. This status applies to you if, at the close of the taxable year, you fit into any of the following categories:

- ▶ You were unmarried;
- ▶ You were a widow or a widower whose spouse died before 2018; or
- ▶ You were legally separated under a final judgment of the probate court.

You are not single if:

- ▶ You have obtained a judgment of divorce which has not yet become final;
- ▶ You have a temporary support order; or
- ▶ You and your spouse simply choose to live apart.

Married Filing Joint Return

Fill in the "Married filing joint return" oval if you were legally married as of December 31, 2018, and you elect to file a joint return. A joint return is allowed even if only one spouse had income. Both spouses are responsible for the accuracy of all information entered on a joint return, and both must sign. If your spouse died during 2018, you may still choose to file a joint return.

Please note that a joint Form 1-NR/PY is not allowed unless each spouse is reporting income for the same resident or nonresident period. For example, John (a Massachusetts resident) and Jane (a New Hampshire resident) both work in Massachusetts. After they were married in June 2018, John moved to New Hampshire to live with Jane. They cannot file a joint return because their nonresident tax years are different. (Jane lived in New Hampshire during the entire year, but John only lived there for six months.)

Married Filing Separate Return

Fill in the "Married filing separate return" oval if you were legally married as of December 31, 2018, but you elect to file separately. Enter your spouse's name and Social Security number in the space provided.

Head of Household

Fill in the "Head of household" oval if you qualify to file this status federally. This status is for unmarried people who paid over half the cost of keeping up a home for a qualifying person, such as a child who lived with you or your dependent parent. Be sure to include such qualifying person on Schedule DI, Depending Information. Certain married people who lived apart from their spouse for the last six months of 2018 and who meet all of the other federal requirements may also be able to use this status. See IRS Publication 501, Exemptions, Standard Deduction, and Filing Information, for more information.

Custodial Parent

Fill in the oval for "custodial parent who has released claim to exemption for child(ren)" if you are claiming the head of household filing status and you have released your claim to one or more dependent exemptions on IRS Form 8332, or participated in a decree or agreement to allow the noncustodial parent to claim a dependency exemption.

Lines 2 and 3. Part-Year Resident Proration Formula

Part-year residents must fill out the proration formula in lines 2 and 3. Enter the dates you were a Massachusetts resident in the spaces provided. Then, enter the total days you were a Massachusetts resident and divide this number by 365 and carry this division out to four decimal places. Failure to do so may delay the processing of your return. This figure is used to determine the portion of certain deductions, exemptions, federal health-care penalty, and the earned income credit a part-year resident may be eligible to claim.

Whole Dollar Method Required

DOR requires that the whole dollar method be used for entries made on forms or sched-

ules. For example, amounts between \$1.00 and \$1.49 should be entered as \$1.00 and amounts between \$1.50 and \$2.00 should be entered as \$2.00. However, calculations on worksheets used to reach amounts shown on the return may be made in either of the following ways:

- ▶ Round amounts before adding them up and enter the resulting total on the form; or
- ▶ Add amounts to the penny, and then round to the whole dollar for entry on the form.

Either method is acceptable as long as one method is used consistently throughout the return.

Line 4. Exemptions

Line 4a. Personal Exemptions

Each taxpayer is entitled to claim a personal exemption. The amount of your personal exemption depends on your filing status in line 1.

- ▶ If you are single or married filing a separate return, enter \$4,400 in item a.
- ▶ If filing as head of household, enter \$6,800 in item a.
- ▶ If married filing a joint return, enter \$8,800 in item a.

Line 4b. Number of Dependents

You may claim a \$1,000 exemption for each of your dependents if you claimed them on your U.S. return. Enter in the box in item b the number of dependents you listed on U.S. Form 1040 or U.S. Form 1040NR. Do not include yourself or your spouse. Then, multiply that total by \$1,000 and enter the total amount in line 4b. Be sure to fill out Schedule DI, Dependent Information, if you are claiming a dependent exemption(s). Failure to do so will delay the processing of your return.

Note: Only one person (or married couple filing jointly) may claim the dependent exemption for any one child or other dependent.

In a few cases, the number of dependents claimed for Massachusetts purposes and for U.S. purposes may differ. Massachusetts allows a dependent exemption for each individual who qualifies for exemption as a dependent under § 151(c) of the Code. For purposes of § 151(c), the definition of dependent in § 152 is adopted. Under federal law, there are additional restrictions on the dependent exemption beyond the rules of § 152 that are not adopted by Massachusetts. For Massachusetts tax purposes, if an individual qualifies as a dependent under the rules of § 152, you can claim a dependent exemption for such a person. If you claim such a dependent in Massachusetts, increase the number reported in item b from your U.S. return by the number of such additional dependents.

Line 4c. Age 65 or Over Before 2019

You are allowed an additional \$700 exemption if you were age 65 or over before January 1, 2019. If your spouse was age 65 or over and you are filing a joint return, you may also claim a \$700 exemption for your spouse. Fill in the appropriate oval(s) and enter the total number of persons age 65 or over in the small box. Then, multiply that total by \$700 and enter the total amount in line 4c.

Line 4d. Blindness Exemption

You are allowed an additional \$2,200 exemption if you are legally blind. If your spouse is also legally blind and you are filing a joint return, you may also claim a \$2,200 exemption for your spouse. Fill in the appropriate oval(s) and enter the total number of blindness exemptions in the small box. Then, multiply that total by \$2,200 and enter the total amount in line 4d.

Legal Definition of Blindness

You are legally blind and qualify for the blindness exemption if your visual acuity with correction is 20/200 or less in the better eye, or if your peripheral field of vision has been contracted to a 10-degree radius or less, regardless of visual acuity.

Line 4e. Medical/Dental Expenses

You may claim an exemption for medical and dental expenses paid during 2018 only if you itemized these expenses on your U.S. Form 1040, Schedule A. If you are married filing a joint U.S. Form 1040, you must file a joint Massachusetts Form 1-NR/PY to claim this exemption. Enter in line 4e the amount reported on your U.S. Form 1040, Schedule A, line 4.

Line 4f. Adoption Agency Fee

If you paid adoption fees to a licensed adoption agency during 2018, you are eligible for an exemption of the total amount of the fees paid during the year. Fees paid during 2018 to an agency licensed to place children for adoption on account of the adoption process of a minor child regardless of whether an adoption actually took place during 2018 should also be included for this exemption. Enter this amount in line 4f.

Line 4g. Total Exemptions

Add lines 4a through 4f and enter the total in line 4g. This amount should also be entered on line 22a of Form 1-NR/PY.

Lines 5 through 11

▶ Income received by nonresidents is taxed only when it is from Massachusetts sources. Refer to the general instructions in this booklet for a definition of Massachusetts source income. The instructions for each of these lines will describe Massachusetts source income in more detail. For part-year residents, income received while a res-

ident, whether from sources inside or outside of Massachusetts, is taxable.

▶ Your entries must agree with the appropriate amounts on your copies of Forms W-2 and 1099, and/or required schedules for lines 8 and 9. Nonresidents, if your actual Massachusetts income is not known, see the Nonresident Apportionment Worksheet in line 13 and accompanying instructions.

Note: You cannot apportion Massachusetts wages as shown on Form W-2.

5.1% Income

If filing as both a nonresident and part-year resident, you must complete Schedule R/NR, Resident/Nonresident Worksheet, before proceeding.

Line 5. Wages, Salaries, Tips and Other Employee Compensation

Report in line 5 total state wages from Form(s) W-2. Enter the amount(s) stated as Massachusetts wages.

Note: Part-year residents, income earned while a Massachusetts resident in another state is subject to taxation in Massachusetts.

In most cases your total wages will be the same amount reported on your U.S. 1040, line 1; U.S. 1040NR, line 8; or U.S. 1040NR-EZ, line 3 unless:

- ▶ You or your spouse earned income from employment outside Massachusetts (nonresidents only);
- ▶ You were a Massachusetts resident working in a foreign country (part-year residents only);
- ▶ You were a resident of Massachusetts for only a part of 2018; or
- ▶ You were a state or local employee and made contributions to a Massachusetts state or local pension plan.

Differences Between Wages for Massachusetts Tax Purposes and Those Reported on Your U.S. Return

Nonresidents earning a portion of income from employment outside Massachusetts. If a portion of the wage income reported on your U.S. return was earned outside Massachusetts, the amount in line 5 should not include wages earned in another state or country.

Massachusetts residents working in a foreign country while a Massachusetts resident. Income earned in a foreign country is subject to taxation in Massachusetts. If you excluded part or all of the compensation earned in a foreign country on your U.S. return (under § 911 of the IRC), you must include any such amount in line 5 for Massachusetts tax purposes.

Part-year residents of Massachusetts. If you earned only a portion of the income you reported on your U.S. return while you were a Massachusetts resident, subtract from your U.S. wages the amount earned and received while you were domiciled in another state or country.

State or local employees contributing to pension plans. If you are a Massachusetts state, city, town or county employee and contributed to your pension plan, enter in line 5 the Form W-2 state wage amount. This amount will be greater than the U.S. amount because your pension contributions are excluded from your income for U.S. tax purposes. Contributions up to \$2,000 may still be deducted in line 15a or 15b for Massachusetts tax purposes.

Line 6. Taxable Pensions and Annuities

Nonresidents. Under Title 4 of the USC § 114, payments to nonresidents from certain qualified pension plans are not subject to tax.

Qualified plans include:

- ▶ A qualified trust under IRC § 401(a) exempt from taxation under IRC § 501(a);
- ▶ Simplified IRC § 408(k) plans;
- ▶ IRC § 403(a) annuity plans;
- ▶ IRC § 403(b) annuity contracts;
- ▶ IRC § 7701(a) (37) individual retirement plans;
- ▶ Eligible deferred compensation plans of state and local governments and tax exempt organizations as defined by IRC 457;
- ▶ IRC § 414(d) government plans; a trust or trusts described in IRC § 501(c) (18); and
- ▶ Any plan, program or arrangement described in IRC § 3121(v)(2)(C) or any plan, program, or arrangement that is in writing, that provides for retirement payments in recognition of prior service to be made to a retired partner, and that is in effect immediately before retirement begins if payments are made at least annually and spread over the actuarial life expectancy of the beneficiaries, or if payments are spread over at least a ten year period.

Such income is also protected from state taxation if the plans are trusts under IRC § 401(a), but exceed limits laid down in IRC §§ 401(k), 401(m), 402(g), 403(b), 408(k) or 415 or any other limitation on contributions or benefits which may apply in the Code.

Retirement or retainer pay of a member or former member of a uniformed service computed under 10 USC ch 71 (military pensions) received by a nonresident is also exempt.

Any income from pensions related to a Massachusetts trade, business or employment that is not

derived from one of the qualified pension plans listed above is taxable. Enter in line 6 the portion of those pensions reported on your U.S. Form 1040, line 4a, that are taxable to Massachusetts nonresidents.

Part-year residents. Income from most private pensions or annuity plans is taxable in Massachusetts. You must report the taxable pension income you received while a resident of Massachusetts. Certain government pensions, however, are exempt under Massachusetts law. In general, exempt pensions include contributory pensions from the U.S. government or the Commonwealth of Massachusetts and its political subdivisions, and noncontributory military pensions. The following section describes some specific pensions which are exempt. If your pension is not exempt, you should generally enter in line 6 the taxable amount reported on your U.S. Form 1040, line 4b. In some cases, however, Massachusetts law requires an adjustment to the federal amount. Distributions from annuity, stock bonus, pension, profit-sharing or deferred payment plans or contracts described in §§ 403(b) and 404 of the IRC must be adjusted to account for your contributions that have been previously taxed. Subtract from such income (as reported on your U.S. Form 1040, line 4a) the amount of your contributions which were previously taxed by Massachusetts until the total of your taxed contributions is received. If your pension falls into this category, enter the adjusted amount in line 6 and explain briefly (in an enclosed statement) why this amount is different than the amount reported on your U.S. return. If you are receiving distributions from an IRA or Keogh plan, do not report the income here; instead, see to the instructions for Schedule X, line 2.

What Pensions are Exempt?

- ▶ Pension income received from a contributory annuity, pension, endowment or retirement fund of the U.S. government or the Commonwealth of Massachusetts and its political subdivisions.
- ▶ Pensions from other states or its political subdivisions which do not tax such income from Massachusetts or its political subdivisions may be eligible to be deducted from Massachusetts taxable income. This pension income, however, should be reported in line 6. Refer to Schedule Y, line 13 instructions to determine eligibility for this deduction.
- ▶ Noncontributory pension income or survivorship benefits received from the U.S. uniformed services (Army, Navy, Marine Corps, Air Force, Coast Guard, commissioned corps of the Public Health Service and National Oceanic and Atmospheric Administration) is exempt from taxation in Massachusetts.

► Massachusetts state court judges who were appointed on or after January 2, 1975 are participants in the Massachusetts contributory retirement system and their pensions are nontaxable. State court judges who were appointed prior to January 2, 1975 receive taxable noncontributory pensions.

If you retired under MGL ch 32, §§ 56–60 and are a veteran who began Massachusetts state service prior to July 1, 1939, all or part of your pension income may be subject to tax. If you elected to receive your proceeds from contributions in one lump-sum distribution, your original contributions to the retirement system are not taxable. Noncontributory pension income received after a lump-sum distribution is fully taxable and should be reported in line 6.

How do I report lump-sum distributions?

If you were an employee of the U.S., Massachusetts or one of its political subdivisions and left public employment prior to retirement, you are not required to report as income the lump-sum distribution of your previously-taxed pension contributions.

Lump-sum distributions of qualified employee benefit plans in excess of the employee's contributions which were previously subject to Massachusetts tax (or not previously excluded from Massachusetts tax) must be reported in line 6. Generally, qualified rollovers are not taxable in Massachusetts to the extent they are not taxable on your U.S. return. Lump-sum distributions related to IRA/Keogh distributions should be reported on Schedule X, line 2.

Rollover from a traditional IRA to a Roth IRA (part-year residents only). Taxpayers are allowed to make partial or complete rollovers from existing IRAs to Roth IRAs. Any taxable portion of these rollovers included in federal gross income received while a resident of Massachusetts is also included in Massachusetts gross income, except for amounts previously subject to Massachusetts personal income tax. See Schedule X, line 2 instructions for further details.

Note: Massachusetts does not tax Social Security income, therefore, you should not report such income on Massachusetts Form 1-NR/PY.

Line 7. Interest from Massachusetts Banks Nonresidents. Interest income is only taxable if it is related to a Massachusetts trade, business, profession, partnership or S corporation, or to the ownership of real estate or tangible personal property located in Massachusetts.

Part-year residents. While a resident of Massachusetts, interest received from any savings banks, cooperative banks, national banks, trust

companies, savings and loan associations or credit unions located in Massachusetts is taxable.

Nonresidents and part-year residents, report in line 7a such interest taxable by Massachusetts.

To report interest taxable to a nonresident or part-year resident from banks located in Massachusetts, enter in line 7a amounts of interest received or credited to these deposit accounts (term and time deposits, including certificates of deposit, savings accounts, savings shares, and NOW accounts). Combine all accounts at the same bank. Enclose a statement listing names of all savings banks, cooperative banks, national banks, trust companies, savings and loan associations or credit unions in which you have deposit accounts. In line 7b, enter the exemption amount (\$200 if married filing a joint return; otherwise enter \$100) and subtract this amount from line 7a. Enter the result in line 7, but not less than 0.

Note: This exemption amount does not apply to your U.S. tax return.

Do not subtract interest forfeited or penalties charged to you for early savings withdrawal. You may be allowed to deduct these amounts on Schedule Y, line 2. All other interest, unless exempt, should be entered on Massachusetts Schedule B. The return on an IRA/Keogh is not taxable until distributed.

Line 8a. Business/Profession Income or Loss

Enter in line 8a the amount of income or loss from a business or profession from Massachusetts Schedule C, line 31. You must enclose Massachusetts Schedule C with this return.

Note: U.S. Schedules C or C-EZ are no longer allowed as a substitute for Massachusetts Schedule C.

Line 8b. Farm Income or Loss

If you operate a farm as an individual or cooperative, enter in line 8b the amount of income or loss from operating a farm from U.S. Schedule F, Profit or Loss from Farming, line 34. Enclose a copy of U.S. Schedule F. Complete a pro-forma U.S. Schedule F to report Massachusetts differences, such as bonus depreciation.

Line 9. Rental, Royalty, REMIC, Partnership, S Corporation, Trust Income or Loss

Taxpayers with income or loss reported on a Schedule E must file his or her tax return using computer-generated forms produced by third-party software. The tax return may be generated by the taxpayer or by a tax professional. The taxpayer is encouraged, but not required, to submit the return electronically. Paper forms produced using the third-party software product will contain a two-dimensional (2D) bar code and will also

be accepted. If the taxpayer hires an income tax preparer to complete the taxpayer's taxes, the preparer must follow the Commissioner's electronic filing rules. See TIR 08-22 for more information.

If you do not have access to a software package when filing your 2018 income tax return, you may file your Schedule(s) E on paper. Visit our website at mass.gov/dor to download a paper copy of the 2018 Schedule(s) E, E-1, E-2, E-3 (and instructions) to file with your income tax return.

Line 10a. Unemployment Compensation

Nonresidents. Enter in line 10a the portion of your unemployment compensation reported in U.S. Form 1040, Schedule 1, line 19, related to previous Massachusetts employment. Only unemployment compensation related to previous Massachusetts employment is taxable to nonresidents. If you elected voluntary withholding of Massachusetts state income taxes on your unemployment compensation, be sure to include the amount of Massachusetts state income tax withheld as reported on Form 1099-G on Form 1-NR/PY, line 42 and enclose Form 1099-G.

Part-year residents. Enter in line 10a the portion of unemployment compensation reported in U.S. Form 1040, Schedule 1, line 19, received while you were a resident of Massachusetts, whether related to employment inside or outside of Massachusetts. If you elected voluntary withholding of Massachusetts state income taxes on your unemployment compensation, be sure to include the amount of Massachusetts state income tax withheld as reported on Form 1099-G on Form 1-NR/PY, line 42 and enclose Form 1099-G.

If filing as both a part-year resident and nonresident, refer to Schedule R/NR.

Line 10b. Massachusetts State Lottery Winnings

Enter in line 10b all winnings from the Massachusetts state lottery. Do not enter less than 0. You may only deduct the price of your winning ticket. Lottery losses claimed as itemized deductions on U.S. Form 1040, Schedule A are not allowed on your Massachusetts return.

Line 11. Other Income (from Schedule X)

Alimony received, taxable IRA/Keogh and Roth IRA distributions, other gambling winnings, fees and other 5.1% income. "Other 5.1% income" includes the items listed above and must be included on Schedule X. Enter the total from Schedule X, line 5. Not less than 0. Be sure to enclose Schedule X with your return. Enclose an additional statement if more space is needed. Failure to enclose this schedule will delay the processing of your return. See Schedule X instructions.

Apportionment — Nonresidents Only

Sometimes your business or employment requires you to work both inside and outside Massachusetts, but you do not know the actual amount of income you earned from working in Massachusetts. In this case, you must apportion your income so that only the correct portion (the amount attributable to Massachusetts) will be taxed by Massachusetts. Some nonresidents must use the Nonresident Apportionment Worksheet in line 13 for this purpose.

Who Cannot Apportion Income?

If you know the actual amount of your Massachusetts source income, do not apportion. Report your income taxable in Massachusetts on your Massachusetts return.

Examples of nonresidents who cannot apportion include:

- ▶ An employee whose actual Massachusetts income is shown on Form W-2;
- ▶ An employee whose Form W-2 does not indicate initially his/her actual Massachusetts income but whose employer issues a corrected Form W-2 or other statement which breaks down this amount. Since your employer is required by law to withhold Massachusetts tax on your Massachusetts wages, this breakdown will be easy to obtain; and
- ▶ A self-employed person whose actual Massachusetts income is known, such as a surgeon who comes to Massachusetts to perform a specific operation for a set fee.

In the few cases when your employer fails to issue a separate Form W-2 that includes only Massachusetts earnings, you may use the Nonresident Apportionment Worksheet to adjust your earnings.

Who Must Use the Nonresident Apportionment Worksheet?

If your employment or business took you both inside and outside Massachusetts and you do not know the actual amount of income you earned in Massachusetts, or if you are a self-employed person or employee who is on an hourly, daily, weekly, monthly or mileage basis, or whose compensation depends upon sales, at least some of which take place outside of Massachusetts, you must use the Nonresident Apportionment Worksheet.

Note: If both you and your spouse both qualify to apportion your income or you have more than one job that is eligible for apportionment, you must

complete a separate apportionment worksheet for the income that is eligible to be apportioned.

Who Can Apportion Income But Cannot Use the Nonresident Apportionment Worksheet?

If you do not know the actual amount of income you earned in Massachusetts from one business or employment, but you do not fit into any of the categories listed in the preceding section, you should not use the Nonresident Apportionment Worksheet. See the section on Special Apportionment Methods for your apportionment method.

Examples of nonresidents who must apportion income using one of these special methods include:

- ▶ An independent business or professional person whose income does not depend on sales, days or mileage;
- ▶ An entertainer or athlete whose income does not depend solely on receipts or winnings;
- ▶ A general or limited partner in a partnership; and
- ▶ A shareholder of an S corporation with Massachusetts source income.

Apportionment Methods

If you use the Nonresident Apportionment Worksheet, fill in the oval for the appropriate basis and then follow the instructions. If you have more than one business or employment requiring the use of the worksheet, complete and enclose one worksheet for each business or employment.

Working days basis. This basis should be used by employees or self-employed persons who qualify to use the Nonresident Apportionment Worksheet and who are compensated on an hourly, daily, weekly or monthly basis. The income of these taxpayers is to be allocated to Massachusetts in the proportion that the amount of time spent working in Massachusetts bears to the total working time.

Mileage basis. An employee or self-employed person whose compensation depends on miles traveled is taxed on that portion of total compensation received in which the miles traveled within Massachusetts bear to total miles traveled.

Sales basis. For an employee or self-employed person whose compensation depends upon sales or commissions, taxable income includes that portion of total compensation received which the sales made inside Massachusetts bear to total sales. (For the purposes of making this allocation, all sales for which the taxpayer takes orders inside Massachusetts are attributable to this state, regardless of whether the formal acceptance of the contract of sale takes place inside or outside Massachusetts.)

Special Apportionment Methods

If you earned income both inside and outside Massachusetts from one business or employment, and your actual Massachusetts income is not known and you cannot use the Nonresident Apportionment Worksheet in line 13, use the following appropriate apportionment method.

Self-employed and professional persons. If you earned income from both inside and outside Massachusetts and your books do not accurately reflect your Massachusetts source income, you must use a three-factor formula to apportion your Massachusetts income. Instructions for this method of apportionment are in Massachusetts Regulation 830 CMR 62.5A.1.

Entertainers and professional athletes. If you are a nonresident entertainer who performed in Massachusetts and you were not paid specifically for the performance in Massachusetts, or if you are a nonresident professional athlete who took part in performances, bouts, meets, matches or games that occurred in Massachusetts and you were not paid for the specific event played in Massachusetts, you must use the apportionment formula set forth in Massachusetts Regulation 830 CMR 62.5A.1.

Nonresident partners. If you are a nonresident general or limited partner, you are taxed on your distributive share of the income received by the partnership to the extent that the partnership income is Massachusetts source income, determined as if the partnership were a nonresident individual. If you are entitled to apportionment, the partnership will apportion its income and notify you of your share on a 3K-1.

Nonresident shareholders of an S corporation. If you are a nonresident shareholder in an S corporation, you are taxed on the distributive share of income received by the S corporation to the extent that the S corporation income is Massachusetts source income. If you qualify for apportionment, the S corporation will apportion its income and notify you of your share on an SK-1.

Line 13. Nonresident Apportionment Worksheet

Line 13a

If your income is measured by working days, enter the number of days you worked outside Massachusetts.

Line 13b

Enter the number of days you worked inside Massachusetts. (If you spent a working day partly inside and partly outside Massachusetts, treat the day as having been spent a whole day inside the state.)

Line 13c

Enter the total days worked both inside and outside Massachusetts (the sum of lines 13a and 13b).

Line 13d

Enter your nonworking days. Your nonworking days are those days during the year (or during the period you worked, if your job lasted less than a year) that you were not required to work, such as Saturdays, Sundays, holidays, sick days, vacation and leave with or without pay. Complete the remainder of the Nonresident Apportionment Worksheet as indicated, and enter your Massachusetts income from line 13g in the appropriate line on Form 1-NR/PY. For example, if you are apportioning your wages, enter the amount from line 13g in line 5.

If you are using the mileage or sales basis, substitute mileage or sales for working days and complete all items in the worksheet, except line 13d. Indicate what basis you are using by filling in the appropriate oval, and enter your Massachusetts income from line 13g in the appropriate line on Form 1-NR/PY.

Nonresident Deduction and Exemption Ratio

Since nonresidents are only taxed on income from Massachusetts sources, the deductions and exemptions allowed to them are limited by the amount of this income. This happens in two ways. The deductions in line 15 and Schedule Y, lines 1, 2, 4, 5, 7, 9 (certain amounts only; see instructions for Schedule Y, line 9), 13 and 17 must be matched to specific items of income taxed on Form 1-NR/PY. Other deductions and all exemptions must be prorated by the ratio of a taxpayer's Massachusetts source income to his/her total income.

Line 14. Nonresident Deduction and Exemption Ratio

All nonresident taxpayers must complete lines 14a to 14g to arrive at this ratio. The ratio will be used to determine what amounts, if any, you may deduct in:

- Lines 16 and 17;
- Schedule Y, line 3, alimony paid deduction;
- Schedule Y, line 6, Archer medical savings account (MSA) deduction;
- Schedule Y, line 8, health care accounts deduction;

- Schedule Y, line 10, student loan interest deduction;

- Schedule Y, line 12, undergraduate student loan interest deduction;

- Schedule Y, line 15, commuter deduction; and

- **Schedule Y, line 18, prepaid tuition or college savings program deduction.**

Nonresidents should use the line 14g ratio to determine the amount of the deduction for attorney's fees and court costs involving certain unlawful discrimination suits (from Schedule Y, line 9) only if it is directly related to Massachusetts income as reported on Form 1-NR/PY, line 12. If it is not directly related to income reported on Form 1-NR/PY, you are not allowed any deduction.

If married filing jointly, include in each line the income for both spouses. Enter any loss as 0.

If filing as both a nonresident and a part-year resident, be sure to read the instructions for Schedule R/NR before completing line 14. Also, enter in line 14a only the portion of Massachusetts source 5.1% income earned as a nonresident.

Note: If one or more composite returns are being filed on your behalf, you may not include amounts reported on any composite return in calculating your exemption and deduction ratios.

Line 14a

Enter in line 14a total 5.1% income from line 12.

Note: If filing as both a nonresident and part-year resident, enter the total of Schedule R/NR, Part 1, column D, lines 5 through 11.

Line 14b

Enter in line 14b Massachusetts bank interest from the smaller of line 7a or line 7b.

Note: If filing as both a nonresident and part-year resident, enter the smaller of Schedule R/NR, Part 1, column D, line 7 or Form 1-NR/PY, line 7b.

If filing as both a nonresident and part-year resident, enter the smaller of Schedule R/NR, Part 1, column D, line 7 or Form 1-NR/PY, line 7b.

Line 14c

Read the instructions for lines 24, 27 and 28. If these items apply to you, combine Schedule B, Part 1, line 7 and Part 2, line 13 (but not less than 0) and Schedule D, line 13 (but not less than 0), and enter the total in line 14c. If there is no entry in Schedule B, Part 1, line 7, enter the amount from Form 1-NR/PY, line 24.

Note: If filing as both a nonresident and part-year resident, enter the total of Schedule R/NR, Part 1, column D, lines 24 (interest and dividends), 27 (certain capital gains from Schedule B) and Schedule D (long-term capital gains and losses, excluding collectibles).

Line 14e

Enter in line 14e the total income from non-Massachusetts sources you received during the tax year covered by this return. This is the additional income that would have been reported by you if you had been a Massachusetts resident that you received from non-Massachusetts sources. This amount is often not the same as the difference between your total U.S. income reported in line a and your Massachusetts source income reported in line 14d, due to the differences between Massachusetts and federal tax laws.

Note: Be certain not to include any amounts already reported in line 14d.

To reconcile the two amounts, the following types of income included in the U.S. total income (Form 1-NR/PY, line a), but not taxable in Massachusetts should be subtracted from the U.S. total before completing line 14e:

- Social Security and Tier I Railroad Retirement benefits;

- Pensions from contributory retirement plans of the U.S., or Massachusetts and its political subdivisions;

- Pension income from the U.S. military;

- U.S. bond interest;

- State tax refunds; and

- Keogh and 403(b) distributions related to contributions previously taxed by Massachusetts.

Income from the following categories which is not included in U.S. total income (Form 1-NR/PY, line a) must be added back to calculate the total income that would be reported as Massachusetts income had the taxpayer been a Massachusetts resident in line 14e:

- Bond interest from other states;

- Up to \$80,000 in foreign-earned income;

- Contributions to a pension plan by Massachusetts state or local employees; and

- Net operating loss carryforward.

Note: If filing as both a nonresident and part-year resident, enter Schedule R/NR, Part 1, column C total.

Line 14f

Add line 14d and line 14e. If your total income in line a exceeds the amount reported in line 14f by more than 10%, you should enclose a statement explaining the reasons for the difference.

Line 14g

Divide line 14d by line 14f. Carry this division out to four decimal places. Failure to do so may delay the processing of your return. Enter the result in line 14g. This is your ratio for deductions and exemp-

tions. It represents the relationship of your Massachusetts source income to your total income.

Deductions

Lines 15 through 19

Massachusetts allowable deductions differ from itemized deductions on Schedule A of U.S. Form 1040. You may claim only the deductions specified on Massachusetts Form 1-NR/PY, lines 15 through 18 and Schedule Y.

Line 15. Amount Paid to Social Security (FICA), Medicare, Railroad, U.S., Massachusetts Retirement Systems

Nonresidents. If, as a condition of Massachusetts business or employment, you have paid into any of the retirement systems listed above during 2018, you may deduct those contributions, up to a maximum of \$2,000.

Part-year residents. You may deduct contributions attributable to business or employment while a Massachusetts resident, up to a maximum of \$2,000.

Enter in lines 15a and 15b the amount you, and your spouse if filing jointly, paid to Social Security (FICA), Medicare or Railroad Retirement and the U.S. or Massachusetts Retirement Systems during 2018 as shown on your Form W-2 that is directly related to income taxable by Massachusetts included in line 12, but not more than \$2,000 each. Payment amounts may not be combined or transferred from one spouse to the other. Be sure to add any amount of Medicare tax withheld as shown on Form W-2 and any amount of self-employment tax as reported on your U.S. Form 1040 to the amount of Social Security tax withheld, the total not to exceed \$2,000 per person.

Note: Medicare premiums deducted from your Social Security or retirement payments are not deductible.

Payments to an IRA, Keogh, Simplified Employee Pension plan (SEP) or Savings Incentive Match Plan for Employees (SIMPLE) Account are not deductible for Massachusetts income tax purposes.

Lines 16 and 17

Massachusetts law allows an option for deducting expenses related to dependent children. Please read instructions for both lines 16 and 17 to determine if you qualify and to decide which deduction is better for you. You cannot claim a deduction in both lines 16 and 17.

Line 16. Child Under Age 13, or Disabled Dependent/Spouse Care Expenses

Massachusetts allows taxpayers to exceed the federal limit on employment-related expenses for

the care of a qualified child under the age of 13, a disabled dependent or a disabled spouse. The maximum deduction is \$4,800 for one qualifying individual, and \$9,600 for two or more qualifying individuals. Complete the following Form 1-NR/PY, Line 16 Worksheet to calculate your Massachusetts child or disabled dependent/spouse care expense deduction.

Note: You cannot claim this deduction if married filing a separate U.S. 1040 return. If you are filing a joint U.S. 1040 return but are married filing separately for Massachusetts purposes, either spouse may claim the deduction for expenses he or she incurred, but their combined deduction cannot exceed \$4,800 for one qualifying individual or \$9,600 for two or more qualifying individuals.

Taxpayers who received dependent care benefits should complete a pro forma U.S. Form 2441. When completing this pro forma form, taxpayers should enter \$4,800 (or \$9,600 for two or more qualifying persons) in line 27 of U.S. Form 2441. The amount from this pro forma Form 2441, line 31 should then be entered in line 1 of the following worksheet.

Note: If you choose to take a deduction in Form 1-NR/PY, line 16, you cannot take the deduction in Form 1-NR/PY, line 17.

Form 1-NR/PY, Line 16 Worksheet. Child Under 13 or Disabled Dependent/Spouse Care Deduction

1. Enter the amount of qualified expenses you incurred and paid in 2018 for a qualifying person(s). This amount may exceed the federal limit of \$3,000 for one qualifying person or \$6,000 for two or more persons. However, do not enter more than \$4,800 for one qualifying person or \$9,600 for two or more persons.

Part-year residents, enter amounts paid while a Massachusetts resident

2. Enter the amount from U.S. Form 2441, line 4

3. Enter the amount from U.S. Form 2441, line 5

4. Enter the smallest of line 1, 2 or 3

5. If you paid 2017 expenses in 2018, enter the amount of the allowed 2017 expenses used to compute the credit on U.S. Form 2441, line 9. Otherwise, enter 0

6. Add lines 4 and 5. Not to exceed more than \$4,800 for one qualifying person or \$9,600 for two or more persons

7. Part-year residents, enter here the amount from line 6 and in Form 1-NR/PY, line 16; nonresidents, multiply line 6 by Form 1-NR/PY, line 14g and enter the result here and in Form 1-NR/PY, line 16

Line 17. Dependent Member(s) of Household Under Age 12, or Dependents Age 65 or Over (not you or your spouse) as of December 31, 2018, or Disabled Dependent

You may deduct \$3,600 for a dependent member of household, or \$7,200 for two or more dependents, under age 12, or dependent age 65 or over (not you or your spouse) as of December 31, 2018, or disabled dependent. Enter the number of qualified dependents in line 17a, not to exceed two, and multiply that amount by \$3,600. Enter the result in line 17. Only if single, head of household or married filing jointly. You cannot claim this deduction if married filing a separate return.

Note: You may claim an amount in line 17 only if there is no entry in line 16.

► Nonresidents, multiply this amount by line 14g and enter the result in line 17 of Form 1-NR/PY. Part-year residents, multiply this amount by line 3 and enter the result in line 17 of Form 1-NR/PY.

Line 18. Rental Deduction

Nonresidents are allowed a deduction equal to 50% of the rent they pay, up to a maximum of \$3,000, for their principal residence only if it is located in Massachusetts and is their sole residence. (Non-Massachusetts rent is never deductible.) Many nonresidents rent a house or apartment in Massachusetts, but few qualify for this deduction. This is because the house or apartment rented here is not their principal residence. Only those nonresidents who rented a house or apartment in Massachusetts and have no family home or other dwelling to which they normally return (or to which they could return in the future) in any other state or country, can claim this deduction. Complete line 18 only if you filled in the No oval below line 18. Enter the total amount of qualified rent paid by you during 2018 in line 18a. Divide line 18a by 2 and enter the result, or \$3,000 (\$1,500 if married filing a separate return) — whichever is smaller — in line 18. Part-year residents are entitled to the rental deduction equal to 50% for the rent they paid during 2018 (up to a maximum of \$3,000 per return) for their principal residence while a resident of Massachusetts. Enter the total amount of qualified rent paid by you during 2018 in line 18a. Divide line 18a by 2 and enter the result, or \$3,000 (\$1,500 if married filing a separate return) — whichever is smaller — in line 18.

Note: This deduction does not apply to your U.S. tax return.

How Do I Calculate My Rental Deduction If I Am Married Filing Separately?

If married taxpayers file separate returns, they are each entitled to a rental deduction equal to 50% of the rent each pays, not to exceed \$1,500 per return. However, a married couple filing separately may allocate the rent deduction differently, provided the amount taken by each spouse does not exceed 50% of the rent actually paid by that spouse, and provided their combined rental deductions do not exceed \$3,000. If this results in one spouse claiming a deduction in excess of \$1,500, that spouse must enclose with his/her return a statement signed by the other spouse indicating consent to the allocation. The statement must contain the name, address and Social Security number of the consenting spouse and the amount of rental deduction taken by that spouse.

Line 19. Other Deductions (from Schedule Y)

Enter the total from Schedule Y, line 19. Be sure to enclose Schedule Y with your return. Failure to do so will delay the processing of your return.

Line 22. Exemption Amount

Enter amount from Exemption section, line 4, item g in line 22a.

Nonresidents. Prorate your exemptions using the ratio of your Massachusetts income to your total income by multiplying line 22a by line 14g and entering the result in line 22. This amount represents your prorated exemptions.

Part-year residents. Prorate your total exemptions claimed on Form 1-NR/PY by multiplying line 22a by line 3 and entering the result in line 22. This amount represents your prorated exemptions as a part-year resident.

Filing as both nonresident and part-year resident. Enter the amount from Schedule R/NR, line 22, column e in line 22.

Line 23. 5.1% Income After Exemptions

Subtract line 22 from line 21. Enter the result in line 23, but not less than 0.

If line 22 exceeds line 21 and you received interest income (other than interest from Massachusetts banks), dividends or capital gain income, complete the Schedule B, Line 36 and Schedule D, Line 20 Worksheet, if applicable. All others proceed to line 24.

Line 24. Interest and Dividend Income

If you have any interest income other than interest from deposits in banks located in Massachusetts, dividend income in excess of \$1,500, certain capital gains or losses, or any adjustments to interest income (other than interest from Massachusetts

banks), you must complete Schedule B. Be sure to enclose Massachusetts Schedule B. To determine if you need to file Schedule B, refer to the Schedule B instructions of this booklet.

Enter in line 24 the amount from Schedule B, line 38. If not required to file Schedule B, enter dividend income of \$1,500 or less (from U.S. Form 1040, line 3b) in line 24.

Tax on 5.1% Income

Line 26. 5.1% Tax (from Tax Table)

If line 25 is not more than \$24,000, find the proper tax by using the tax tables found in the back of this booklet. If line 25 is greater than \$24,000 multiply by .051 and enter the result in line 26.

Note: Personal income tax forms must provide an election to voluntarily pay tax at a rate of 5.85% on taxable income which would otherwise be taxed at a rate of 5.1%. The election to pay tax at the rate of 5.85% does not apply to items of income taxed at 12% (short-term capital gains and gains on collectibles). If choosing the optional 5.85% tax rate, multiply line 25 and Schedule D, line 21 by .0585 and fill in the oval.

12% Income & Tax

Line 27. 12% Income from Certain Capital Gains

Enter in line 27a the amount from Schedule B, line 39. Multiply this amount by .12 (12%) and enter the tax in line 27. Be sure to enclose Massachusetts Schedule B. To determine if you need to file Schedule B, refer to the Schedule B instructions of this booklet.

Long-Term Capital Gain Tax

Line 28. Schedule D (Long-Term Capital Gains and Losses Excluding Collectibles)

Enter in line 28 the amount from Schedule D, line 22, but not less than 0. To determine if you need to file Schedule D, refer to the Schedule D instructions of this booklet.

Schedule B, Line 36 and Schedule D, Line 20 Worksheet. Excess Exemptions from Interest and Dividend Income, 12% Income and Long-Term Capital Gain Income (Only if Single, Head of Household, or Married Filing Jointly)

If your total exemptions in Form 1-NR/PY, line 22 are more than the amount of your 5.1% income after deductions in Form 1-NR/PY, line 21, the excess may be applied against any interest and dividend income and income taxed at 12%. Any remaining excess amount may then be applied against any long-term capital gain income.

Complete this worksheet only if Form 1-NR/PY, line 21 is less than Form 1-NR/PY, line 22 and you received interest income (other than interest from Massachusetts banks), dividends or capital gain income to determine if you qualify for the excess exemption.

Enter all losses as 0.

1. Enter amount from Schedule B, line 35. Not less than 0

2. Enter amount from Form 1-NR/PY, line 22

3. Enter amount from Form 1-NR/PY, line 21

4. Subtract line 3 from line 2. If 0 or less, you do not qualify for this exemption. Omit remainder of worksheet

5. Excess exemptions applied against interest and dividend income and 12% income. If line 1 is larger than line 4, enter line 4 here and in Schedule B, line 36. If line 4 is equal to or larger than line 1, enter line 1 here and in Schedule B, line 36. Complete lines 6 through 8

6. Subtract line 5 from line 4. If 0, omit remainder of worksheet

7. Enter Schedule D, line 19. Not less than 0

8. Excess exemptions applied against long-term capital gain income. If line 7 is larger than line 6, enter line 6 here and in Schedule D, line 20. If line 6 is equal to or larger than line 7, enter line 7 here and in Schedule D, line 20

Excess Exemptions

If excess exemptions were used in calculating lines 24, 27 or 28 (see Schedule B, line 36 and/or Schedule D, line 20), be sure to fill in the oval in line 28.

Line 29. Credit Recapture Amount

If any Brownfields Credit (BC), Economic Opportunity Area Credit (EOA), Low-Income Housing Credit (LIH), Historic Rehabilitation Credit (HR) or Farming and Fisheries (FAF) property is disposed of or ceases to be in qualified use prior to the end of its useful life, the difference between the credit taken and the total credit allowed for actual use must be added back to your tax on Form 1-NR/PY. Complete and enclose Schedule CRS, Credit Recapture Schedule.

Line 30. Additional Tax on Installment Sale

An addition to tax applies for taxpayers who have deferred the gain, and the tax associated with that gain, on certain installment sales. This addition to tax is measured by an interest charge on the tax that has been deferred.

Include in the total on line 30 an additional tax amount representing an interest charge on the deferred tax on gain from certain installment sales with a sales price over \$150,000 if you are not a dealer and the aggregate face amount of installment obligations arising during the tax year and outstanding as of the close of the tax year exceeds \$5 million. For more information see MGL ch 62C, § 32A (a) and IRC § 453A (a)–(c).

Also include in the total on line 30 an additional tax amount representing an interest charge on the deferred gain from the installment sale of timeshares and residential lots, if the sale meets one of the following criteria:

- ▶ The sale is of a timeshare right for six weeks or less;
- ▶ The sale is for the recreational use of specified campgrounds;
- ▶ The sale is for a residential lot and neither the dealer nor someone related to the dealer is obligated to make any improvements on the lot. For more information see MGL ch 62C § 32A (b) and IRC § 453(l)(2)(B).

If you are a partner in a partnership or a shareholder in an S corporation, the entity is required to send you the information you need to calculate the addition to tax under this provision.

To the extent practicable, Massachusetts follows federal income tax rules in determining the deferred gain from installment sales subject to the interest-charge addition to tax. For more information visit DOR's website at mass.gov/dor and Internal Revenue Service Publication 537.

Massachusetts AGI

No Tax Status — Single, Married Filing a Joint Return or Head of Household Only

If your Massachusetts Adjusted Gross Income (Massachusetts AGI) was \$8,000 or less if single, \$14,400 or less plus \$1,000 per dependent if head of household, or \$16,400 or less plus \$1,000 per dependent if married filing a joint return, you qualify for No Tax Status and are not required to pay any Massachusetts income taxes.

To see if you may qualify for No Tax Status, complete Schedule NTS-L-NR/PY. See Schedule NTS-L-NR/PY instructions.

Massachusetts Adjusted Gross Income for No Tax Status and Limited Income Credit

Massachusetts Adjusted Gross Income (Massachusetts AGI) is not the same as taxable income. Massachusetts AGI includes the following sources of income from inside and outside of Massachusetts:

- ▶ Wages, salaries, tips;
- ▶ Taxable pensions and annuities;
- ▶ Pension income from another state or political subdivision before any deduction;
- ▶ Taxable IRA/Keogh and Roth IRA distributions;
- ▶ Fees and unemployment compensation;
- ▶ Income or loss from a business or profession;
- ▶ Income or loss from partnerships, S corporations and trusts;
- ▶ Rents, royalties and REMIC income;
- ▶ Alimony and other 5.1% income;
- ▶ Interest from Massachusetts banks before exemptions; and
- ▶ Other interest, dividends, and capital gains.

Line 31. No Tax Status

If you qualify for No Tax Status, fill in the oval in line 31, enter 0 in line 32 and omit lines 33 through 35. Be sure to enclose Schedule NTS-L-NR/PY with your return. Also, enter 0 in line 36 and complete Form 1-NR/PY. However, if there is an amount entered in line 29, Credit Recapture Amount and/or line 30, Additional Tax on Installment Sale, enter that amount in line 32 and complete lines 34 and 35.

Note: If married filing separately you do not qualify for No Tax Status or the Limited Income Credit.

Line 33. Limited Income Credit — Single, Married Filing a Joint Return or Head of Household Only

If you do not qualify for No Tax Status, but you are single and your Massachusetts AGI is between

\$8,000 and \$14,000, or if you are filing as head of household and your Massachusetts AGI is between \$14,400 and \$25,200 plus \$1,750 per dependent, or if you are married filing a joint return and your Massachusetts AGI is between \$16,400 and \$28,700 plus \$1,750 per dependent, you may qualify for the Limited Income Credit. This credit is an alternative tax calculation that can result in a significant tax reduction for people whose income is close to the No Tax Status threshold. Be sure to complete Schedule NTS-L-NR/PY to see if you may qualify for this credit. If you qualify for this credit be sure to enclose Schedule NTS-L-NR/PY with your return.

Line 34. Taxes Due Any Other State (part-year residents only)

If any of the income earned while a part-year resident and reported on this return is subject to taxation in another state or jurisdiction and you have filed a return and paid taxes in the other state or jurisdiction, complete the following worksheet and enter the amount of credit in line 30. The credit is not available for taxes paid to another state or jurisdiction on Massachusetts source income earned while a nonresident. Do not include

taxes paid to the U.S. government. (This credit does not apply to city or local taxes.) You are allowed to claim a credit for taxes due to the following jurisdictions:

- ▶ Other states in the U.S., including payments made under the Rhode Island Temporary Disability Insurance Act (see DOR Directive (DD) 12-1);
- ▶ Any territory or dependency of the U.S. (including Puerto Rico, the Virgin Islands, Guam, the District of Columbia); or
- ▶ The Dominion of Canada or any of its provinces (less any U.S. credit amount allowable from U.S. Form 1116).

The total credit that you calculate on the worksheet is the smaller of the amount of taxes due to other jurisdictions (net of certain adjustments) or the portion of your Massachusetts tax due on your gross income that is taxed in such other jurisdictions.

Credit is not given for a property tax due to another jurisdiction on account of capital stock or property. This does not refer to a tax on gain or income from the sale of capital stock or property, as included on Schedule B or Schedule D. Credit is also not given for any interest and penalties paid on a tax due to another jurisdiction.

You must complete separate worksheets if you had 5.1% income and interest income (other than interest from Massachusetts banks), dividends or capital gain income taxed by another jurisdiction. If you use this worksheet to calculate a

credit for interest income (other than interest from Massachusetts banks), dividends or capital gain income, substitute interest income (other than interest from Massachusetts banks), dividends or capital gain income for 5.1% income in line 1 of the worksheet. You must also substitute Schedule B, line 7 (interest and dividend income) and Schedule B, line 13 (taxable 12% capital gains) or Schedule D, line 13, (gross long-term capital gains and losses), but not less than 0, for Form 1-NR/PY, line 12 in line 2 of the worksheet, and the total of Form 1-NR/PY, line 24 multiplied by 0.051 (tax on interest and dividend income) and Form 1-NR/PY, line 27 (12% tax) or line 24 (tax on long-term capital gains) for Form 1-NR/PY, line 23 in line 4 of the worksheet.

▶ When using the worksheet to calculate credit for interest income (other than interest from Massachusetts banks), dividends or capital gain income, enter in line 1 such income taxed in another jurisdiction calculated as if it was earned in Massachusetts.

▶ If you choose to pay the optional 5.85% tax rate, substitute 0.0585 for 0.051 in line 4 of the worksheet.

Note: Be sure to complete and enclose Schedule OJC, Income Tax Due to Other Jurisdictions, and enter the two-letter state or jurisdictional postal code for each state or jurisdiction for which you are taking the credit. Taxpayers from a territory or dependency of the U.S., or the Dominion of Canada or any of its provinces, must enter "FC" as the postal code.

Taxes Due Any Other State

Note: Part-year residents only. Do not include Massachusetts source income earned while a nonresident.

1. Enter the total 5.1% income included in Form 1-NR/PY, line 12 on which you paid taxes to another jurisdiction

2. Enter the total of Form 1-NR/PY, line 12 and the total Massachusetts bank interest or the interest exemption amount, whichever is smaller, from Form 1-NR/PY, line 7a or line 7b

3. Divide line 1 by line 2. Not greater than "1"

4. Multiply Form 1-NR/PY, line 23 by .051

5. Enter any Limited Income Credit from Form 1-NR/PY, line 33

6. Subtract line 5 from line 4.

7. Multiply line 6 by line 3 . . .

8. Enter the total tax liability before credits, W-2 withholding and payments to other jurisdictions on income also reported on this return, including payments made under the Rhode Island Temporary Disability Insurance Act, unless the tax was paid to Canada. If the tax was paid to Canada, the amount reported in this line must be reduced by the amount claimed as a foreign tax credit on U.S. Form 1040, Schedule 3, line 48. Credit is only allowable for amount of tax paid.

9. Enter the smaller of lines 7 or 8 here and on Form 1-NR/PY, line 34

Line 35. Other Credits (from Schedule CMS)
Enter the total from Schedule CMS, Credit Manager Schedule, on Form 1-NR/PY, line 35. Be sure to enclose Schedule CMS with your return. Failure to do so will delay the processing of your return.

Line 37. Voluntary Contributions
You may contribute any amount to the following funds. Remember, these amounts are added to your tax. They increase the amount of your payment or reduce the amount of your refund.

a. Endangered Wildlife Conservation. The Natural Heritage and Endangered Species Fund is administered by the Division of Fisheries and Wildlife. Contributions are used to protect and restore rare and endangered wildlife and plants, and their habitats. This fund has helped restore and conserve in the Commonwealth populations of the Bald Eagle, Hessel's Hairstreak Butterfly, the Redbelly Turtle and the Plymouth Gentian.

b. Organ Transplant Fund. The Organ Transplant Fund is administered by the Massachusetts Department of Public Health. All contributions received by the Fund assist patients with the costs of medications without which they might lose their transplanted organs. For information on how to become an organ donor, visit the Registry of Motor Vehicle's website at mass.gov/rmv.

c. Massachusetts AIDS Fund. The Massachusetts AIDS Fund is administered by the Massachusetts Department of Public Health. Contributions are used for research, experimental treatment and education related to Acquired Immune Deficiency Syndrome (AIDS). Massachusetts residents living with AIDS receive experimental treatment through clinical trials which are wholly supported with this Fund. The Fund also educates people with AIDS about treatment options and how to gain access to medication and experimental treatment.

d. Massachusetts United States Olympic Fund. Contributions to this fund are used to assist Mass-

achusetts residents in paying all or part of any costs associated with the development, maintenance and operation of the United States Olympic Team participating in the Olympics and the United States Paralympic Team participating in the Paralympics.

e. Massachusetts Military Family Relief Fund. The Massachusetts Military Family Relief Fund is administered by the Friends of Massachusetts National Guard and Reserve Families. Contributions to this fund are used to help members of the Massachusetts National Guard and Massachusetts residents who are members of the reserves of the armed forces of the United States and who have been called to active duty after the September 11, 2001 terrorist attacks, and their families, to defray the costs of food, housing, utilities, medical services, and other expenses.

f. Homeless Animal Prevention and Care Fund. The Homeless Animal Prevention and Care Fund is administered by the Department of Agricultural Resources. Contributions will help animals by reducing the number of homeless cats and dogs by spaying, neutering and vaccinating animals in shelters and animal control facilities and assisting families who would not otherwise be able to afford these services for their pets. The Fund also provides training to municipal animal control officers so that they can safely and effectively protect animals and people in their communities.

Line 38. Massachusetts Use Tax Due On Internet, Mail Order and Other Out-of-State Purchases Made in 2018 (part-year residents only)

If, while a Massachusetts resident, you purchased taxable tangible personal property out of state, over the Internet or from a catalog and did not pay Massachusetts sales tax at purchase, a Massachusetts use tax is due. If an item is exempt from sales tax (such as food, or clothing that costs \$175 or less), it would be exempt from use tax.

If you paid a sales or use tax to another state or territory of the United States when purchasing this item, you are generally entitled to a credit against the Massachusetts use tax, up to 6.25%. See TIR 03-01 for more information. No credit is allowed for a value-added tax (VAT) paid to another country.

The following are some items that are often purchased without paying sales tax. Residents would then owe use tax based on the purchase price.

- ▶ Electronics
- ▶ Appliances
- ▶ Furniture
- ▶ Jewelry
- ▶ Books
- ▶ Artwork
- ▶ Software
- ▶ Computers
- ▶ CDs and DVDs
- ▶ Video games
- ▶ Carpet
- ▶ Antiques

Example 1

▶ You purchased several DVDs on the Internet for \$100 and paid no sales tax. Your use tax liability to Massachusetts on these items is \$6.25 (\$100 x .0625 = \$6.25).

Example 2

▶ You purchased a computer for \$1,550 from a seller located outside of Massachusetts and paid no sales tax. Your use tax liability to Massachusetts on this item is \$96.88 (\$1,550 x .0625 = \$96.88).

Example 3

▶ On a trip to Maine in November you purchased an antique desk for \$4,000 and paid Maine sales tax at the rate of 5.5%. The difference, \$30 (.75% of the purchase price), is due Massachusetts as use tax.

Taxpayers may choose the safe-harbor option for purchases of individual items each having a total sales price of less than \$1,000. The safe-harbor provision makes it easier to comply with the use tax law by allowing taxpayers to self-report an estimated amount of use tax based on the average amount of online and/or out of state purchases a taxpayer in their income bracket would likely make during the year. Taxpayers do not need to keep receipts with safe-harbor reporting and will not be assessed additional use tax if audited, even if the actual amount of use tax due is greater than the safe-harbor amount reported.

Mass. AGI per return*	Use tax liability
\$ 0 – \$ 25,000	\$ 0
25,001 – 40,000	20
40,001 – 60,000	31
60,001 – 80,000	44
80,001 – 100,000	56

If the Massachusetts AGI per return* is more than \$100,000, multiply by .000625.

*From line 10 of Schedule NTS-L-NR/PY.

If you did not purchase any items with a total sales price of \$1,000 or more, you may enter the “safe harbor” amount from the table above directly on Form 1-NR/PY, line 38.

Complete the Form 1-NR/PY, line 38 Worksheet below to calculate your use tax if you are not reporting a safe-harbor amount or if you purchased any individual items with a sales price of \$1,000 or more. If you did purchase items with a sales price over \$1,000 and you are reporting a safe-harbor amount, add the amount from the worksheet line 4 to the safe-harbor amount.

Form 1-NR/PY, Line 38 Worksheet. Use Tax Due on Internet, Mail Order and Other Out-of-State Purchases (Part-Year Residents Only)

1. Total of purchases in 2018, made while a Massachusetts resident, subject to Massachusetts use tax.

2. Use tax. Multiply line 1 by .0625 (6.25%)

3. Credit for sales/use tax paid to other states or jurisdictions. Add the amount of any sales/use tax paid to another state or jurisdiction, made while a Massachusetts resident, 6.25% of the sales price, whichever is less, on each purchase reported in line 1

4. Total amount due. Subtract line 3 from line 2. Not less than 0. Enter here and on Form 1-NR/PY, line 38

Line 39. Health Care Penalty (part-year residents only)

If you are subject to the Health Care Penalty for 2018 and are not appealing the application of the penalty, enter the penalty amount from line 8 of the Health Care Penalty Worksheet in line 39a for you and/or line 39b for your spouse.

If married filing a joint return and both you and your spouse are subject to the penalty, separate Health Care Penalty Worksheets must be filled out to calculate the separate penalty amounts for you and your spouse, using your married filing jointly income.

Note: For tax years beginning on or after January 1, 2014, a taxpayer who does not have health insurance meeting both the Massachusetts standard of creditable coverage and the federal standard of minimum essential coverage may be subject to both the Massachusetts penalty and the federal shared responsibility payment. However, if a taxpayer is subject to both the Massachusetts penalty and the federal shared responsibility payment, the amount of the taxpayer’s Massachusetts penalty is reduced to account for payment of a federal shared responsibility payment. If the federal shared responsibility payment is greater than the amount that the taxpayer would owe as the Massachusetts penalty, the Massachusetts penalty is reduced to 0.

Multiply the amount of the federal shared responsibility payment (federal healthcare penalty) from U.S. Form 1040, Schedule 4, line 61 by Form 1-NR/PY, line 3 and enter the result in line 39c.

Note: If you filed married filing jointly on your U.S. return and are filing married filing separately on your Massachusetts return, you must divide

the amount of your federal shared responsibility payment by 2.

Subtract line 39c from the total of lines 39a and 39b and enter the result in line 39, but not less than 0.

Be sure to enclose Schedule HC with your return. Failure to do so will delay the processing of your return.

Line 40. Overpayment from Original Return (amended return only)

Include the amount listed on line 51 of your original return.

Line 42. Massachusetts Income Tax Withheld

This represents all income taxes withheld for the Commonwealth of Massachusetts as indicated on your copies of Forms W-2, W-2G, PWH-WA (Promoter Withholding), LOA (Loan Out Affidavit), 2G, K-1, 2K-1, 3K-1 and certain 1099s, if applicable. Enter the total of all Massachusetts withholdings in line 42. Enclose state copies to your return; otherwise, your claim of amounts withheld will not be allowed. If you have lost any state copy, ask the payer for a duplicate. Copies of 1099s need only be enclosed if they show an amount for Massachusetts tax withheld.

Line 43. 2017 Overpayment Applied to Your 2018 Estimated Tax

Include the exact amount of any 2017 overpayment you applied to your 2018 estimated taxes. This amount can be found on your 2017 Massachusetts Form 1-NR/PY, line 51 or Form 1, line 47. Do not include any 2017 refund in this line.

Line 44. 2018 Massachusetts Estimated Tax Payments

If you paid Massachusetts estimated income taxes for 2018, enter in line 44 the total of all Massachusetts estimated tax payments, but do not include the amount entered in line 43. Be sure to include any last quarter (of 2018) payment made on or before January 15, 2019.

Every taxpayer (whether a resident or nonresident) who expects to pay more than \$400 in Massachusetts income taxes on income which is not covered by Massachusetts withholding must pay Massachusetts estimated taxes. Estimated tax payments can be made online by using MassTaxConnect by visiting mass.gov/dor or by filing Form 1-ES.

Income which is not subject to withholding includes:

- ▶ Salaries or wages earned in Massachusetts where the employer is not subject to Massachusetts withholding;

- ▶ Unemployment compensation (if you did not elect voluntary Massachusetts withholding);
- ▶ Taxable REMIC income;
- ▶ Dividends and interest, including interest from Massachusetts banks;
- ▶ Gains from capital assets;
- ▶ Income from an individual trade, business or profession;
- ▶ Income from any estate or trust not taxed directly;
- ▶ Lottery or gambling winnings;
- ▶ Certain pensions;
- ▶ Taxable Keogh or IRA distributions (only if you elected not to have federal withholding);
- ▶ Rental income and royalty income;
- ▶ Alimony received (part-year residents only);
- ▶ Illegal income; and
- ▶ Any other income received taxable in Massachusetts from which Massachusetts tax will not be withheld.

Generally, the first payment must be filed on or before April 15 of the taxable year. The estimated tax may be paid in full with the first payment voucher or in four installments on or before April 15, June 15, September 15 of the current taxable year and January 15 of the following year.

If you wish to verify estimated tax payments that have already been made, check through your MassTaxConnect account. If you don't have a MassTaxConnect account, you can sign up at www.mass.gov/masstaxconnect.

You may request your employer to withhold additional amounts from your salary on Form M-4, Massachusetts Employee's Withholding Exemption Certificate, to cover the taxes on other income so that you do not have to file and pay estimated taxes.

If 80% of the tax is not paid throughout the year through withholding and/or estimated payments, a penalty may be imposed.

Line 45. Payments Made with Extension

If you filed an Application for Automatic Six-Month Extension of Time to File Massachusetts Income Tax Return, Massachusetts Form M-4868, for 2018 on or before April 17, 2019, enter in line 45 the amount you paid with Form M-4868.

Line 46. Payment with Original Return (amended return only)

Use this line only if you are amending the original return. Enter in line 46 the amount of tax you paid with the original return from line 54, "tax due." If estimated tax payments were made on the orig-

inal return, they should be reflected on line 44, as on the original return. Select the appropriate amended return oval on page 1. Complete the entire return, correct the appropriate line(s) with the new information and recompute the tax liability. If you owe additional tax, mail the amended Form 1-NR/PY to Massachusetts Department of Revenue, PO Box 7003, Boston, MA 02204.

Line 47. Earned Income Credit (part-year residents only)

The earned income credit is a tax credit for certain taxpayers who work and/or have earned income under \$54,884. In general, the Massachusetts earned income credit is equal to 23% of the federal earned income credit, with the amount adjusted downward in some cases if the taxpayer is a part-year resident. If the credit due the taxpayer exceeds the amount of the total income tax payable for the year by the taxpayer, the excess amount of the credit will be refunded to the taxpayer without interest. Earned income includes all the taxable income and wages you get from working; earned income is obtained by working for someone who pays you, or from working in a business that you own or run. In order to qualify for the Massachusetts earned income credit, a part-year resident must have earned income. You must enter the number of qualifying children, if any, in line 47a. Then, enter in line 47b the federal earned income credit amount from your U.S. Form 1040, line 17a. Multiply this amount by .23 (23%) and enter the result in the line provided. Part-year residents multiply this amount by line 3. Enter the result in line 47.

If you choose to have the IRS compute your federal earned income credit, wait until the IRS notifies you of that amount before making an entry in line 47. If you have not received your earned income credit amount as computed by the IRS by April 17, 2019, you may file Massachusetts Form M-4868, Application for Automatic Six-Month Extension of Time to File Massachusetts Income Tax Return. See the Form 1-NR/PY Extension Worksheet for information about filing your extension via the Web. For more information about the federal earned income tax credit, see IRS Publication 596, available at irs.gov. Be sure to fill out Schedule DI, Dependent Information, if you are claiming this credit for one or more qualifying children/dependents. Failure to do so will delay the processing of your return.

Note: If you are considered married for federal and Massachusetts income tax purposes, you must file a joint return with your spouse to claim the EITC. However, if you are a victim of domestic abuse, you can file a return as married filing separately and still claim the EITC if the following apply to you:

- ▶ You are living apart from your spouse at the time you file your tax return; and
- ▶ You are unable to file a joint return because you are a victim of domestic abuse.

If you have a filing status of married filing separately and you claim the EITC under this exception, you should keep records demonstrating the existence of domestic abuse. What constitutes adequate records will vary depending upon your circumstances. Some examples of documents that may meet this record-keeping requirement include (do not enclose these records with your tax return):

- ▶ Protective and/or restraining order;
- ▶ Police report;
- ▶ Doctor's report or letter;
- ▶ A statement from someone who was aware of, or who witnessed, the abuse or the results of the abuse. The statement should be notarized if possible; or
- ▶ A sworn statement from you attesting to the abuse.

To claim this exception, you must fill in oval on line 47.

To determine if you qualify for the Credit with a filing status exception as a victim of domestic abuse, you should complete the IRS Earned Income Credit (EIC) worksheet.

Note: You should answer No to question 3 of the IRS Earned Income Credit (EIC) worksheet and when looking up the amount of the credit in the EIC Table you should use the column for the filing status "single" and the number of children you have.

To determine line 47, "Amount from U.S. return":

- ▶ U.S. Form 1040, EIC Worksheet A filers should use the amount from Worksheet A, line 6.
- ▶ U.S. Form 1040, EIC Worksheet B filers should use the amount from Worksheet B, line 11.

See TIR 17-10.

Line 48. Senior Circuit Breaker Credit (part-year residents only)

Certain senior citizens in Massachusetts may be eligible to claim a refundable credit on their state income taxes for the real estate taxes paid on the Massachusetts residential property they own or rent and which they occupy as their principal residence. The maximum credit allowed is \$1,100 for the tax year beginning January 1, 2018. If the credit due the taxpayer exceeds the amount of the total income tax payable for the year by the taxpayer, the excess amount of the credit will be refunded to the taxpayer without interest. To determine if you qualify for this credit, refer to Schedule CB, Senior

Circuit Breaker Credit and instructions. Schedule CB is available on DOR's website at mass.gov/dor or by calling (617) 887-6367, or toll-free in Massachusetts (800) 392-6089.

If you qualify for this credit and you are a homeowner, enter the amount from Schedule CB, Circuit Breaker Credit, line 17; if you are a renter, enter the amount from line 21. Be sure to complete and enclose Schedule CB with your return.

Line 49. Other Refundable Credits

Enter in line 49 the amount from Schedule CMS, Credit Manager Schedule.

Be sure to enclose Schedule CMS with your return. Failure to do so will delay the processing of your return.

Refund Amount

Line 51. Overpayment

If line 41 is smaller than line 50, subtract line 41 from line 50 and enter the amount in line 51. This is the amount of your overpayment. If line 41 is larger than line 50, skip to line 54. If line 41 and line 50 are equal, enter 0 in line 53.

Line 52. Amount of Overpayment You Want Applied to Your 2019 Massachusetts Estimated Taxes

Enter the amount of your 2018 overpayment you wish to apply to your 2019 Massachusetts estimated taxes. Once an election is made to apply your overpayment to your 2019 estimated tax, it cannot be refunded after the due date of the return or applied to any additional tax you may owe for 2018. The amount entered in this line can only be claimed as a credit on your 2019 Massachusetts return.

Line 53. Refund Amount

Subtract line 52 from line 51. Enter the result in line 51. This is the amount of your refund.

Note: Your state tax refund may be taxable on your U.S. tax return if you deducted state income tax paid as an itemized deduction on U.S. Schedule A.

Direct Deposit

You may elect to have your refund deposited directly into your savings or checking account. Check with your financial institution to make sure that it accepts direct deposit and verify the routing transit number (RTN) of the issuing financial institution. If we are unable to honor your request for a direct deposit, a paper check will be sent to you.

The routing number of your financial institution is nine digits and begins with 01 through 12 or 21 through 32. The account number can be up to 17 characters (both numbers and letters). Omit hyphens, spaces and special symbols. Enter the

number from left to right and leave any unused boxes blank. You must enter the routing number and the account number in the spaces provided in line 53 if you are requesting direct deposit. Failure to do so will result in your request for direct deposit being denied.

Tax Due

Line 54. Tax Due

If line 41 is larger than line 50, subtract line 50 from line 41, and enter the result in line 54. This is the amount of tax you owe with your return. Pay in full with your return. Go to mass.gov/dor/masstaxconnect for online payment options. If you need to mail your payment, make your check or money order payable to the Commonwealth of Massachusetts and write your Social Security number on the front of your check or money order in the lower left corner. Enclose the check with your return. Be sure to use the light blue mailing label when mailing your Form 1-NR/PY.

Failure to file or failure to pay the proper amount of tax when due will result in an increasing amount of interest and penalties. It is advantageous to file when your return is due even if you are unable to make full payment.

If you owe any interest, penalty or addition for the underpayment of estimated taxes, add those amounts to the tax you owe when making your payment.

What Are Interest and Penalties?

Interest. If you fail to pay the tax when due, interest will be charged. For further information see TIR 92-6, available at mass.gov/dor.

Penalty for late payment. The penalty for late payment is 1% of the tax due per month (or fraction thereof), up to a maximum of 25%.

Penalty for failure to file. The penalty for failure to file a tax return by the due date is 1% of the tax due per month (or fraction thereof), up to a maximum of 25%. If you were required to file a tax return for income received in any prior year and you did not file, you must file for that prior year.

Penalty for protested ("bad") payment. If your payment is not honored by your bank because of insufficient funds or any other reason, a penalty may be added of \$30 or the amount of the payment, whichever is less.

Addition for underpayment of estimated tax. You will generally be subject to this addition to tax if you did not have withholding and/or estimated payments equal to 80% of the total tax liability required to be paid and your 2018 tax due after credits and withholding is greater than \$400. The 80% requirement is reduced to 66.67% for individuals

who receive two-thirds of their income from fishing or farming. If you failed to meet these requirements, you must complete and enclose Massachusetts Form M-2210 to calculate the amount you must add to line 54. You do not have to complete Form M-2210 if the balance due with your return is \$400 or less.

You may not be subject to an underpayment penalty if you qualify for one of the following exceptions:

- You are a qualified farmer or fisherman and are paying the full amount of the tax due on or before March 1, 2019;
- You were a Massachusetts resident and were not liable for 2017 taxes (where the taxable year was 12 months); or
- The sum of your estimated payments and withholding equals or exceeds your 2017 tax (where the taxable year was 12 months and a return was filed).

If you qualify for one of these exceptions, please fill in the oval marked "Exception" under line 54 on Form 1-NR/PY and enclose Form M-2210 indicating which of the exceptions applies to your circumstances.

A limited number of taxpayers may also qualify for a waiver of the underpayment penalty for one or more installments if:

- The underpayment was because of casualty or disaster; or
- During 2017 or 2018 you retired after reaching age 62 or became disabled and the underpayment was due to reasonable cause and not willful neglect.

If you think you qualify for one of these waivers, go to mass.gov/dor and use DOR's online application for abatement return or enclose Form M-2210 and an explanatory statement with your return and fill in the oval marked "Exception" under line 54. If your waiver is not for all four installments, complete Form M-2210 to calculate the underpayment penalty for the installments which are not covered by the waiver. Form M-2210 is available by visiting mass.gov/dor.

Sign Here

Now that you have completed Form 1-NR/PY, sign your name at the bottom of page 1. Your spouse must also sign if this is a joint return. Write the date you signed the return.

Note: Be sure to include all five pages of Form 1-NR/PY and, if applicable, Schedule HC and all other schedules.

Enclose with your Form 1-NR/PY, all state copies of your Forms W-2, W-2G, PWH-WA, 2G, K-1 and any Forms 1099 which included Massachusetts withholding. If making a payment, go to mass.gov/dor/masstaxconnect for online payment options. If you need to mail your payment, enclose a check or money order payable to Commonwealth of Massachusetts and be sure to sign the check and write your Social Security number on it. Also, be sure to use the light blue mailing label when mailing your Form 1-NR/PY.

Paid Preparer Must Sign Your Return

Generally, anyone you pay to prepare your return must sign it in the space provided at the bottom of page 5 of the Form 1-NR/PY. Tax return preparers are authorized to sign the return by means of a rubber stamp, mechanical device, or computer software program, which must include either a facsimile or printed name of the preparer. Preparers are personally responsible for affixing their signatures to returns. Preparers must also provide their Social Security Number (SSN) or Preparer Tax Identification Number (PTIN) and Employer Identification Number (EIN) in the spaces provided at the bottom of page 5. The preparer must give you a copy of the return for your records. Someone who prepares your return but does not charge you should not sign your return.

Paid Preparer Authorization

If you want to allow DOR to discuss your 2018 tax return with the paid preparer who signed it, fill in the Yes oval in the signature area of the return at the bottom of page 5 of the Form 1-NR/PY. This authorization applies only to the individual whose signature appears in the paid preparer section of your return. It does not apply to the firm, if any, shown in that section.

If you fill in the Yes oval, you, and your spouse if filing a joint return, are authorizing DOR to call the paid preparer to answer any questions that may arise during the processing of your return. You are also authorizing the paid preparer to:

- ▶ Give DOR any information that is missing from your return;
- ▶ Call DOR for information about the processing of your return or the status of your refund or payment(s); and
- ▶ Respond to certain DOR notices that you have shared with the preparer about math errors, offsets and return preparation. The notices will not be sent to the preparer.

You are not authorizing the paid preparer to receive any refund check, bind you to anything (including any additional tax liability), or otherwise represent you before DOR. If you want to expand the paid preparer's authorization, see Form

M-2848, Power of Attorney and Declaration of Representative.

The authorization cannot be revoked. However, the authorization will automatically end no later than the due date (without regard to extensions) for filing your 2019 tax return. This is April 15, 2020 for most people.

E-File Opt Out

For tax years beginning on or after January 1, 2011, income tax return preparers who completed more than 10 original Massachusetts Forms 1 and 1-NR/PY, including those E-filed, during the previous calendar year are required to use electronic means to file all personal income tax returns, unless the taxpayer specifically directs on the paper form that the filing be on paper and signs Form EFO, Personal Income Tax Declaration of Paper Filing. Fill in oval at the bottom of page 5 of Form 1-NR/PY if you do not want your preparer to file your return electronically. See TIR 11-13 for more information.

Mailing

If you are expecting a refund or if you have no tax due, use the white mailing label on the back of the envelope that came in the forms booklet. If you do not have one, mail Form 1-NR/PY to **Massachusetts Department of Revenue, PO Box 7000, Boston, MA 02204**.

If you have a tax due, use the light blue mailing label on the back of the envelope that came in the forms booklet. If you do not have one, mail Form 1-NR/PY to **Massachusetts Department of Revenue, PO Box 7003, Boston, MA 02204**

Note: If using a tax software product, be sure to use the correct PO box. See the inside front cover.

Note: Schedule lines without specific instructions are considered to be self-explanatory. Be sure to list on each schedule the name and Social Security number that appears first on Form 1-NR/PY. Do not cut or separate schedules.

Schedule NTS-L-NR/PY

Massachusetts Adjusted Gross Income for No Tax Status or Limited Income Credit

Note: All nonresidents and part-year residents having income that is not taxable to Massachusetts but would be if a full-year resident must complete line 7 of Schedule NTS-L-NR/PY.

Massachusetts Adjusted Gross Income (Massachusetts AGI) is not the same as taxable income. Massachusetts AGI includes all:

- ▶ Wages, salaries, tips;
 - ▶ Taxable pensions and annuities;
 - ▶ Pension income from another state or jurisdiction before any deductions;
 - ▶ Taxable IRA/Keogh and Roth IRA distributions;
 - ▶ Fees and unemployment compensation;
 - ▶ Income or loss from a business or profession;
 - ▶ Income or loss from partnerships, S corporations and trusts;
 - ▶ Rents, royalties and REMIC income;
 - ▶ Alimony and other 5.1% income;
 - ▶ Interest from Massachusetts banks before exemption; and
 - ▶ Interest, dividends, and capital gains.
- ▶ The No Tax Status provision applies if your Massachusetts AGI on Schedule NTS-L-NR/PY (line 8) is \$8,000 or less if single; \$14,400 or less plus \$1,000 per dependent if head of household, or \$16,400 or less plus \$1,000 per dependent if married filing a joint return.

Note: If married, you must file a joint return in order to qualify for No Tax Status. For purposes of computing No Tax Status all losses must be entered as 0.

Line 6. Long-Term Capital Gain Income

If filing Schedule D-IS, Installment Sales, see the Schedule D-IS instructions for the amount to enter in line 6. Schedule D-IS and instructions are available on DOR's website at mass.gov/dor.

Line 7. Additional Income/Loss While a Nonresident/Part-Year Resident

Enter in line 7 any income/loss not reported on Form 1-NR/PY because of your nonresidency or part-year residency status but would have been reported on Form 1 if you were a full-year resident.

Note: Nonresidents, do not include any military compensation received during the taxable year as non-Massachusetts source income. See TIR 04-6 for more information.

Line 9. Additional Adjustments to Income While a Nonresident/Part-Year Resident

Enter in line 9 any deductions not originally reported on Schedule Y, lines 1 to 10 **and 18** because of your nonresidency or part-year residency status but would have been reported on Schedule Y if you were a full-year resident.

Line 10. Massachusetts Adjusted Gross Income

Subtract line 9 from line 8. If you are single and the total in line 10 is \$8,000 or less, you qualify for No Tax Status. Fill in the oval in Form 1-NR/PY, line 31, enter 0 in line 32 and omit lines 33 through

35. Also, enter 0 on line 36 and continue on Form 1-NR/PY. However, if there is an amount entered in line 29, Credit Recapture Amount and/or line 30, Additional Tax on Installment Sales, enter that amount in line 32 and complete lines 34 and 35.

If you are single but do not qualify for No Tax Status and your total in line 10 is \$14,000 or less, go to line 13 to see if you qualify for the Limited Income Credit. If married filing jointly or head of household, go to line 11.

Line 11. No Tax Status for Married Filing Jointly or Head of Household

If married and filing a joint return, multiply the number of dependents (from Form 1-NR/PY, line 4b) by \$1,000 and add \$16,400 to that amount. If head of household, multiply the number of dependents (from Form 1-NR/PY, line 4b) by \$1,000 and add \$14,400 to that amount. Enter the result here. If line 10 is less than or equal to line 11, you qualify for No Tax Status. Fill in the oval in Form 1-NR/PY, line 31, enter 0 in line 32 and omit lines 33 through 35. Also, enter 0 on line 36 and continue on Form 1-NR/PY. However, if there is an amount entered in line 29, Credit Recapture Amount and/or line 30, Additional Tax on Installment Sales, enter that amount in line 32 and complete lines 34 and 35.

Line 12. Limited Income Credit Threshold

If you do not qualify for No Tax Status and you are married and filing a joint return, multiply the number of dependents (from Form 1-NR/PY, line 4b) by \$1,750 and add \$28,700 to that amount. If head of household, multiply the number of dependents (from Form 1-NR/PY line 4b) by \$1,750 and add \$25,200 to that amount. Enter the result here. If line 10 is less than or equal to line 12, you may qualify for the Limited Income Credit. Go to line 13.

Line 17. Limited Income Credit

If line 15 is smaller than line 16, you are not eligible for this credit. If line 15 is larger than line 16, subtract line 16 from line 15, and enter the result here and in line 33 on Form 1-NR/PY.

Note: If married filing a separate return, you do not qualify for this credit.

Schedule DI

Dependent Information

You must complete this schedule if you are claiming a dependent exemption(s) on Form 1-NR/PY, line 4b or taking a deduction/credit(s) on Form 1-NR/PY, lines 16, 17 or 47 (if applicable). Failure to provide this information will delay the processing of your return. You must complete the information for each dependent.

In the spaces provided, enter the name, Social Security number, date of birth and the relationship of the dependent to you (son, daughter, mother, father, etc.). Also, if the dependent is a qualifying child for the Earned Income credit, fill in the Yes oval. If you are claiming more than ten dependents, enclose a statement listing the name, Social Security number, date of birth and the relationship of the dependent to you and if the dependent is a qualifying child for the Earned Income credit.

Schedule X

Other Income

Line 1. Alimony Received (part-year residents only)

Enter in Schedule X, line 1 the total amount of alimony or separate maintenance received under a court judgment or decree, or for excess alimony amounts recaptured, as reported on U.S. Form 1040, Schedule 1, line 11, received while you were a Massachusetts resident. Payments specified as child support are not taxable if you made alimony payments, you will be allowed to deduct these amounts on Form 1-NR/PY, line 19.

Line 2. Taxable IRA/Keogh, Qualified Charitable IRA Distributions and Roth IRA Conversion Distributions (part-year residents only)

Complete the Schedule X, Line 2 Worksheet to calculate the taxable portion of any amount you received from an Individual Retirement Account (IRA), Keogh, qualified charitable IRA distribution or Roth IRA conversion distribution while a Massachusetts resident, whether derived from sources inside or outside of Massachusetts. Since Massachusetts does not allow a deduction for amounts originally contributed to an IRA or Keogh, the distributions are not taxable until the full amount of your contributions which were previously subject to Massachusetts taxes are recovered.

Contributions made to Keogh accounts prior to 1975 were deductible when made. Therefore, no deduction may be taken from a Keogh distribution for amounts contributed before 1975.

Note: Contributions from a deferred plan, such as a 401(k), that were rolled over into an IRA are not considered pre-taxed contributions.

Schedule X, Line 2 Worksheet. Taxable IRA/Keogh Plan, Qualified Charitable IRA Distributions and Roth IRA Conversion Distributions

1. Total IRA/Keogh plan distributions, qualified charitable IRA distributions, Roth IRA conversion distributions received during 2018

2. Total contributions previously taxed by Massachusetts	<input type="text"/>
3. Total distributions received in previous years	<input type="text"/>
4. Subtract line 3 from line 2. If line 3 is larger than line 2, enter 0	<input type="text"/>
5. Subtract line 4 from line 1 and enter the result here. Not less than 0	<input type="text"/>
6. Total qualified charitable IRA distributions in 2018 included in line 1	<input type="text"/>
7. Taxable IRA/Keogh distributions or Roth IRA conversion distributions. Subtract line 6 from line 5. Enter the result here and on Schedule X, line 2. Not less than 0	<input type="text"/>

Note: You must complete separate worksheets if married filing a joint return and both you and your spouse received IRA/Keogh Plan, qualified charitable IRA distributions, and/or Roth IRA conversion distributions.

Line 3. Other Gambling Winnings

Enter in Schedule X, line 3 all gambling winnings from casinos, raffles, races, beano or other events of chance held in Massachusetts (part-year residents, whether held inside or outside of Massachusetts). Do not enter less than 0. You may only deduct the price of the winning ticket. Certain gambling losses are now deductible under Massachusetts law. See Schedule Y, line 17 and TIR 15-14 for more information.

Note: Do not report Massachusetts state lottery winnings in Schedule X, line 3. Instead, report them on Form 1-NR/PY, line 10b.

Line 4. Fees and Other 5.1% Income

“Other 5.1% income” includes the following items. Enter the amounts and sources of each item. Do not enter less than 0. Enclose additional statements if more space is needed.

▶ All fee income, such as payments for jury duty, election worker payments, director’s fees, compensation received as executor or administrator of an estate, and commission income or tips not reported in line 5 of Form 1-NR/PY is taxable. Also, report all bartering income not reported on Schedule C (the fair market value of goods or services received in payment for your services).

▶ All prizes and awards won by a nonresident in a quiz program, drawing, beauty contest, etc. held in Massachusetts (part-year residents, whether held inside or outside of Massachusetts) are taxable at fair market value. Awards and bonuses

received from your employer for performance of services in Massachusetts (part-year residents, whether received from sources inside or outside of Massachusetts) are also taxable.

▶ Other 5.1% income from Massachusetts sources or received while a part-year resident, reported on U.S. Form 1040, Schedule 1, line 21, and not reported elsewhere in 5.1% Income[™] section on Massachusetts Form 1-NR/PY, must be reported in line 4 of Schedule X.

▶ Pre-1996 installment sales classified as ordinary income for Massachusetts purposes (from Massachusetts Schedule D, line 10) are taxed as 5.1% income and must be reported on Schedule X, line 4.

▶ Embezzled or other income from illegal activities from Massachusetts sources or received while a part-year resident is taxable.

The following items should not be reported on your Massachusetts return:

▶ Any net operating loss reported as a negative amount on U.S. Form 1040, Schedule 1, line 21 cannot be entered on Schedule X. A net operating loss from a business or profession cannot be carried forward or backward to offset individual income in any other year under Massachusetts law.

▶ Refunds of U.S. and Massachusetts income taxes are not considered income under Massachusetts law. If you received interest on refunds, report such interest on Massachusetts Schedule B.

Schedule Y

Other Deductions

Line 2. Penalty on Early Savings Withdrawal

If you were charged a penalty because of early withdrawal of savings, and interest on the savings that such a penalty relates to income reported in line 7a or 24 of this return or on a prior year Massachusetts return, you may deduct the penalty. This deduction is the same as the amount allowable on U.S. Form 1040, Schedule 1, line 30. Enter this amount in line 2 of Schedule Y.

Line 3. Alimony Paid

This deduction includes only amounts paid by you to your former spouse during 2018 for alimony or separate maintenance under court decree, or for excess alimony amounts recaptured. Nonresidents, multiply the amount of alimony paid on your U.S. Form 1040, Schedule 1, line 31a by Form 1-NR/PY, line 14g to determine the amount you may claim against Massachusetts income. Enter the result in line 3. Part-year residents, enter

the amount of alimony paid while a Massachusetts resident in line 3.

Note: Alimony payments specified as child support are not deductible.

Line 4. Amounts Excludible Under MGL ch 41, § 111F or U.S. Tax Treaty Included Line 5

Massachusetts allows an exclusion from income of amounts received by a firefighter or police officer incapacitated in the line of duty, per MGL ch 41, § 111F, and an exclusion from income of amounts received by qualifying students exempt under a U.S. tax treaty.

Enter any excludible amount of income received while you were a firefighter or police officer incapacitated in the line of duty in line 4 of Schedule Y that was included in Form 1-NR/PY, line 5, and fill in the appropriate oval.

If you were a qualifying student or a taxpayer with income exempt under a U.S. tax treaty, enter any excludible amount of income received that was exempt under a U.S. tax treaty in line 4 of Schedule Y that was included in Form 1-NR/PY, line 5, and fill in the appropriate oval.

Line 5. Moving Expenses

For tax years beginning before 2018, if you moved due to a change in your job or business location or because you started a new job or business, you can deduct reasonable unreimbursed moving expenses if you meet all of the following requirements:

- ▶ Your move was closely related to the start of work;
- ▶ You meet a distance test; and
- ▶ You meet a time test.

Under the TCJA, a deduction for moving expenses is no longer allowed except for certain members of the Armed Forces. Massachusetts does not adopt this change. A deduction for moving expenses, related to Massachusetts employment, continues to be allowed if the above requirements are met as Massachusetts follows IRC § 217 in effect as of January 1, 2005. See TIR 18-14 for more information.

Schedule Y, Line 5 Worksheet. Moving Expenses Deduction

1. Transportation and storage of household goods and personal effects in 2018

2. Travel (including lodging) from your old home to your new home. Do not include cost of meals

3. Add lines 1 and 2

4. Enter the total amount your employer paid you for the expenses listed on lines 1 and 2 that is not included in box 16 of your Form W-2 (wages). This amount should be shown in box 12 of your Form W-2 with code P

5. If line 4 is more than line 3, you are not entitled to this deduction. If line 4 is less than line 3, subtract line 4 from line 3 and enter the result here and on Schedule Y, line 5

Line 6. Medical Savings Account

Nonresidents. Multiply the amount of Medical Savings Account included in U.S. Form 1040, Schedule 1, line 36, "MSA," by line 14g and enter the result in Schedule Y, line 6.

Part-year residents. Multiply the amount of Medical Savings Account included in U.S. Form 1040, Schedule 1, line 36, "MSA," by line 3 and enter the result in Schedule Y, line 6.

Line 7. Self-Employed Health Insurance

Enter in Schedule Y, line 7 the amount from U.S. Form 1040, Schedule 1, line 29 that is related to Massachusetts self-employment.

Note: If you elected to claim the federal credit under § 35 and had to reduce the amount on U.S. Form 1040, Schedule 1, line 29 by the amount of the federal credit, you may not add back the amount of the credit to the amount entered on U.S. Form 1040, Schedule 1, line 29.

Line 8. Health Savings Accounts

Nonresidents. Multiply the amount from U.S. Form 1040, Schedule 1, line 25 by line 14g and enter the result in Schedule Y, line 8.

Part-year residents. Multiply the amount from U.S. Form 1040, Schedule 1, line 25 by line 3 and enter the result in Schedule Y, line 8.

Line 9. Other Qualified Deductions

You may claim only the following deductions for Schedule Y, line 9. If you are entitled to claim any of the deductions in line 9, fill in the appropriate oval(s) and enter the total amount of deductions claimed in line 9.

Certain qualified deductions from U.S. Form 1040. Do not include any amounts reported on U.S. Form 1040, Schedule 1, lines 23 through 35 that are included in Form 1040, Schedule 1, line 36 total. Enter only amounts included in U.S. Form 1040, Schedule 1, line 36 as a write-in adjustment, except amounts contributed to § 501(c)(18) pension plans. For Massachusetts purposes, contributions to § 501(c)(18) pension plans are

not deductible. Also, the IRC § 404 deduction for contributions on behalf of IRC § 401(c)(1) employees (sole proprietors and partners) is disallowed. See TIR 02-18 (I)(D) and DOR Directive 01-7 for more information.

Nonresidents. If you are claiming a deduction for attorney's fees and court costs involving certain unlawful discrimination suits (only if directly related to Massachusetts income as included on Form 1-NR/PY, line 12). See TIR 05-16.

The following deductions may be claimed only if they are related to Massachusetts income as included on Form 1-NR/PY, line 12; jury duty pay given to your employer; reforestation amortization; repayment of supplemental unemployment benefits under the Trade Act of 1974; attorney's fees and court costs involving certain unlawful discrimination suits (part-year residents only); and deductible expenses related to income reported on U.S. Form 1040, Schedule 1, line 21 and Massachusetts Schedule X, line 4 from the rental of personal property engaged in for profit. If you are entitled to claim any of these deductions, fill in the appropriate oval in line 9 of Schedule Y.

On the dotted line next to line 9, be sure to indicate the type of deduction being taken, as identified on U.S. Form 1040, Schedule 1, line 36. Identify jury duty pay given to your employer as "Jury pay"; reforestation amortization as "RFST"; repayment of supplemental unemployment benefits under the Trade Act of 1974 as "Sub-pay TRA"; attorney fees and court costs involving certain unlawful discrimination claims as "UDC"; and deductible expenses related to income reported on U.S. Form 1040, Schedule 1, line 21 and Massachusetts Schedule X, line 4 from the rental of personal property engaged in for profit as "PPR." Fill in the appropriate oval in line 9 of Schedule Y.

Business expenses of National Guard and Reserve members, performing artists and fee-based government officials. Nonresidents and part-year residents, enter the amount from U.S. Form 1040, Schedule 1, line 24 that is related to Massachusetts employment and fill in the appropriate oval of Schedule Y, line 9. Also, the IRC § 404 deduction for contributions on behalf of IRC § 401(c)(1) employees (sole proprietors and partners) is disallowed. See TIR 02-18 (I)(D) and DOR Directive 01-7 for more information.

Line 10. Student Loan Interest Deduction

Nonresidents. Multiply the amount from U.S. Form 1040, Schedule 1, line 33 (not to exceed \$2,500) by line 14g and enter the result in Schedule Y, line 10.

Part-year residents. Multiply the amount from U.S. Form 1040, Schedule 1, line 33 (not to exceed \$2,500) by line 3 and enter the result in

Schedule Y, line 10. This deduction is only allowed if not claiming the same expenses in line 12 of Schedule Y, Undergraduate Student Loan Interest Deduction.

Line 12. Undergraduate Student Loan Interest Deduction

A deduction is allowed for interest paid on a qualified undergraduate student loan. To be eligible for the deduction, the "education debt" must be a loan that is administered by the financial aid office of a two-year or four-year college at which you, or a qualified dependent, were enrolled as an undergraduate student. Additionally, the loan must have been secured through a state student loan program, a federal student loan program, or a commercial lender, and must have been spent solely for the purposes of paying tuition and other expenses directly related to the school enrollment. Enter the amount of such interest paid in Schedule Y, line 12. This deduction is only allowed if not claiming the same expenses in line 10 of Schedule Y, Student Loan Interest Deduction.

Nonresidents. Multiply the amount of such interest paid by Form 1-NR/PY, line 14g and enter the result in Schedule Y, line 12.

Part-year residents. Multiply the amount of such interest paid by Form 1-NR/PY, line 3 and enter the result in Schedule Y, line 12.

Line 13. Deductible Amount of Qualified Contributory Pension Income from Another State or Political Subdivision Included in Form 1-NR/PY, Line 6

Massachusetts allows a deduction for contributory pension income received from another state or one of its political subdivisions which does not tax such income from Massachusetts or its political subdivisions. For guidelines to determine which state's pensions are exempt in Massachusetts, see TIR 95-9. Enter any deductible amount of such income in line 13 of Schedule Y that was included in Form 1-NR/PY, line 6.

Line 14. Claim of Right Deduction

Taxpayers who have paid Massachusetts personal income taxes in a prior year on income attributed to them under a "claim of right" may deduct the amount of that income from their gross income if it later develops that they were not in fact entitled to the income, and have repaid the amounts in question. The deduction is allowed in the year of repayment, provided that the repayment is not otherwise deductible in determining Massachusetts income taxable under MGL ch 62. Some examples in which the claim of right may be applied for are:

▶ **Stock under claim of ownership.** Gains from sales of stock under a claim of ownership must

be included, regardless of whether the taxpayer actually owned it;

▶ **Employment contracts.** Amounts in settlement of employment contracts must be included notwithstanding the prospect of eventual repayment to the employer of an amount equivalent to or greater than the amount received;

▶ **Dividends.** Where a taxpayer receives a dividend that must be repaid in a later year (e.g., because it impaired corporate capital), the dividend must be included in the year of receipt;

▶ **Corporate notes.** Where a taxpayer receives a distribution with respect to holding of notes, the income must be included regardless of whether it could be challenged by senior creditors;

▶ **Mistake in validity of claim.** The claim of right doctrine applies where a taxpayer merely mistakes the validity of his claim; or

▶ **Advanced insurance commissions;** or

▶ **Repayment of unemployment compensation and supplemental unemployment benefits in a subsequent year.**

If you are entitled to claim this deduction, enter the amount claimed in Schedule Y, line 14. For more information, see TIR 06-4.

Line 15. Commuter Deduction

A deduction is allowed for certain amounts paid by an individual for tolls paid for through an E-ZPass account or for weekly or monthly transit commuter passes for MBTA transit, bus, commuter rail or commuter boat, not including amounts reimbursed or otherwise deductible.

In the case of a single person or a married person filing a separate return or a head of household, this deduction applies only to the portion of such expended amount that exceeds \$150, and the total amount deducted cannot exceed \$750. In the case of a married couple filing a joint return, this deduction applies only to the portion of such amount expended by each individual that exceeds \$150, and the total amount deducted cannot exceed \$750 for each individual. Also, one spouse cannot transfer his or her excess deduction to the other spouse; separate worksheets must be completed to calculate the deduction. See TIR 06-14 for additional information.

The deduction is allowed where an individual purchases an MBTA pass for a dependent who is claimed on that individual's tax return, provided the dependent does not also claim the deduction. However, the total amount deducted cannot exceed \$750 for each individual taxpayer who is filing a return. In the case of married taxpayers filing a joint return, the total amount deducted cannot

exceed \$750 per taxpayer; thus, the maximum deduction for a joint return is \$1,500.

Schedule Y, Line 15 Worksheet.
Commuter Deduction

1. Enter amount paid in 2018 for tolls through an E-ZPass account	<input style="width: 90%;" type="text"/>
2. Enter amount paid in 2018 for weekly or monthly transit commuter passes for MBTA transit or commuter rail. (Do not include amounts reimbursed or otherwise deductible)	<input style="width: 90%;" type="text"/>
3. Add lines 1 and 2. If \$150 or less, you do not qualify for this deduction. Omit remainder of this worksheet. Otherwise, complete lines 4 through 6	<input style="width: 90%;" type="text"/>
4. Enter \$150	<input style="width: 90%;" type="text"/>
5. Subtract line 4 from line 3.	<input style="width: 90%;" type="text"/>
6. Enter the lesser of line 5 or \$750	<input style="width: 90%;" type="text"/>
7. Nonresidents, multiply line 6 by Form 1-NR/PY, line 14g. Enter the result here and in line 15 on Schedule Y. Part-year residents, multiply line 6 by Form 1-NR/PY, line 3. Enter the result here and in line 15 on Schedule Y	<input style="width: 90%;" type="text"/>

Line 17. Certain Gambling Losses

Massachusetts has adopted a new deduction from 5.1% income, allowing a deduction for losses from wagering transactions, that were incurred at a gaming establishment licensed in accordance with MGL ch 23K or a racing meeting licensee or simulcasting licensee, only to the extent of the gains from such transactions.

Under the new provision a taxpayer may claim a deduction for gambling losses incurred in a calendar year only if the losses were incurred at any gaming establishment licensed in accordance with MGL ch 23K or a racing meeting licensee or simulcasting licensee and only if the taxpayer had wagering winnings from any such gaming establishment licensed in accordance with MGL ch 23K or a racing meeting licensee or simulcasting licensee in the same calendar year. The deduction allowed for such losses may not exceed the amount of such winnings included in gross income for the calendar year.

Because Massachusetts does not adopt the deductions under IRC § 165(d), the deduction for gambling losses set forth in MGL ch 62, § 3(B)(a) (18) is the only deduction for gambling losses allowed a Massachusetts taxpayer, unless the gam-

bling activities of the taxpayer constitute a trade or business.

Example 1

For calendar year 2018, taxpayer, while a Massachusetts resident, has:

- ▶ Gambling winnings of \$500 from Massachusetts state lottery,
- ▶ Gambling winnings of \$800 from a casino licensed under MGL ch 23K,
- ▶ Gambling winnings of \$1200 from a Las Vegas casino,
- ▶ Gambling losses of \$1600 from a Las Vegas casino,
- ▶ Gambling losses of \$510 from Massachusetts Lottery scratch tickets, and
- ▶ Gambling losses of \$1000 from a casino licensed under MGL ch 23K.

For Massachusetts income tax purposes, the taxpayer must include \$500 of their gambling winnings on Form 1-NR/PY, line 10b (Massachusetts state lottery) and the remaining \$2,000 of their gambling winnings on Schedule X, line 3. The taxpayer may claim a deduction for gambling losses from a casino licensed under MGL ch 23K but only to the extent of winnings from a casino licensed under MGL ch 23K. No deduction is available for the taxpayer's gambling losses from other sources. The taxpayer had winnings of \$800 and losses of \$1,000 from a casino licensed under MGL ch 23K. Thus, the taxpayer may claim a deduction of \$800. The remaining \$200 of loss from the casino licensed under MGL ch 23K may not be deducted.

Example 2

For calendar year 2018, nonresident taxpayer has:

- ▶ Gambling winnings of \$500 from Massachusetts state lottery,
- ▶ Gambling winnings of \$800 from a casino licensed under MGL ch 23K,
- ▶ Gambling winnings of \$1200 from a Las Vegas casino,
- ▶ Gambling losses of \$1600 from a Las Vegas casino,
- ▶ Gambling losses of \$510 from Massachusetts Lottery scratch tickets, and
- ▶ Gambling losses of \$1000 from a casino licensed under MGL ch 23K.

For Massachusetts income tax purposes, the nonresident taxpayer must include \$500 of their gambling winnings on Form 1-NR/PY, line 10b (Massachusetts state lottery) and the \$800 of their gambling winnings from a casino licensed under MGL ch 23K on Schedule X, line 3. The tax-

payer may claim a deduction for gambling losses from a casino licensed under MGL ch 23K but only to the extent of winnings from a casino licensed under MGL ch 23K. No deduction is available for the taxpayer's gambling losses from other sources. The taxpayer had winnings of \$800 and losses of \$1,000 from a casino licensed under MGL ch 23K. Thus, the taxpayer may claim a deduction of \$800. The remaining \$200 of loss from the casino licensed under MGL ch 23K may not be deducted.

If you are entitled to claim this deduction, enter the qualified amount in Schedule Y, line 17.

Line 18. Prepaid Tuition or College Savings Plan Deduction

A deduction is available for purchases of or contributions made to an account in a pre-paid tuition program or a college savings program established by the Commonwealth. The deduction is capped at \$1,000 for a single person, married filing separate, or head of household and \$2,000 for a married couple filing a joint return. The deduction is subject to recapture in the taxable year or years in which distributions or refunds are made from the tuition or college savings account for any reason other than:

- ▶ To pay qualified higher education expenses, as defined by IRC § 529(e)(3); or
- ▶ The beneficiary's death, disability or receipt of a scholarship.

Nonresidents. Multiply the allowable amount, not to exceed the capped amount based on filing status, by Form 1-NR/PY, line 14g and enter the result in Schedule Y, line 18.

Part-year residents. Multiply the allowable amount, not to exceed the capped amount based on filing status, by Form 1-NR/PY, line 3 and enter the result in Schedule Y, line 18.

Enter the allowable amount on Schedule Y, line 18. For more information, see TIR 16-15.

Schedule CMS

Credit Manager Schedule

You must complete Schedule CMS to claim most credits available for use in the current taxable year (the Earned Income, Limited Income and Circuit Breaker Tax credits are claimed directly on the tax return). Credits may be used to offset a tax due, may be passed or shared with another person or entity, or, in some cases credits may be fully or partially refundable. For each credit claimed on a Schedule CMS, report the amount of the credit available for use and the amount of credit claimed to reduce tax for the current taxable year. For pass-through entities, report the amount of credit

distributed to partners/shareholders/beneficiaries in the credit shared column. Taxpayers also report the amount of a refundable credit they are using to request a refund of tax. See the 2018 Credit Manager Schedule Instructions for more information on how to complete the Schedule CMS and claim the credits.

Credits reported on the Schedule CMS are generally identified either by a certificate number assigned by the issuing agency (which may be the Department of Revenue) or by the tax period end date in which the credit originated. If a credit has been assigned a certificate number, the certificate number must be included on the Schedule CMS. A taxpayer that does not include an assigned certificate number on the Schedule CMS will not be allowed the credit on the tax return and will have their tax liability adjusted by the Department of Revenue. Be sure to omit hyphens, spaces, decimals and other special symbols when entering the certificate number. Also, enter the number from left to right.

Likewise, a taxpayer that is required to complete a separate schedule to claim a credit must include the separate schedule with the taxpayer's return filing. Failure to do so may result in the credit being disallowed.

If, by operation of MGL ch 63, § 32C or another provision of law, a credit normally identified by tax period end date is eligible for indefinite carryover, the credit should be reported as "non-expiring" and identification of the tax period of origin is not necessary.

Overview of Schedule CMS

The following is a brief overview of the Schedule CMS sections and where certain credits should be reported. If a taxpayer is using a credit to reduce a taxpayer's current year tax liability, whether it is a non-refundable credit or a refundable credit, the credit should be reported in Section 1 or 3 of the Schedule CMS. Only a refundable credit that the taxpayer is seeking a refund for should be reported in either Section 2 or 4 of the Schedule CMS. Generally, a credit should only be reported in one section on the Schedule CMS unless a portion of it is being used to offset a tax and a portion is being refunded.

Section 1. Non-Refundable Credits

This section is for reporting credits that are being used to offset tax or passed/shared with another person. Generally a taxpayer must report all available credits that the taxpayer is using to offset or reduce a tax, or passing to partners, shareholders, beneficiaries, or sharing with affiliates, in Section 1 of the Schedule CMS. The Brownfields Credit, Film Incentive Credit, or Medical Device Credit should always be included in Section 1, unless the taxpayer is requesting a refund of the Film Incentive Credit. However, a taxpayer that received a credit on a Massachusetts K-1 schedule from a pass-through entity or a credit transfer should report such credit in Section 3 or 4, as applicable.

Section 2. Refundable Credits

This section is for reporting refundable credits resulting in refund. Generally a taxpayer must report all available refundable credits that the taxpayer is using to request a refund in Section 2 of the Schedule CMS. The Film Incentive Credit should always be included in Section 2 to the extent that

the taxpayer is requesting a refund. However, a taxpayer that received a refundable credit on a Massachusetts K-1 from a pass-through entity or a credit transfer should report such credit in Section 4, to the extent that the taxpayer is requesting a refund. For each refundable credit, report the amount of the credit available after taking into consideration any amount of the credits that may have been taken to offset a tax or shared as reported in Section 1 of this schedule. Enter the amount by which the available credit balance is being reduced and the amount to be treated as a refundable credit, which may be either 90% or 100% of the reduction. See TIR 13-6, Example 3, for an illustration.

Section 3. Non-Refundable Credits Received from Massachusetts K-1 Schedules

This section is for reporting credits that are received on a Massachusetts K-1 and are being used to offset tax or passed/shared with another person. Generally a taxpayer must report all available credits received on a Massachusetts K-1 from a pass-through entity or a credit transfer and that the taxpayer is using to offset or reduce a tax, or passing to partners, shareholders, beneficiaries, or sharing with affiliates, in Section 3 of the Schedule CMS. The Brownfields Credit, Film Incentive Credit, or Medical Device Credit should never be included in Section 3. This section shows the credit amounts received from pass-through entities or a credit transfer and used to reduce the total excise or tax, passed to partners/shareholders/beneficiaries, or shared with affiliates.

Note: You do not report the Brownfields Credit, Film Incentive Credit, and Medical Device Credit in

Schedule CMS, Example 1

2a. Credit type	2b. Period end date (mm/dd/yyyy)	2c. Certificate number	2d. Credit available or certificate balance	2e. Reduction in balance for refund	2f. Refundable credit taken (100% or 90%)
FLMCRD		0000000011	\$10,000	\$10,000	\$9,000
CNSLND		1110000000	\$ 1,000	\$ 1,000	\$1,000

The total of the amounts shown in column f are shown on the appropriate line of the taxpayer's return.

Schedule CMS, Example 2

1a. Credit type	1b. Fill in if non-expiring	1c. Period end date (mm/dd/yyyy)	1d. Certificate number	1e. Credit available or certificate balance	1f. Credit taken this year	1g. Credit shared this year
SEPTIC	<input type="radio"/>	12/31/2018		\$6,000	\$1,500	
LEAD PAINT	<input type="radio"/>	12/31/2018		\$1,000	\$1,000	

The Credit Manager Schedule will now also be used by individual taxpayers for certain credits. In Example 2, the taxpayer is an individual filing a return for the taxable year ending December 31, 2018 and has an available Septic Credit of \$6,000 in the current year. Since this is the first year the taxpayer is claiming the Septic Credit, the individual taxpayer must also enclose a Schedule SC. The individual should file Part 1 of the Schedule CMS to reflect a claimed credit of \$1,500 (Schedule SC, line 13).

this section because these credits are issued new certificate numbers from the Department of Revenue when they are received from a pass-through entity or a credit transfer. These credits should always be reported in Section 1, unless the taxpayer is requesting a refund of the Film Incentive Credit.

Section 4. Refundable Credits Received from Massachusetts K-1 Schedules

This section is for reporting credits that are received on a Massachusetts K-1 and that are refundable credits resulting in refund. Generally a taxpayer must report all available refundable credits received on a Massachusetts K-1 from a pass-through entity or a credit transfer that the taxpayer is requesting a refund for in Section 4 of the Schedule CMS. The Film Incentive Credit should never be included in Section 4. For each refundable credit, report the amount of the credit available after taking into consideration any amount of the credits that may have been used to offset a tax or shared as reported in Section 3 of this schedule. Enter the amount by which the available credit balance is being reduced and the amount to be treated as a refundable credit, which may be either 90% or 100% of the reduction. See TIR 13-6, Example 3, for an illustration.

Note: You do not report the refundable Film Incentive Credit in this section because these credits are issued new certificate numbers from the Department of Revenue when they are received from a pass-through entity or a credit transfer. If the taxpayer is requesting a refund of the Film Incentive Credit, it should be reported in Section 2.

List of Credit Names and Credit Codes

The following table identifies various credits that may be available to a taxpayer subject to tax under MGL ch 62 and that must be claimed on a Schedule CMS.

<i>Credit name</i>	<i>Credit type code</i>
<i>Angel Investor Credit</i>	<i>AGLCRD</i>
<i>Brownfields</i>	<i>BRWFLD</i>
<i>Certified Housing</i>	<i>CRTHOU</i>
<i>Community Investment</i>	<i>CMMINV*</i>
<i>Conservation Land</i>	<i>CNSLND*</i>
<i>Dairy Farm</i>	<i>DAIFRM*</i>
<i>EDIP</i>	<i>EDIPCR*</i>
<i>Employer Wellness</i>	<i>EMPWLL</i>
<i>EOAC</i>	<i>EOACCR</i>
<i>Farming & Fisheries</i>	<i>FRMFSH</i>
<i>Film Incentive</i>	<i>FLMCRD*</i>
<i>Harbor Maintenance</i>	<i>HRBMNT</i>
<i>Historic Rehabilitation</i>	<i>HISRHB</i>
<i>Investment Tax</i>	<i>INVTAX</i>
<i>Lead Paint</i>	<i>LEDPNT</i>
<i>Life Science (FDA)</i>	<i>LFSFDA*</i>
<i>Life Science (ITC)</i>	<i>LFSITC*</i>

<i>Life Science (Jobs)</i>	<i>LFSJOB*</i>
<i>Life Science (RD)</i>	<i>LFSRDC</i>
<i>Low-Income Housing</i>	<i>LOWINC</i>
<i>Low-Income Housing Donation</i>	<i>LIHDON</i>
<i>Medical Device</i>	<i>MEDDVC</i>
<i>Research</i>	<i>REARCH</i>
<i>Septic</i>	<i>SEPTIC</i>
<i>Solar & Wind Energy</i>	<i>SLRWND</i>
<i>Vanpool</i>	<i>VANPOL</i>
<i>Veteran's Hire</i>	<i>VETHIR</i>

*These credits are potentially refundable.

**Available Credits on Schedule CMS
Angel Investor Credit**

Taxpayers subject to tax under MGL ch 62 may be eligible for an Angel Investor Credit (AIC) equal to 20% of the amount of qualifying investments in a qualifying business, and 30% of the amount of qualifying investments made by a taxpayer investor in a qualifying business located in a "gateway municipality," as defined in MGL ch 23A, § 3A. The taxpayer must be an accredited investor, as defined in 15 USC § 77b (15)(ii), who is not the principal owner of the qualifying business and who is not involved in the qualifying business as a full-time professional activity. For purposes of the AIC, a taxpayer may invest up to \$125,000 per qualifying business per year up to a maximum of \$250,000. A taxpayer cannot claim more than \$50,000 of the AIC for a single calendar year. The credit may be taken in either the tax year of the initial investment or may be carried forward to any of the three subsequent taxable years, as long as the qualifying business maintains its principal place of business in Massachusetts. If the qualifying business does not maintain its principal place of business in Massachusetts for this 3 year period, the taxpayer investor must repay the total amount of AIC claimed. The AIC cannot be transferred and is not refundable. The Massachusetts Life Sciences Center is responsible for determining eligibility for the AIC and the actual amount awarded to a taxpayer. See TIR 16-15 for further information.

To claim the AIC, enter the AIC certificate number and the amount of the AIC using credit code AGLCRD on the Schedule CMS.

Brownfields Tax Credit

Taxpayers subject to tax under MGL ch 62 and nonprofit organizations may be eligible to claim a Brownfields Tax Credit (BTC) for amounts expended to clean up contaminated property in Massachusetts in an amount equal to either 25% or 50% of the cost. The cleanup must begin on or before August 5, 2023, and costs must be incurred before January 1, 2024, and equal or exceed 15% of the assessed value of the property before the beginning of the cleanup. Contami-

nated properties must be owned or leased for business purposes, reported to the Department of Environmental Protection (DEP), cleaned up in compliance with DEP's standards, and located in an economically distressed area identified by DEP. Unused portions of the BTC may be carried forward for the next five years. If a credit recipient does not maintain the property in compliance with standards set out by DEP, the credit may be recaptured. The BTC is not refundable.

The BTC may be transferred, sold or assigned to another taxpayer with a liability under MGL ch 62 or 63, or to a nonprofit organization. A taxpayer must complete a Form BCA, Brownfields Credit Application, and submit it to DOR. If approved, DOR will issue a certificate reflecting the amount of the BTC. The party receiving the BTC must include the certificate number with each tax return in which the credits are being applied. BTC application forms and additional information are available at mass.gov/dor.

To claim the BTC, enter the amount of the BTC using credit code BRWFLD on the Schedule CMS.

Certified Housing Development Tax Credit

Taxpayers subject to tax under MGL ch 62 that invest in housing development projects in Massachusetts may be eligible to claim the Certified Housing Development Credit (CHDC) in an amount up to 25% of the costs of qualified project expenditures as defined in MGL ch 40V, § 1. Eligibility and the amount of CHDC awarded are determined and administered by the Department of Housing and Community Development (DHCD). The CHDC is not refundable, but unused amounts may be transferred or carried forward for 10 years. See TIRs 16-15, 10-15 and 10-14 for further information.

To claim the CHDC, enter the CHDC certificate number and the amount of the CHDC using credit code CRTHOU on the Schedule CMS.

Community Investment Tax Credit

Taxpayers subject to tax under MGL ch 62 may be able to claim a Community Investment Tax Credit (CITC) for cash contributions made to a community partner to support the implementation of its community investment plan, or to a community partnership fund. The CITC is equal to 50% of the total contribution made by the taxpayer and cannot be claimed for contributions of less than \$1,000. The Department of Housing and Community Development (DHCD) is responsible for determining which contributions qualify for the CITC and the actual amount of the CITC awarded. The CITC is not transferrable. However, the CITC is refundable, or, alternatively, may be carried forward for 5 years. See DHCD's Community Investment Grant and Tax Credit Program regulation,

760 CMR 68.00, DOR's Community Investment Tax Credit regulation, 830 CMR 62.6M.1, and TIRs 16-15 and 13-15 for further information.

To claim the CITC, enter the CITC certificate number and the amount of the CITC using credit code CMMINV on the Schedule CMS.

Conservation Land Tax Credit

Taxpayers subject to tax under MGL ch 62 that make qualified donations of certified land to a public or private conservation agency in Massachusetts may be eligible for a Conservation Land Tax Credit (CLTC). The Executive Office of Energy and Environmental Affairs (EEA) ultimately determines which donations qualify for the CLTC and the actual amount of the CLTC attributable to the donation. The CLTC is equal to 50% of the fair market value of the donated certified land, but may not exceed \$75,000. The credit is refundable, but is not transferable. Taxpayers who claim the CLTC may not claim any other credit or deduction in the same tax year for the costs related to the same donated, certified land.

For more information, please see the EEA's Conservation Land Tax Credit regulation, 301 CMR 14.00, which sets forth the EEA's criteria for authorizing and certifying the credit. See also DOR's Conservation Land Tax Credit regulation, 830 CMR 62.6.4, which explains the calculation of the allowable CLTC.

To claim the CLTC, enter the CLTC certificate number and the amount of the CLTC using credit code CNSLND on Schedule CMS.

Dairy Farm Tax Credit

Massachusetts dairy farmers taxable under MGL ch 62 may be eligible for a Dairy Farm Tax Credit (DFTC) based on the amount of milk produced and sold during the taxable year when the cost of milk drops below a price based on federal standards. The dairy farm must have a certificate of registration as a Massachusetts dairy farmer from the Massachusetts Department of Agricultural Resources (MDAR). The total amount of DFTC granted through the program cannot exceed \$6,000,000 in any year. The DFTC is refundable, but is not transferrable.

To claim the DFTC, enter the MDAR-issued certificate number and the amount of the DFTC from the MDAR's Dairy Farmer Certified Tax Credit Statement using credit code DAIFRM on Schedule CMS.

Economic Opportunity Area/ Economic Development Incentive Program Credits

Economic Opportunity Area Credit

Taxpayers subject to tax under MGL ch 62 that participated in projects certified by the Economic Assistance Coordinating Council (EACC) before January 1, 2010, may be eligible to claim an Economic Opportunity Area Credit (EOAC) equal to 5% of the cost of qualifying property purchased for business use within a certified project within an Economic Opportunity Area (EOA). To qualify for the EOAC, the property must be used by the certified project exclusively in an EOA and must meet the same tests imposed for the 3% Investment Tax Credit (ITC). A certified project is a project approved by the EACC. The 5% EOAC cannot offset more than 50% of the tax due. Any unused EOAC may be carried forward for 10 years. The EOAC may be subject to recapture if a taxpayer's business is decertified by the EACC, or a taxpayer stops using the qualifying property in a certified project before the end of the property's useful life. The EOAC is neither refundable nor transferrable. The EOAC is not available to certified projects that were certified by the EACC on or after January 1, 2010. See TIRs 16-15 and 10-01 for further information.

To claim the EOAC, complete Schedule EOAC and enter the amount of the credit using credit code EOACCR on the Schedule CMS. Include both the completed Schedule EOAC and Schedule CMS with the return.

Economic Development Incentive Program Credit

For projects certified by the EACC on or after January 1, 2010, the Economic Development Incentive Program Credit (EDIPC) is available to taxpayers subject to tax under MGL ch 62 with respect to certified projects as defined under MGL ch 23A. The EDIPC is equal to a percentage of the cost of qualifying property purchased by a certified project for business use within Massachusetts. As part of the project certification, the EACC may (but is not required to) award a credit under the program and determine the percentage of the cost of the property to be used to determine the credit. In addition the EACC may award an EDIPC that is refundable. To qualify for the EDIPC, the qualifying property must be used exclusively in the certified project in Massachusetts and must meet the same tests imposed for the 3% ITC.

Unless the EDIPC awarded is refundable, the credit may not offset more than 50% of the tax due. Carryover of unused credit is available only to the extent authorized by the EACC. The EACC may, in consultation with DOR, limit (but not ex-

pand) the EDIPC to a specific dollar amount or time duration or in any other manner deemed appropriate by the EACC. St. 2009, ch 166, § 18. For example, the EACC may limit the EDIPC available with respect to a particular project to a specific dollar maximum, even if the actual dollar amount of the qualifying purchases would otherwise generate a higher credit amount. Similarly, the EACC may limit the otherwise applicable credit carry forward period provided by MGL ch 62, § 6(g). The EDIPC may be subject to recapture if a taxpayer's business is decertified by the EACC, or a taxpayer stops using the qualifying property in a certified project before the end of the property's useful life. The EDIPC is not transferable. See TIRs 16-15, 14-3, 10-15, and 10-1 for further information.

To claim the EDIPC, complete Schedule EDIP and enter the amount of the EDIPC using credit code EDIPCR on Schedule CMS. Also, enter the EAC-issued certificate number on Schedule CMS. Include both the completed Schedule EOAC and Schedule CMS with the return.

EDIP Credit for Projects Certified on or after January 1, 2017

The EDIPC provisions were significantly changed for projects certified on or after January 1, 2017. For projects certified by the EACC on or after January 1, 2017, the EDIPC allowed to taxpayers subject to tax under MGL ch 62 is determined by the EACC based on numerous factors set forth in MGL ch 23A § 3D. The EACC may award a refundable EDIPC to any certified project. Carryover of unused EDIPC is available only to the extent authorized by the EACC. Recapture is required only if the EACC revokes the certification of a project. The EDIPC is not transferable. See TIRs 16-15 and 10-01 for further information.

To claim the EDIPC, complete Schedule EDIP and enter the amount of the EDIPC using credit code EDIPCR on Schedule CMS. Also, enter the EAC-issued certificate number on Schedule CMS. Include both the completed Schedule EDIP and Schedule CMS with the return.

Farming and Fisheries Credit

Taxpayers primarily engaged in agriculture or farming and subject to tax under MGL ch 62 may be eligible for a Farming and Fisheries Credit (FFC) equal to 3% of the cost or other basis for federal income tax purposes of qualifying property acquired, constructed or erected during the tax year. Qualifying property is defined as tangible personal property and other tangible property, including buildings and structural components thereof which are located in Massachusetts, used solely in farming, agriculture or fishing, and are depreciable with a useful life of at least 4 years. Lessees are also eligible for the FFC. However,

where the lessee is eligible for the FFC, the lessor is generally not eligible, with the exception of "equine-based businesses where care and boarding of horses is a function of the agricultural activity." A taxpayer may carry forward any unused portion of the FFC for up to three years. See TIR 14-3 for further information.

To claim the FFC, complete Schedule FAF, Farming and Fisheries Credit, and enter the amount of the FFC using credit code FRMFSS on Schedule CMS. Include both the completed Schedule FAF and Schedule CMS with the return.

Film Incentive Credit

Motion picture production companies subject to tax under MGL ch 62 may be eligible to claim the Film Incentive Credit (FIC) for certain payroll and production expenses. Production companies that incur at least \$50,000 of production costs in Massachusetts are eligible for a credit equal to 25% of the total Massachusetts payroll for the production, excluding salaries of \$1 million and higher. In addition, production companies whose Massachusetts production expenses exceed 50% of the total production cost may receive a credit equal to 25% of the total Massachusetts production expense. The FIC may be applied against taxpayer's liability, reduced by any other available credits, and then 90% of any remaining credits may be refunded. Subject to certain conditions, unused credits may be carried over, refunded, or transferred by the taxpayer for the following 5 tax years. Transferees may carry forward unused FIC for the 5 tax years subsequent to the first tax year the FIC was allowed to the initial transferor. The FIC is not refundable to the transferee. See TIR 07-15 for further information.

To claim the FIC, enter the FIC certificate number and the amount of the FIC using credit code FLMCRD on the Schedule CMS. Supporting documentation must be made available to DOR upon request. Certificate application forms and additional information are available at mass.gov/dor.

Historical Rehabilitation Credit

Taxpayers subject to tax under MGL ch 62 who have made qualified expenditures in the rehabilitation of a qualified historic structure may be eligible to claim a Historic Rehabilitation Tax Credit (HRTC). The HRTC is up to 20% of the taxpayer's rehabilitation expenditures made in substantially rehabilitating a historic structure that has received final certification from the Massachusetts Historical Commission and placed into service (where occupancy of the entire structure or some identifiable portion of it is permitted). Unused portions of the HRTC may be carried forward for the next five tax years. The HRTC may be transferred or sold to another taxpayer, but is not refundable. HRTC

awards also may be transferred to other qualifying taxpayers that acquire a historic structure, as long as certain criteria are met. The HRTC may be subject to recapture if the taxpayer disposes of its interest in the structure within 5 years of its placement into service. HRTC awards however are not subject to recapture. For further information, see DOR's Massachusetts Historic Rehabilitation Tax Credit regulation, 830 CMR 63.38R.1, and TIRs 16-15 and 10-11.

To claim the HRTC, enter the HRT certificate number and the amount of the HRTC using credit code HISRHB on the Schedule CMS. Supporting documentation must be enclosed with the return or the HRTC may be disallowed. For further information on documentation see the 2018 Transfer/Sale HRC, Historic Rehabilitation Credit Certificate Form and 2018 Allotment Schedule HRC, Historic Rehabilitation Credit Summary Form.

Lead Paint Tax Credit

Taxpayers subject to tax under MGL ch 62, who own residential premises in Massachusetts, constructed prior to 1978 and who incurred expenses for covering or removing lead paint on such residential premises, may claim a Lead Paint Tax Credit (LPTC) for these expenses in an amount equal to up to \$1,500 for each residential unit. A taxpayer may carry forward any unused portion of the LPTC for up to 7 taxable years. See DOR's Lead Paint Removal Credit regulation, 830 CMR 62.6.3, and other rules as explained on Massachusetts Schedule LP, Credit for Removing or Covering Lead Paint on Residential Premises.

To claim the LPTC, complete Schedule LP and enter the amount of the LPTC using credit code LEDPNT on the Schedule CMS. Be sure to enter in line 1a of the Schedule CMS the total number of units indicated in Schedule LP, lines 1a and 3a. Include both the completed Schedule LP and Schedule CMS with the return.

Life Sciences Refundable Jobs Tax Credit

Certified life sciences companies subject to tax under MGL ch 62, to the extent authorized by the Life Sciences Tax Incentive Program, may receive a Life Sciences Refundable Jobs Tax Credit (LSRJTC) in an amount determined by the Massachusetts Life Sciences Center in consultation with DOR. A taxpayer claiming the LSRJTC must commit to the creation of a minimum of 50 net new permanent full-time positions in Massachusetts. If the LSRJTC claimed by a taxpayer exceeds the tax otherwise due, 90% of the balance of such LSRJTC may, at the option of the taxpayer and to the extent authorized by the Life Sciences Tax Incentive Program, be refundable. Excess LSRJTC cannot be carried forward to subsequent taxable years. The LSRJTC is not transferrable. The LSR-

JTC is subject to all of the requirements of the Life Sciences Tax Incentive Program under MGL ch 23I. In the event of the revocation of a company's certification as a life sciences company or other disqualifying events, the LSRJTC may be subject to recapture. For more information, see TIRs 13-6, 11-6, and 08-23.

To claim the LSRJTC, complete a Schedule RLSC and enter the amount of the LSRJTC using credit code LFSJOB on the Schedule CMS.

Life Sciences Refundable Investment Tax Credit

Certified life sciences companies subject to tax under MGL ch 62, to the extent authorized by the Life Sciences Tax Incentive Program, may claim a Life Sciences Refundable Investment Tax Credit (LSRITC) equal to 10% of the cost of qualifying property acquired, constructed, reconstructed, or erected and used exclusively in Massachusetts. If the LSRITC exceeds the tax due, 90% of the balance of such LSRITC may, at the option of the taxpayer and to the extent authorized pursuant to the Life Sciences Tax Incentive Program, be refundable to the taxpayer for the tax year in which the qualified property giving rise to such LSRITC is placed in service. If the taxpayer elects to make the LSRITC refundable, then the carryover provisions for this credit that would otherwise apply shall not be available. Certified life sciences companies qualifying for the Economic Development Incentive Program Credit (EDIPC) may only take such credit to the extent of an additional 2% of the cost of the qualifying property. In the event a company's certification as a life sciences company is revoked, the recapture of the LSRITC may be required. The LSRITC is not transferrable. For further information, see TIRs 13-6 and 08-23.

To claim the LSRITC, complete a Schedule RLSC and enter the amount of the LSRITC using credit code LFSITC on the Schedule CMS.

Life Sciences Refundable FDA User Fees Tax Credit

Certified life sciences companies subject to tax under MGL ch 62, to the extent authorized by the Life Sciences Tax Incentive Program, may be eligible to claim a Life Sciences Refundable FDA User Fees Tax Credit. The credit is equal to 100% of the user fees paid on or after June 16, 2008, to the U.S. Food and Drug Administration (FDA) upon submission of an application to manufacture a human drug in Massachusetts. The credit may be claimed in the tax year in which the application for licensure of an establishment to manufacture the drug is approved by the FDA. To be eligible for the credit, more than 50% of the research and development costs for the drug must have been incurred in Massachusetts. Certified life sciences

companies may use the FDA user fees credit to reduce their tax to 0. At the option of the taxpayer and to the extent authorized pursuant to the Life Sciences Tax Incentive Program, where the credit exceeds the tax due, 90% of the balance of the excess credit is refundable. A life sciences company claiming the credit may not also deduct the FDA user fees for which the credit is claimed on its return. In the event a company's certification as a life sciences company is revoked, the recapture of the Life Sciences ITC may be required. The credit is not transferrable. For further information, see TIRs 13-6 and 08-23.

To claim the credit, complete a Schedule RLSC and enter the amount of the credit using credit code LFSFDA on the Schedule CMS.

Low Income Housing Tax Credit

Taxpayers subject to tax under MGL ch 62 who invest in a qualified low-income housing project located in Massachusetts may be eligible for the Low Income Housing Tax Credit (LIHTC). The Department of Housing and Community Development (DHCD) determines which low-income housing projects will qualify for the LIHTC, which properties may generate a LIHTC for investors, and ultimately allocates the amount of credit a taxpayer may claim based on a total pool of \$20,000,000. This LIHTC may be claimed in the year that a qualified Massachusetts project is placed in service and for each of the four subsequent taxable years. The properties must also meet the requirements established by Massachusetts and federal laws, and be owned by an owner who enters into a regulatory agreement with DHCD.

Any unused LIHTC may be carried forward for the next five tax years. Alternatively, unused credits may be transferred. If an event or circumstance occurs that results, or would have resulted, in the recapture of any portion of a federal Low Income Housing Credit, then the Massachusetts LIHTC may also be subject to recapture. The LIHTC is not refundable.

To claim the LIHTC, enter the LIHTC certificate number and the amount of the LIHTC using credit code LOWINC on the Schedule CMS. Supporting documentation must be enclosed with the return or the LIHTC may be disallowed. For further information on documentation see the 2018 Transfer LIHC, Low-Income Housing Credit Statement Form and 2018 Allotment Schedule LIHC, Low-Income Housing Credit Summary Form. For further information regarding this credit contact DHCD, Division of Private Housing, at (617) 727-7824.

Low Income Housing Donation Tax Credit

Taxpayers subject to tax under MGL ch 62 that make a qualified donation of real or personal property to certain non-profit entities for use in pur-

chasing, constructing or rehabilitating a qualified Massachusetts project may be eligible to claim a Low Income Housing Donation Tax Credit (LIHDTC). This credit operates in the same manner as the Low Income Housing Tax Credit (LIHTC), but the LIHDTC is limited to 50% of the amount of the qualified donation, which may be increased to 65% by DHCD. In addition, the LIHDTC may only be claimed in the year that the qualified donation is made. However, any unused LIHDTC may be carried forward for the next five years. The Department of Housing and Community Development (DHCD) determines eligibility and ultimately allocates the LIHDTC a taxpayer may claim based on a total pool of \$20,000,000 shared with the LIHTC. Only 20% of awarded LIHDTC will count towards this pool. The LIHDTC is not refundable, but is transferrable in the same manner as the LIHTC.

The property must also meet the requirements established by Massachusetts and federal laws, and be owned by an owner who enters into a regulatory agreement with DHCD. If an event or circumstance occurs that results, or would have resulted, in the recapture of any portion of a federal Low Income Housing Credit, then the Massachusetts LIHDTC may also be subject to recapture.

To claim the LIHDTC, enter the LIHDTC certificate number and the amount of the LIHDTC using credit code LIHDON on the Schedule CMS. Supporting documentation must be enclosed with the return or the LIHDTC may be disallowed. For further information on documentation see the 2018 Transfer LIHC, Low-Income Housing Credit Statement Form and 2018 Allotment Schedule LIHC, Low-Income Housing Credit Summary Form. For further information regarding this credit, contact DHCD, Division of Private Housing, at (617) 727-7824.

Medical Device Tax Credit

Medical Device Companies taxable under MGL ch 62 may be eligible to claim a Medical Device Tax Credit (MDTC). The MDTC is equal to 100% of the user fees actually paid by the medical device company to the United States Food and Drug Administration (FDA). To qualify for the MDTC, the user fees must be paid during the tax year for which the tax is due for pre-market submissions (e.g., applications, supplements, or 510(k) submissions) to market new technologies developed or manufactured in Massachusetts.

The MDTC may not be carried forward to subsequent tax years. The MDTC is not refundable. However, unused portions of the credit may be transferred to a purchasing company, who may carry over the MDTC but must use it within 5 years of the issuance of the certificate. The purchasing company may not transfer the MDTC.

To claim the MDTC, enter the MDTC certificate number and the amount of the MDTC using credit code MEDDVC on the Schedule CMS. Certificate application forms and additional information are available at mass.gov/dor.

Septic System Tax Credit

Individual taxpayers subject to tax under MGL ch 62 who own and occupy residential property located in Massachusetts as their principal residence may be eligible for a Septic System Tax Credit (SSTC). Taxpayers may claim the SSTC in an amount up to \$1,500 per taxable year for expenses incurred to comply with the sewer system requirements of Title V as promulgated by the Department of Environmental Protection or to connect to a municipal sewer system pursuant to a federal court order, administrative consent order, state court order, consent decree or similar mandate. The amount of the SSTC is 40% of the cost, up to \$15,000, for design and construction expenses for repair or replacement of a failed cesspool or septic system. The maximum aggregate amount of the SSTC is \$6,000. Any unused portion of the SSTC may be carried forward for 5 years. Betterment assessments do not qualify for this SSTC. See DOR Directive 01-6 and TIRs 99-20, 99-5, 98-8, and 97-12 for further information.

To claim the SSTC, complete Schedule SC, Septic Credit, and enter the amount of the SSTC using credit code SEPTIC on the Schedule CMS. Include both the completed Schedule SC and Schedule CMS with the return.

Solar and Wind Energy

Individual taxpayers subject to tax under MGL ch 62 that made expenditures for certain renewable energy source items, such as equipment which uses or transmits solar or wind energy to heat, cool, or provide hot water for their principal residence in Massachusetts, may qualify for a Solar and Wind Energy Credit (SWEC). The SWEC is not refundable. However, unused portions of the credit may be carried forward for the next three years.

To claim the SWEC, complete Schedule EC, Residential Energy Credit, and enter the amount of the SWEC using credit code SLRWND on Schedule CMS. Include both the completed Schedule EC and Schedule CMS with the return.

Veteran's Hire Tax Credit

Businesses subject to tax under MGL ch 62 that hire veterans who live and work in Massachusetts may be eligible for a Veteran's Hire Tax Credit (VHTC). The credit is equal to \$2,000 for each qualified veteran hired. The business must:

- ▶ Employ fewer than 100 employees;
- ▶ Be certified by the Commissioner of Veteran's Services; and

- ▶ Qualify for and claim the federal Work Opportunity Credit allowed under IRC § 51.

A business may be eligible for a second VHTC for the next taxable year if the veteran continues to work for the business. The VHTC is neither refundable nor transferrable. Any amount of VHTC that exceeds the tax due in the current taxable year may be carried forward to any of the 3 subsequent taxable years. The VHTC is available for qualified veterans hired after July 1, 2017. See TIR 17-10 for further information.

To claim the VHTC, enter the VHTC certificate number and the amount of the VHTC using credit code VETHIR on the Schedule CMS.

Schedule B

Interest, Dividend and Certain Capital Gains and Losses

Nonresidents and part-year residents must file Massachusetts Schedule B if you had:

- ▶ Dividend income in excess of \$1,500;
- ▶ Any interest income other than from Massachusetts banks taxed at 5.1%;
- ▶ Short-term capital gains or losses;
- ▶ Carryover short-term losses from prior years;
- ▶ Long-term gains on collectibles and pre-1996 installment sales classified as capital gain income for Massachusetts purposes;
- ▶ Gains or losses from the sale, exchange or involuntary conversion of property used in a trade or business;
- ▶ Net long-term capital gains and losses; or
- ▶ Excess exemptions.

Collectibles are defined as any capital asset that is a collectible within the meaning of IRC § 408(m), as amended and in effect for the taxable year, including works of art, rugs, antiques, metals, gems, stamps, alcoholic beverages, certain coins, and any other items treated as collectibles for federal tax purposes.

Nonresidents. Interest and dividends are from Massachusetts sources if they are directly connected with your trade or business activity in Massachusetts. Also, report on Massachusetts Schedule B, Part 2 the short-term gain or loss realized from the transaction of assets being sold or exchanged which are considered to be from Massachusetts sources. Massachusetts source assets are:

- ▶ Real or tangible personal property located in Massachusetts; and

- ▶ Property connected with a Massachusetts trade, business or employment.

Nonresidents need not file Massachusetts Schedule B if:

- ▶ All your interest and dividend income and certain capital gains was from non-Massachusetts sources;
- ▶ All Massachusetts source interest income you had was from Massachusetts banks and is taxed at 5.1% (reportable on Form 1-NR/PY, line 7a); or
- ▶ Your Massachusetts source gross dividend income was \$1,500 or less (reportable on Form 1-NR/PY, line 24 and, if applicable, Schedule C, line 32).

Part-year residents. Dividend income in excess of \$1,500 or any interest income other than from Massachusetts banks (reportable on Form 1-NR/PY, line 7a) received while you were a resident of Massachusetts, whether received from sources inside or outside of Massachusetts, must be reported on Massachusetts Schedule B. Also, short-term gains or losses realized while you were a resident of Massachusetts, whether received from sources inside or outside of Massachusetts, from the sale or exchange of capital assets or from similar transactions which are granted capital gain or loss treatment on your U.S. return must be reported on Schedule B. Include gains from all property, wherever located.

Part-year residents need not file Massachusetts Schedule B if all interest income you had that is taxable by Massachusetts was from Massachusetts banks (reportable on Form 1-NR/PY, line 7a), and your gross dividend income was \$1,500 or less (reportable on Form 1-NR/PY, line 24), and you have no short-term capital gains or losses, long-term gains on collectibles and pre-1996 installment sales, gains or losses from the sale, exchange or involuntary conversion of property used in a trade or business, allowable deductions from your trade or business, carryover short-term losses from prior years, net long-term capital gains or losses, or excess exemptions.

- ▶ Nonresidents and part-year residents must complete Massachusetts Schedule B if your interest or dividend income includes:
- ▶ Dividends taxed directly to trusts or estates on Form 2, Massachusetts Fiduciary Return; or
- ▶ Distributions that are returns of capital.

You need not complete Schedule B, Part 2, Part 3 and Part 4 if you do not have any of the following:

- ▶ Short-term capital gains or losses;
- ▶ Carryover short-term losses from prior years;

- ▶ Long-term gains on collectibles and pre-1996 installment sales classified as capital gain income for Massachusetts purposes;

- ▶ Gains or losses from the sale, exchange or involuntary conversion of property used in a trade or business and held for one year or less;
- ▶ Allowable deductions from your trade or business; net long-term capital gains or losses; or
- ▶ Excess exemptions (see line 9 instructions).

Part 1. Interest and Dividend Income

Line 1. Total Interest Income

Enter your total interest income from your U.S. Form 1040, lines 2a and 2b.

Line 2. Total Ordinary Dividends

Enter your total ordinary dividends from your U.S. Schedule B, Part II, line 6. If you did not file U.S. Schedule B, enter the amount from U.S. Form 1040, line 3b.

Line 3. Other Interest and Dividends

Enter the following amounts and their sources (enclose additional statement if more space is necessary):

- ▶ Interest from obligations of other states and their political subdivisions (including your share, if any, from a partnership, an S corporation and a grantor-type trust or non-Massachusetts trust). Do not include exempt interest already included in Schedule B, line 1;
- ▶ Taxable distributions from Massachusetts S corporations not reported in Schedule B, line 2. Distributions in excess of the Massachusetts accumulated adjustments account are dividends to the extent of the corporation's Massachusetts accumulated earnings and profits. For more information, see Regulation 830 CMR 62.17A.1;
- ▶ Interest and dividends from a partnership, S corporation, grantor-type trust, or non-Massachusetts estate or trust from Massachusetts Schedule E. Generally, portfolio interest and dividend income from partnerships and S corporations should already be included in Schedule B, line 1 and line 2 amounts;
- ▶ Interest from a trade or business that is reported on Massachusetts Schedule C, line 32; or
- ▶ Interest or dividends from a mutual fund, if such distributions are not included in Schedule B, line 1 or line 2. See Schedule B, line 6.

Lines 5 and 6

Enter only amounts related to income that you have already included in lines 1, 2, and 3.

Line 5. Total Interest from Massachusetts Banks

Enter the total interest included in Form 1-NR/PY, line 7a (prior to the exemption amount being subtracted) only if it has been included in lines 1 or 3 of this schedule.

Line 6. Other Interest and Dividends to Be Excluded

Enter the total interest and dividends from the following sources (enclose an additional statement, if necessary) only if it has been included in lines 1, 2 or 3 of this schedule:

▶ Interest on U.S. debt obligations. Enter interest received on U.S. Treasury bills, notes and bonds, savings bonds or other obligations of the United States, including its territories or dependencies. Such interest is tax-exempt in Massachusetts. For further information concerning exempt obligations of the United States, see TIR 89-8;

▶ Interest and dividends taxed directly to Massachusetts estates and trusts. Enter the interest and dividends that are taxed directly to a Massachusetts estate or trust (reportable on a Massachusetts Fiduciary Return, Form 2);

▶ Any distribution which is a return of capital included in total gross dividends, line 2;

▶ Any interest or dividends from obligations of the Commonwealth of Massachusetts or its political subdivisions held by you;

▶ Any exempt portion of interest or dividends from a mutual fund included in lines 1, 2 or 3 of this schedule. Enter only the exempt portion of interest or dividends derived from obligations of the U.S. government or the Commonwealth of Massachusetts or its political subdivisions;

▶ Any interest on pre-retirement distributions from state and municipal contributory pension plans.

▶ **Nonresidents.** Any amounts included in lines 1, 2 and 3 which you received from sources other than Massachusetts; or

▶ **Part-year residents.** Any amounts included in lines 1, 2 or 3 which you received while domiciled in another state or country.

Do not enter in line 6 either of the following:

▶ Dividends from the earnings and profits accumulated prior to January 1, 1971 by any corporate trust which was not taxed directly by Massachusetts in prior years, even though such an entity is taxed directly now (obtain from the entity the taxable status of dividends paid to you); or

▶ Dividends from any corporate trust which is not taxed directly by Massachusetts. Such entities include those not doing business in Massachusetts; regulated investment companies or real estate in-

vestment trusts (as defined under IRC §§ 851 and 856 respectively), or holding companies (as defined in MGL ch 62, § 8)

Line 8. Allowable Deductions from Your Trade or Business

Enter the appropriate amount from Massachusetts Schedule C-2 if you qualify for an excess trade or business deduction. Generally, taxpayers may not use excess 5.1% deductions to offset other income. However, where the taxpayer files a Massachusetts Schedule C or Schedule E, Massachusetts law allows such offsets if the following requirements are met:

▶ The excess 5.1% deductions must be adjusted gross income deductions allowed under MGL ch 62 § 2(d); and

▶ These excess deductions may only be used to offset other income which is effectively connected with the active conduct of a trade or business or any other income allowed under IRC § 469(d)(1) (B) to offset losses from passive activities.

Line 9. Subtotal Interest and Dividend Income

Subtract line 8 from line 7. If you have no short-term capital gains or losses, carryover short-term losses from prior years, long-term gains on collectibles and pre-1996 installment sales classified as capital gain income for Massachusetts purposes, gains or losses from the sale, exchange or involuntary conversion of property used in a trade or business and held for one year or less, allowable deductions from your trade or business, net long-term capital gains or losses, or excess exemptions, omit lines 10 through 37. Enter the amount from line 9 in line 38 of Schedule B and on Form 1-NR/PY, line 24, and omit lines 39 and 40 of Schedule B. Otherwise, complete Parts 2, 3 and 4.

Part 2. Short-Term Capital Gains and Losses and Long-Term Gains on Collectibles and Pre-1996 Installment Sales

If there are any differences between U.S. and Massachusetts amounts reported in lines 10, 11, 12, 16 and 17, be sure to enter the Massachusetts amount. Possible differences include:

▶ Part-year residents, transactions conducted while you were domiciled in another state or country;

▶ Nonresidents, transactions that were not associated with a trade or business in Massachusetts;

▶ Short-term capital gains taxed directly to Massachusetts estates and trusts (reportable on a Massachusetts Fiduciary Return, Form 2);

▶ Upon the sale of stock of an S corporation, the federal basis must be modified according to Massachusetts Income Tax Regulation, 830 CMR 62.17A.1; and

▶ Massachusetts has adopted basis adjustment rules to take into account differences between Massachusetts and federal tax laws. For more information regarding basis adjustment rules, see TIR 88-7.

Line 10. Short-Term Capital Gains

Enter the gross short-term capital gains included in U.S. Schedule D, lines 1 through 5, column (h).

Line 11. Long-Term Capital Gains on Collectibles and Pre-1996 Installment Sales

Enter the amount of long-term capital gains on collectibles and pre-1996 installment sales classified as capital gain income for Massachusetts purposes, from Massachusetts Schedule D, line 12.

Line 12. Gain on Sale of Business Property

Enter from U.S. Form 4797 the amount of gain from the sale, exchange or involuntary conversion of property used in a trade or business and held for one year or less.

Line 14. Allowable Deductions From Your Trade or Business

Enter the appropriate amount from Massachusetts Schedule C-2 if you qualify for an excess trade or business deduction. Generally, taxpayers may not use excess 5.1% deductions to offset other income. However, where the taxpayer files a Massachusetts Schedule C or Schedule E, Massachusetts law allows such offsets if the following requirements are met:

▶ The excess 5.1% deductions must be adjusted gross income deductions allowed under MGL ch 62, § 2(d); and

▶ These excess deductions may only be used to offset other income which is effectively connected with the active conduct of a trade or business or any other income allowed under IRC § 469(d)(1) (B) to offset losses from passive activities.

Line 16. Short-Term Capital Losses

Enter the gross short-term capital gains included in U.S. Schedule D, lines 1 through 5, column (h).

Line 17. Loss on Sale of Business Property

Enter from U.S. Form 4797 the amount of loss from the sale, exchange or involuntary conversion of property used in a trade or business and held for one year or less.

Line 19. Subtotal Interest and Dividends and Certain Capital Gains and Losses

Combine lines 15 through 18. If 0 or greater, omit lines 20 through 23 and enter the amount from line 19 in line 24. If less than 0, complete line 20.

Line 20. Short-Term Losses Applied Against Interest and Dividends

Enter the smaller of line 9 or line 19 (considered as a positive amount). Not more than \$2,000.

Line 21. Available Short-Term Losses

Combine lines 19 and 20. This amount should be 0 or less. If line 21 is less than 0, go to line 22. If line 21 is 0, omit lines 22 through 28 and go to Part 3.

If Schedule B, line 21 is a loss and Schedule D, line 13 is a loss, omit line 22, enter the amount from line 21 in line 23 and line 40, omit lines 24 through 28 and complete Parts 3 and 4.

Line 22. Short-Term Losses Applied Against Long-Term Gains

If Schedule B, line 21 is a loss and Schedule D, line 13 is greater than 0, enter the smaller of Schedule B, line 21 (considered as a positive amount) or Schedule D, line 13 in Schedule B, line 22 and in Schedule D, line 14.

Line 23. Short-Term Losses for Carryover in 2019

Combine line 21 and line 22 and enter the result in line 23 and in line 40, omit lines 24 through 28 and complete Part 3 and Part 4.

Line 24. Short-Term Gains and Long-Term Gains on Collectibles

Enter the amount from Schedule B, line 19. If Schedule D, line 13 is 0 or greater, omit line 25 and enter the amount from line 24 in line 26. If Schedule D, line 13 is a loss, go to Schedule B, line 25.

Line 25. Long-Term Losses Applied Against Short-Term Gains

If Schedule B, line 24 is greater than 0, and Schedule D, line 13 is a loss, enter the smaller of Schedule B, line 24 or Schedule D, line 13 (considered as a positive amount) in Schedule B, line 25 and in Schedule D, line 14.

Line 27. Long-Term Gains Deduction

Complete only if line 26 is greater than 0 and there is an entry on line 11.

▶ If there are no losses reported on lines 16, 17, 18 and 25, enter 50% of line 11.

▶ If the losses reported on lines 16, 17, 18 and 25 do not exceed the total amount of gain on lines 10 and 12, enter 50% of line 11.

▶ If the losses reported on lines 16, 17, 18 and 25 exceed the the total amount of gain on lines 10 and 12 enter 50% of line 11 minus 50% of the excess loss (total of lines 16,17,18 and 25 minus the total of lines 10 and 12).

Part 3. Adjusted Gross Interest, Dividends Short-Term Capital Gains and Long-Term Gains on Collectibles

Line 31. Subtotal Interest and Dividends

If Schedule D, line 15 is 0 or greater, omit Schedule B, line 32 and enter the amount from Schedule B, line 31 in Schedule B, line 33. If Schedule D, line 15 is a loss, go to Schedule B, line 32.

Line 32. Long-Term Losses Applied Against Interest and Dividends

If Schedule B, line 31 is a positive amount and Schedule D, line 15 is a loss, complete the Long-Term Capital Losses Applied Against Interest and Dividends Worksheet for Schedule B, Line 32 and Schedule D, Line 16. When completing the worksheet, be sure to enter all losses as a positive amount.

Schedule B, Line 32 and Schedule D, Line 16 Worksheet. Long-Term Capital Losses Applied Against Interest and Dividends

Complete only if Schedule B, line 31 is a positive amount and Schedule D, line 15 is a loss. Enter all losses as positive amounts.

1. Enter amount from Schedule B, line 29	<input type="text"/>
2. Enter the lesser of line 1 or \$2,000	<input type="text"/>
3. Enter the amount from Schedule B, line 30	<input type="text"/>
4. Subtract line 3 from line 2. If 0 or less omit the remainder of worksheet. Otherwise, complete lines 5 and 6	<input type="text"/>
5. Enter any loss from Schedule D, line 15 as a positive amount. Otherwise, enter 0	<input type="text"/>
6. If line 4 is less than or equal to line 5, enter line 4 here and in Schedule B, line 32 and in Schedule D, line 16. If line 4 is larger than line 5, enter line 5 here and in Schedule B, line 32 and in Schedule D, line 16	<input type="text"/>

Part 4. Taxable Interest, Dividends and Certain Capital Gains

Line 36. Excess Exemptions

Enter the amount from line 5 of the Schedule B, Line 36 and Schedule D, Line 20 Worksheet. Complete only if single, head of household or married filing a joint return and Form 1-NR/PY, line 22 is greater than Form 1-NR/PY, line 21.

Schedule D

Long-Term Capital Gains and Losses Excluding Collectibles

Nonresidents. The long-term gain or loss realized from the transaction of assets being sold or exchanged which are considered to be from Massachusetts sources must be reported on Massachusetts Schedule D. Long-term capital gains are gains on the sale or exchange or capital assets that have been held for more than one year on the date of sale or exchange. Long-term capital losses are losses on the sale or exchange of capital assets that have been held for more than one year on the date of sale or exchange. Massachusetts source assets are:

- ▶ Real or tangible personal property located in Massachusetts; and
- ▶ Property connected with a Massachusetts trade, business or employment.

Part-year residents. The long-term gains or losses realized while you were a resident of Massachusetts, whether received from sources inside or outside of Massachusetts, from the sale or exchange of capital assets or from similar transactions which are granted capital gain or loss treatment on your U.S. return, or any capital gains distributions received, must be reported on Massachusetts Schedule D. Include gains from all property, wherever located. Long-term capital gains are gains on the sale or exchange or capital assets that have been held for more than one year on the date of sale or exchange. Long-term capital losses are losses on the sale or exchange of capital assets that have been held for more than one year on the date of sale or exchange.

The law defines capital gain income as gain from the sale or exchange of a capital asset. The definition of capital asset includes:

- ▶ An asset which is a capital asset under IRC § 1221; or
- ▶ Property that is used in a trade or business within the meaning of IRC § 1231(b) without regard to the holding period as defined in said § 1231(b).

For a detailed explanation of the law, see DOR's Regulation on Capital Gains and Losses at 830 CMR 62.4.1.

Differences

Significant differences between the U.S. and Massachusetts capital gain provisions are:

- ▶ IRC § 1244 losses reported as ordinary losses on your U.S. return must be reported on Massachusetts Schedule D;
- ▶ If you made a federal election under § 311 of the Tax Relief Act of 1997 to recognize gain on the deemed sale of a capital asset held on January 1, 2001, Massachusetts does not follow the federal rules at § 311 for determining the basis of the asset. See TIR 02-3. If you sold a capital asset in 2018 for which you made a federal § 311 election, the Massachusetts initial basis will not be the federal basis. The Massachusetts initial basis will be determined as of the date the asset was first acquired;
- ▶ Upon the sale of stock of an S corporation, the federal basis must be modified according to Massachusetts Income Tax Regulation, 830 CMR 62.17A.1; and
- ▶ Massachusetts has adopted basis adjustment rules to take into account differences between Massachusetts and federal tax laws. For more information regarding basis adjustment rules, see TIR 88-7.
- ▶ Net ordinary losses that are itemized deductions on U.S. Schedule A are not allowable.

Installment Sales

If a sale was treated as an installment sale for U.S. income tax purposes, it may be treated the same way on your Massachusetts income tax return. Gains from pre-1996 installment sales are classified as either capital gains or ordinary income under the Massachusetts law in effect on the date the sale or exchange took place.

Gains from pre-1996 installment sales that are classified as capital gains should be reported as 12% income on Massachusetts Schedule B. If the asset was held for more than one year when it was sold, the gain will be eligible for a 50% long-term deduction. Gains from pre-1996 installment sales that are classified as capital gains included on Massachusetts Schedule D, line 4 should be reported on Massachusetts Schedule D, line 12 (Long-term gains on collectibles and pre-1996 installment sales). The amount of such gain is then reported on Massachusetts Schedule B, Part 2, line 11.

Gains from pre-1996 installment sales classified as ordinary income and that are included on Massachusetts Schedule D, line 4 should be reported on Massachusetts Schedule D, line 10 (Dif-

ferences). The amount of such gain classified as ordinary income should then be reported on Form 1-NR/PY, line 11 (Other income) and included on Schedule X, line 4 and identified as 2018 gain from pre-1996 installment sale.

Note: If you are reporting an installment sale occurring on or after January 1, 2003, report those gains on Schedule D. If you are reporting capital gains on installment sales that occurred during January 1, 1996 through December 31, 2002, do **not** file Schedule D. Instead, you must file Schedule D-IS, Installment Sales. Schedule D-IS can be obtained on DOR's website at mass.gov/dor.

Effective for sales on or after January 1, 2005, if you wish to report a sale on your Massachusetts return as an installment sale and the Massachusetts gain is \$1 million or greater, you must apply in writing to DOR's Installment Sales Unit. See TIR 04-28. The Commissioner of Revenue must approve your application to report the sale on the installment basis in Massachusetts before you file your return, and appropriate security must be posted. An explanatory statement must be enclosed with each return for the life of the installment sale. For further information contact the Installment Sales Unit at (617) 887-6950.

Lower Capital Gains Tax Rate for Gains from the Sale of Stock in Certain Massachusetts-Based Start-Up Corporations

Gains derived from the sale of investments which meet certain requirements are taxed at a rate of 3% instead of 5.1%. In order to qualify for the 3% rate, investments must have been made within five years of the corporation's date of incorporation and must be in stock that generally satisfies the definition of qualified small business stock under IRC § 1202 (c), other than the requirement that the stock be stock of a C corporation. In addition, the stock must be held for three years or more and the investments must be in a corporation which:

- ▶ Is domiciled in Massachusetts;
- ▶ Is incorporated on or after January 1, 2011;
- ▶ Has less than \$50 million in assets at the time of investment; and
- ▶ Complies with certain of the active business requirements of § 1202 of the IRC, i.e., § 1202 (e) (1), (e)(2), (e)(5), and (e)(6).

To be eligible as qualified small business stock under IRC § 1202(c), the stock must be acquired by the taxpayer at its original issue (directly or through an underwriter) in exchange for money, property, or as compensation for services provided to the corporation. During substantially all of the taxpayer's holding period, at least 80 percent of the value of the corporation's assets must

be used in the active conduct of one or more qualified businesses.

Note: If you are reporting a sale of stock in a certain Massachusetts-based start-up corporation(s), do not file Schedule D. Instead, you must report that gain(s) on Schedule D-IS, Installment Sales or qualified small business stock gains. Schedule D-IS can be obtained on DOR's website at mass.gov/dor.

Long-Term Capital Gains and Losses, Excluding Collectibles

Line 1. Long-Term Capital Gains and Losses

Enter the gain or loss included in U.S. Schedule D, lines 8a and 8b, column h.

Line 2. Long-Term Capital Gains and Losses

Enter the gain or loss included in U.S. Schedule D, lines 8a and 8b, column h.

Line 3. Long-Term Capital Gains and Losses

Enter the gain or loss included in U.S. Schedule D, line 10, column h.

Line 4. Gain from Sales of Business Property and Other Long-Term Gains and Losses

Enter the gain or loss included in U.S. Schedule D, line 11, column h.

Line 5. Net Long-Term Gain or Loss from Partnerships, S Corporations, Estates and Trusts

Enter the gain or loss included in U.S. Schedule D, line 12, column h.

Line 6. Capital Gain Distributions

If you did not file U.S. Schedule D, enter the capital gain distributions reported to you by a mutual fund or real estate investment trust included in the amount from U.S. Form 1040, Schedule 1, line 13.

If you did file a U.S. Schedule D, enter the capital gain distributions reported to you by a mutual fund or real estate investment trust included in U.S. Schedule D, line 13, column h.

Line 7. Massachusetts Long-Term Capital Gains and Losses Included in U.S. Form 4797, Part II

Enter amounts included in U.S. Form 4797, Part II treated as capital gains or losses for Massachusetts purposes (not included in lines 1 through 6 above). These include ordinary gains from the sale of IRC § 1231 property, recapture amounts under §§ 1245, 1250 and 1255, § 1244 losses and the loss on the sale, exchange or involuntary conversion of property used in a trade or business.

Line 10. Differences

Nonresidents. Enter in line 10 any long-term capital gains and losses included on Schedule D, lines 1 through 8 which are not Massachusetts source income and thus not taxable to you as a nonresident. A nonresident's capital gains and losses are subject to tax if the gain or loss resulted from the sale or exchange of property connected with a Massachusetts trade or business or from the ownership of real or tangible personal property located in Massachusetts.

Part-year residents. Enter in line 10 any long-term capital gains or losses included on Schedule D, lines 1 through 8 that occurred while you were domiciled in another state or country during the taxable year.

Nonresidents and part-year residents. Enter here any other differences between the gains or losses reportable for Massachusetts tax purposes and the gains or losses reported on U.S. Schedule D. For example:

- ▶ Pre-1996 installment sales classified as ordinary income for Massachusetts purposes;
- ▶ Massachusetts long-term capital gains or losses from transactions reported as installment sales for U.S. income tax purposes but not for Massachusetts; and
- ▶ Massachusetts has adopted basis adjustment rules to take into account differences between Massachusetts and federal tax laws.

Line 11. Adjusted Capital Gains and Losses

Exclude/subtract line 10 from line 9 and enter the result in line 11.

If line 10 is a loss, add loss as a positive number to the amount recorded in line 9. See the following examples:

Line	Schedule D			
	ex. A	ex. B	ex. C	ex. D
9	\$1,000	\$1,000	\$ 700*	\$700*
10	500	300*	500	500*
11	500	1,300	1,200*	200*

*denotes loss

If in line 10 you entered amounts which increase the amounts reported from U.S. to Massachusetts, for example, a long-term gain reported as installment sales for U.S. tax purposes but not for Massachusetts, add the amount in line 10 to the amount in line 9.

Line 12. Long-Term Gains on Collectibles and Pre-1996 Installment Sales

Enter in line 12 the amount of long-term gains on collectibles and pre-1996 installment sales clas-

sified as capital gain income for Massachusetts purposes that are included in line 11.

Long-term gains on collectibles and pre-1996 installment sales classified as capital gain income for Massachusetts purposes are taxed at the 12% rate and should be entered on Schedule B, line 11.

Collectibles are defined as any capital asset that is a collectible within the meaning of IRC § 408(m), as amended and in effect for the taxable year, including works of art, rugs, antiques, metals, gems, stamps, alcoholic beverages, certain coins, and any other items treated as collectibles for federal tax purposes.

Line 13. Subtotal

Subtract line 12 from line 11 and enter the result in line 13.

If Schedule D, line 13 is a loss and Schedule B, line 21 is less than 0, omit Schedule D, lines 14 through 16, enter the amount from Schedule D, line 13 in Schedule D, line 17, omit Schedule D, lines 18 through 22 and enter the amount from Schedule D, line 17 in Schedule D, line 23, and enter 0 on Form 1-NR/PY, line 28.

If Schedule D, line 13 is a gain and Schedule B, line 21 is a loss, go to Schedule D, line 14.

If Schedule D, line 13 is a loss and Schedule B, line 24 is 0 or greater, go to Schedule D, line 14.

If Schedule D, line 13 is a gain, and Schedule B, line 24 is 0 or greater, omit Schedule D, lines 14 through 16 and enter the amount from Schedule D, line 13 in Schedule D, line 17.

Line 14. Capital Losses Applied Against Capital Gains

If Schedule D, line 13 is a positive amount and Schedule B, line 21 is a loss, enter the smaller of Schedule D, line 13 or Schedule B, line 21 (considered as a positive amount) in Schedule D, line 14 and in Schedule B, line 22.

If Schedule D, line 13 is a loss and Schedule B, line 24 is a positive amount, enter the smaller of Schedule D, line 13 (considered as a positive amount) or Schedule B, line 24 in Schedule D, line 14 and in Schedule B, line 25.

Line 15. Subtotal

If line 13 is greater than 0, subtract line 14 from line 13. If line 13 is less than 0, combine lines 13 and 14.

If Schedule D, line 15 is a loss and Schedule B, line 24 is 0 or greater and Schedule B, line 31 is a positive amount, go to Schedule D, line 16.

If Schedule D, line 15 is a loss, and Schedule B, line 21 is 0 or less, omit Schedule D, line 16, enter the amount from Schedule D, line 15 in Schedule D, line 17, omit Schedule D, lines 18 through 22

and enter the amount from Schedule D, line 17 in Schedule D, line 23, and enter 0 on Form 1-NR/PY, line 28.

Line 16. Long-Term Capital Losses Applied Against Interest and Dividends

If Schedule D, line 15 is a loss, and Schedule B, line 24 is 0 or greater and Schedule B, line 31 is a positive amount, complete the Long-Term Capital Losses Applied Against Interest and Dividends Worksheet for Schedule B, Line 32 and Schedule D, Line 16.

Line 17. Subtotal

Combine line 15 and line 16. If Schedule D, line 17 is 0, enter 0 in lines 18 through 21 and omit lines 22 and 23. If Schedule D, line 17 is a loss, omit lines 18 through 22 and enter the amount from line 17 in line 23.

Line 18. Allowable Deductions From Your Trade or Business

Enter the appropriate amount from Massachusetts Schedule C-2 if you qualify for an excess trade or business deduction. Generally, taxpayers may not use excess 5.1% deductions to offset other income. However, where the taxpayer files a Massachusetts Schedule C or Schedule E, Massachusetts law allows such offsets if the following requirements are met: the excess 5.1% deductions must be adjusted gross income deductions allowed under MGL ch 62, § 2(d); and these excess deductions may only be used to offset other income which is effectively connected with the active conduct of a trade or business or any other income allowed under IRC § 469(d)(1)(B) to offset losses from passive activities.

Line 20. Excess Exemptions

Enter in line 20 the amount from line 8 of the Schedule B, Line 36 and Schedule D, Line 20 Worksheet.

Line 22. Tax On Long-Term Capital Gains

Multiply line 21 by .051 and enter the result here and in Form 1-NR/PY, line 28.

Note: If choosing the optional 5.85% tax rate, multiply line 21 by .0585 and enter the result here and in Form 1-NR/PY, line 28.

Schedule C

Substituting U.S. Schedules C or C-EZ

U.S. Schedules C or C-EZ are no longer allowed as a substitute for Massachusetts Schedule C.

Profit or Loss from Business or Profession

Massachusetts Schedule C is provided to report income and deductions from each business or profession operated as a sole proprietorship.

Registration Information

In the space provided, describe the business or professional activity that provided your principal source of income reported on line 1. If you owned more than one business, you must complete a separate Schedule C for each business. Give the general field or activity and the type of product or service.

Employer Identification Number

You need an employer identification number (EIN) only if you had a Keogh plan or were required to file an employment, excise, estate, trust, or alcohol, tobacco and firearms tax return or employ contract labor. If you do not have an EIN, leave the line blank. Do not enter your SSN.

Accounting Method

If you filed a return on the accrual basis last year, your return for this year must be on the same basis. If a taxpayer requesting permission to change an accounting method for Massachusetts purposes is eligible for an automatic change of accounting method federally, and has correctly followed the most recently issued federal revenue procedure for requesting an automatic change, then the taxpayer should file his/her annual return using the new method and write at the top, "Automatic Change of Accounting Method — filed in compliance with DD 02-13." The taxpayer should enclose a copy of U.S. Form 3115, together with any required statements. See DD 02-13 for further information.

Material Participation

Indicate if you materially participated in the operation of this business during 2018. If you did not materially participate and have a loss from this business, see line 33 for further instructions.

Suspended Passive-Activity Loss

Fill in oval if you are applying a suspended passive-activity loss in line 31. See TIR 89-2 for further information.

Small Business Energy Exemption

If you are claiming the small business energy exemption from the sales tax on purchases of taxable energy or heating fuel during 2018, you must have five or fewer employees. You must enter the number of your employees in the space provided.

Line 1a. Gross Receipts or Sales

In the boxes provided, enter gross receipts or sales from your business. Be sure to include on this line amounts you received in your trade or business as shown on Form 1099-MISC, Miscellaneous Income. If the nature of your business is such that you have gross or other income that interest (other than from Massachusetts banks) and dividend, exclude this income from lines 1 and 4

on Massachusetts Schedule C and include it in line 32 and in Schedule B, line 3.

Note: If not required to file Schedule B (see Schedule B instructions), enter this income on Form 1-NR/PY, line 24. Examples of interest (other than from Massachusetts banks) and dividend income are interest received on loans, notes receivable or charge accounts that you accept in the ordinary course of business, and dividends on stocks received in payment for goods and services. Capital gains from the sale or exchange of assets used in your business are not reported on Schedule C. Use U.S. Form 4797 and report the amount in Form 1-NR/PY, Schedule B and/or Schedule D. You must also exclude from Schedule C any income and expenses that pertain to activities for yourself as distinguished from those performed for your customers. Such income must be reported by class of income in Schedules B and D. Personal expenses are not deductible.

If you received Form W-2 and the "Statutory employee" box in item 13 of that form was checked, report your income and expenses related to that income on Schedule C. Enter your statutory employee income from box 1 of Form W-2 on line 1 of Schedule C and fill in the oval. Statutory employees include full-time life insurance agents, certain agent or commission drivers and traveling salespersons and certain homeworkers. If you had both self-employment income and statutory employee income, do not combine these amounts on a single Schedule C. In this case, you must file two separate Schedule Cs.

Line 7. Bad Debts From Sales or Services

Include debts and partial debts from sales or services that were included in income and are definitely known to be worthless. If you later collect a debt that you deducted as a bad debt, include it as income in the year collected.

Note: Cash method taxpayers cannot take a bad debt deduction unless the amount was previously included in income.

Line 11. Depreciation and § 179 Deduction

Massachusetts adopts the current federal rules at § 179 for expensing certain depreciable business assets. For property placed in service in tax years beginning after December 31, 2013 and before January 1, 2015, the maximum § 179 expensing allowance is \$1,000,000.

Line 17. Pension and Profit-Sharing Plans

Enter your deduction for contributions to a pension, profit-sharing or annuity plan, or plans for the benefit of your employees. If the plan includes you as a self-employed person, do not include

contributions made as an employer on your behalf. See DOR Directive 08-3 for more information.

Line 22. Travel

Enter your expenses for lodging and transportation connected with overnight travel for business while away from your tax home. Generally, your tax home is your main place of business regardless of where you maintain your family home. You cannot deduct expenses paid or incurred in connection with employment away from home if that period of employment exceeds one year. Spouse's and other family members' travel expenses are generally disallowed as a business deduction.

Do not include expenses for meals and entertainment on this line. Instead, see the instructions for lines 23a and 23b.

Line 23. Meals and Entertainment

Line 23a

Enter your total business meal and entertainment expenses. Include meals while traveling away from home for business. Instead of the actual cost of your meals while traveling away from home, you may use the standard meal allowance. Business meal expenses are deductible only if they are:

- ▶ Directly related to or associated with the conduct of your trade or business;
- ▶ Not lavish or extravagant; and
- ▶ Incurred while you or your employee is present at the meal.

Club dues are not allowed as a business deduction.

Line 23b

Generally, you may deduct only 50% of your business meal and entertainment expenses, including meals incurred while traveling away from home on business. However, you may fully deduct meals and entertainment furnished or reimbursed to an employee if you properly treat the expense as wages subject to withholding. You may also fully deduct meals and entertainment provided to a nonemployee to the extent the expenses are includible in the gross income of that person and reported on Form 1099-MISC. Figure how much of the amount on line 23a is subject to the 50% limit. Then, enter 50% of that amount on line 23b. This amount should be subtracted from the amount in line 23a. Enter the result in line 23 of Massachusetts Schedule C.

Line 30. Abandoned Building Renovation Deduction

Massachusetts allows businesses to deduct 10% of the costs incurred in renovating certain buildings located in an Economic Opportunity Area (EOA). The buildings must be designated as abandoned by the Economic Assistance Coordinating Council. The renovation deduction may be taken

in addition to any other deduction for which the renovation costs may qualify.

For more information, contact the Massachusetts Office of Business Development by calling (617) 973-8600.

In line 30 enter 10% of the costs of renovating a qualifying abandoned building.

Line 32. Interest (other than from Massachusetts banks) and Dividend Income

If you have interest (other than from Massachusetts banks) and dividend income reported on U.S. Schedule C, lines 1 and/or 6 or Schedule C-EZ, line 1, enter that amount in line 32 and in Massachusetts Schedule B, line 3. If you are not required to file Schedule B (see Schedule B instructions), enter that amount on Form 1-NR/PY, line 24. Do not include such amounts on Massachusetts Schedule C, lines 1 and/or 4.

Line 33. If You Have a Loss

Fill in the oval in line 33a if all of your investment is at risk. Enter your loss from line 31 on Form 1-NR/PY, line 8 unless you answered No to the question on material participation on the front of Schedule C. If you answered No to this question, complete a pro forma copy of U.S. Form 8582 that reflects only income being reported on your Massachusetts return. Enter in Massachusetts Schedule C, line 31 your allowable loss calculated on Form 8582.

Fill in the oval in line 33b if only some of your investment is at risk. To determine the amount of your allowable loss, complete a pro forma copy of U.S. Form 6198 that reflects only income being reported on your Massachusetts return. Enter the amount calculated on U.S. Form 6198 in line 31 unless you answered No to the question on material participation on the front of Schedule C. In this case, your loss is further limited. Use the amounts calculated on your pro forma U.S. Form 6198 to complete a pro forma U.S. Form 8582. If your at-risk amount is 0 or less, enter 0 in line 31.

Schedule R/NR

Part 1. Income Adjustments

Column A

Enter the amount of income reported on your federal return as modified as if it were received by a full-year Massachusetts resident. Refer to each specific line instruction for Form 1-NR/PY to determine income that should be added to or subtracted from the federal total.

Column B

Enter the amount of income from column A that you received while a Massachusetts resident.

Column C

Enter the amount of income from column A from both Massachusetts and non-Massachusetts sources that you received while a nonresident.

Column D

Enter the amount of income from column C from Massachusetts sources that you received while a nonresident.

See the instructions for a definition of Massachusetts source income.

Refer to each specific line instruction for Form 1-NR/PY to determine the income from Massachusetts sources received during your nonresident period. Also see Form 1-NR/PY, line 13 instruction for those nonresidents eligible to apportion income.

If you received income from a business/profession reported on a Schedule C, while a Massachusetts resident and from Massachusetts sources while a nonresident, you must complete a separate Massachusetts Schedule C for each period.

Column E

Add column B and column D. This is your total income received while a Massachusetts resident and received from Massachusetts sources while a nonresident. Enter the amount from column E in each applicable line on Form 1-NR/PY (see separate instruction for Schedule D). Subtract the total of column D from column C and enter the result in line 14e of Form 1-NR/PY. This is the additional income that you received from non-Massachusetts sources that would have been reported by you if you had been a Massachusetts resident.

Add Form 1-NR/PY lines 5 through 12 and complete Form 1-NR/PY line 14 before completing the rest of this worksheet.

Schedule D

Enter in column A the amount from Schedule D, line 9. Enter in column B the amount of income from column A that you received while a Massachusetts resident. Enter in column C the amount of income from column A from both Massachusetts and non-Massachusetts sources that you received while a nonresident. Enter the amount of income from column C from Massachusetts sources that you received while nonresident. Subtract column D from column C and enter the result (plus any other applicable adjustments) in Schedule D, line 10. Complete Schedule D as otherwise instructed.

Part 2. Deduction and Exemption Adjustments

Schedule Y, line 9 is adjusted both in sections A and B. See Schedule R/NR to determine which amounts are adjusted in section A and section B.

Section A

Lines 15a and 15b

The amounts reported in column A must be related to income reported in Part 1, column B. The amounts reported in column B must be related to income reported in Part 1, column D. The column C total cannot exceed \$2,000.

Schedule Y, line 2

The amounts reported in column A must be related to income reported in Part 1, column B or on a previous Massachusetts return. The amounts reported in column B must be related to income reported in Part 1, column D or on a previous Massachusetts return.

Schedule Y, line 4

The amounts reported in column A must be related to income reported in Part 1, line 5, column B. The amounts reported in column B must be related to income reported in Part 1, line 5, column D.

Schedule Y, line 5

The amounts reported in column A must be related to income reported in Part 1, line 5, column B. The amounts reported in column B must be related to income reported in Part 1, line 5, column D.

Schedule Y, line 7

The amounts reported in column A must be related to income reported in Part 1, line 8, column B. The amounts reported in column B must be related to income reported in Part 1, line 8, column D.

Schedule Y, line 9

The amounts reported in column A must be related to income reported in Part 1, column B. The amounts reported in column B must be related to income reported in Part 1, column D.

Note: If you are claiming a deduction for attorney's fees and court costs involving certain unlawful discrimination suits (Schedule Y, line 9), the part-year resident portion of the deduction must be directly related to Massachusetts income as reported on Form 1-NR/PY, line 12 and should be included on section A of Schedule R/NR. For the nonresident portion of the deduction, taxpayers must use section B of Schedule R/NR to determine the amount of the deduction, only if it is directly related to Massachusetts income as reported on Form 1-NR/PY, line 12. If it is not directly related to income reported on Form 1-NR/PY, you are not allowed any deduction for the nonresident period.

Schedule Y, line 13

The amounts reported in column A must be related to income reported in Part 1, line 6, column B. The amounts reported in column B must be related to income reported in Part 1, line 6, column D.

Schedule Y, line 14

The amounts reported in columns A and B must be related to income previously reported on Form 1 or Form 1-NR/PY.

Schedule Y, line 17

The amounts reported in column A must be related to income reported in Part 1, line 11, column B. The amounts reported in column B must be related to income reported in Part 1, line 11, column D.

Column C

Add column A and column B and enter the total in each applicable line of Form 1-NR/PY or Schedule Y.

Section B

You may claim only a deduction for either line 16 or line 17. Refer to the Form 1-NR/PY instructions to determine which deduction is better for you.

Line 16

Complete the Form 1-NR/PY, Line 16 Worksheet through number 4 and enter that amount in column A. In column B enter the amount from column A that is related to your Massachusetts resident period. Subtract column B from column A and enter the result in column C. Multiply the amount from column C by Form 1-NR/PY, line 14g and enter the result in column D. Add columns B and D and enter the result in column E and Form 1-NR/PY, line 16.

Line 17

If you have a dependent member(s) of household under age 12, or dependents age 65 or over as of December 31, 2018, or disabled dependents and you are not claiming an amount in line 16, enter \$3,600, or \$7,200 for two or more such dependents, in column A. Multiply the column A amount by Form 1-NR/PY, line 3 and enter the result in column B. Subtract the amount in column B from column A and enter the result in column C. Multiply the column C amount by Form 1-NR/PY, line 14g and enter the result in column D. Add column B and column D and enter the result in column E and in Form 1-NR/PY, line 17.

Line 22

In column A enter the amount from Form 1-NR/PY, line 4f. Multiply the column A amount by Form 1-NR/PY, line 2 and enter the result in column B. Subtract the amount in column B from column A and enter the result in column C. Multiply the column C amount by Form 1-NR/PY, line 14g and enter the result in column D. Add column B and column D and enter the result in column E and in Form 1-NR/PY, line 22.

Line 47

Multiply the earned income credit amount from your U.S. Form 1040, line 17a by .23 (23%). Enter the result in column A. If you choose to have the IRS compute your federal earned income credit, wait until the IRS notifies you of your federal earned income credit amount before entering an amount in column A. If you have not received your earned income credit amount as computed by the IRS by April 17, 2018, you may file Massachusetts Form M-4868, Application for Automatic Six-Month Extension of Time to File Massachusetts Income Tax Return. Multiply the amount in column A by Form 1-NR/PY, line 3 and enter the result in column B, column E and in Form 1-NR/PY, line 47.

Schedule Y, line 3

In column A enter the total alimony paid from U.S. Form 1040, Schedule 1, line 31a. In column B enter the amount from column A paid while you were a Massachusetts resident. Subtract the column B amount from the column A amount and enter the result in column C. Multiply the column C amount by Form 1-NR/PY, line 14g and enter the result in column D. Add column B and column D and enter the total in column E and in Form 1-NR/PY, Schedule Y, line 3.

Schedule Y, line 6

In column A enter the total medical savings account deduction included in U.S. Form 1040, Schedule 1, line 36. Multiply the column A amount by Form 1-NR/PY, line 3 and enter the result in column B. Subtract the column B amount from the column A amount and enter the result in column C. Multiply the column C amount by Form 1-NR/PY, line 14g and enter the result in column D. Add column B and D and enter the total in column E and in Form 1-NR/PY, Schedule Y, line 6.

Schedule Y, line 8

In column A enter the total health savings account deduction from U.S. Form 1040, Schedule 1, line 25. Multiply the column A amount by Form 1-NR/PY, line 3 and enter the result in column B. Subtract the column B amount from the column A amount and enter the result in column C. Multiply the column C amount by Form 1-NR/PY, line 14g and enter the result in column D. Add column B and D and enter the total in column E and in Form 1-NR/PY, Schedule Y, line 8.

Schedule Y, line 9

In column A enter any amount included in U.S. Form 1040, Schedule 1, line 36 for attorney's fees and court costs involving certain unlawful discrimination claims (part-year residents and nonresidents, see note). Multiply the column A amount by Form 1-NR/PY, line 3. Subtract the column B amount from the column A amount and

enter the result in column C. Multiply the column C amount by Form 1-NR/PY, line 14g and enter the result in column D. Add column B and column D and enter the total in column E and in Form 1-NR/PY, Schedule Y, line 9.

Note: If you are claiming a deduction for attorney's fees and court costs involving certain unlawful discrimination suits (Schedule Y, line 9), the part-year resident portion of the deduction must be directly related to Massachusetts income as reported on Form 1-NR/PY, line 12 and should be included on section A of Schedule R/NR. For the nonresident portion of the deduction, taxpayers must use section B of Schedule R/NR to determine the amount of the deduction, only if it is directly related to Massachusetts income as reported on Form 1-NR/PY, line 12. If it is not directly related to income reported on Form 1-NR/PY, you are not allowed any deduction for the nonresident period.

Schedule Y, line 10

In column A enter the total student loan interest deduction from U.S. Form 1040, Schedule 1, line 33. Multiply the column A amount by Form 1-NR/PY, line 3. Subtract the column B amount from the column A amount and enter the result in column C. Multiply the column C amount by Form 1-NR/PY, line 14g and enter the result in column D. Add column B and D and enter the total in column E and in Form 1-NR/PY, Schedule Y, line 10.

Schedule Y, Line 12

In column A enter the amount of interest paid on an undergraduate student loan(s) (see Schedule Y, line 12 instructions). Multiply the amount in column A by Form 1-NR/PY, line 3 and enter the result in column B. Subtract the amount in column B from column A and enter the result in column C. Multiply the column C amount by Form 1-NR/PY, line 14g and enter the result in column D. Add column B and column D and enter the result in column E and in Schedule Y, line 12.

Schedule Y, Line 15

Complete the Schedule Y, Line 15 Worksheet through item 6 and enter that amount in column A (see Schedule Y, line 15 instructions). Multiply the amount in column A by Form 1-NR/PY, line 3 and enter the result in column B. Subtract the amount in column B from column A and enter the result in column C. Multiply the column C amount by Form 1-NR/PY, line 14g and enter the result in column D. Add column B and column D and enter the result in column E and in Schedule Y, line 15.

Schedule Y, Line 18

In column A enter the allowable amount of prepaid tuition or college savings plan (see Schedule Y, line 18 instructions). Multiply the amount in column A by Form 1-NR/PY, line 3 and enter the

result in column B. Subtract the amount in column B from column A and enter the result in column C. Multiply the column C amount by Form 1-NR/PY, line 14g and enter the result in column D. Add column B and column D and enter the result in column E and in Schedule Y, line 18.

Completing Form 1-NR/PY

After entering the amounts from this worksheet in the applicable lines of Form 1-NR/PY, complete Form 1-NR/PY, lines 28 through 54.

Note: In Form 1-NR/PY, line 42, only enter amounts listed as Massachusetts withholding.

Credit for Taxes Due Any Other State

You may only claim a credit for income taxes paid to another state or jurisdictions on income received while a Massachusetts resident. Complete the Income Taxes Paid to Another Jurisdiction Worksheet based on income received during your Massachusetts resident period only.

Department of Revenue Resources

DOR locations in Massachusetts

Boston

100 Cambridge St.
Boston, MA 02114
(617) 887-6367

Fall River

99 South Main St.
Fall River, MA 02721
(508) 678-2844

Hyannis

60 Perseverance Way
Hyannis, MA 02601
(508) 771-2414

Pittsfield

333 East St.
Pittsfield, MA 01201
(413) 499-2206

Springfield

436 Dwight St.
Springfield, MA 01103
(413) 784-1000

Worcester

67 Millbrook St.
Worcester, MA 01606
(508) 792-7300

What kind of help is available

DOR's website at mass.gov/dor is a valuable resource for tax information 24 hours a day. Thousands of taxpayers use DOR's website to e-mail and receive prompt answers to their general tax inquiries. Taxpayers can also check the status of their refunds, make estimated tax payments and review their estimated tax payment histories through the MassTaxConnect section of our website.

Public libraries and DOR district offices (listed on this page) also offer access to DOR's website for those taxpayers who don't otherwise have computer access.

Where to get forms and publications



Most Massachusetts tax forms and publications are available via the DOR website. The address for the Department's website is mass.gov/dor.



To obtain Massachusetts forms and publications by phone, call DOR's main information lines at (617) 887-6367 or toll-free in Massachusetts at (800) 392-6089.



During the income tax filing season, you can pick up Massachusetts personal income tax forms at most local libraries, IRS district offices, and DOR district office tax counters.

Note: To obtain federal tax information and forms via the Internet, go to irs.gov or call the IRS toll-free at (800) 829-3676.

For help in one of the following specific areas

- ▶ Certificates of Good Standing: (617) 887-6367
- ▶ Installment Sales: (617) 887-6950
- ▶ Teletype (TTY): (617) 887-6140
- ▶ Small Business Workshop: (617) 887-5660
- ▶ Vision-impaired taxpayers can contact DOR by calling one of the phone numbers listed above to receive assistance.
- ▶ This publication is available in an alternative format upon request. Send requests to Office of Diversity and Equal Opportunity, PO Box 9557, Boston, MA 02114-9557.

To report allegations of suspected misconduct or impropriety involving DOR employees, call the Inspectional Services Division's Integrity Hotline at (800) 568-0085 or write to PO Box 9568, Boston, MA 02114-9568.

Massachusetts

Department of

Revenue

PO Box 7011

Boston, MA 02204

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A Special Message from Revenue Commissioner Christopher Harding

I hope you find this Form 1-NR/PY booklet helpful in preparing your taxes. When you are ready to file, please consider electronic filing rather than using the paper form.

There are many benefits to E-filing your tax return. Let me share just a few of the reasons why most Massachusetts taxpayers choose to file electronically:

- ▶ Refunds can be issued three times faster than filing on paper.
- ▶ Processing is much faster.
- ▶ Automatic corrections help you file a more accurate return.
- ▶ Security features are in place to protect electronically-filed tax returns.
- ▶ If you need to make a payment, you can set up an electronic payment and choose the date. You save time and a trip to the post office.

There are free filing options available for qualifying taxpayers. Please take a look at the opportunities at mass.gov/MAFreeFile. Most Massachusetts taxpayers qualify for free filing.

Consider all your choices, including the services of a tax preparer or filing on your own with approved tax preparation software, rather than using the paper form this tax season. Join over 85% of Massachusetts taxpayers who file electronically. Once you review the options, I hope that E-filing will be your first choice.

Sincerely,



Commissioner Christopher C. Harding

mass.gov/efile