



2000 Massachusetts Resident Income Tax Form 1

Full-Year Residents Only
All Schedules and Instructions



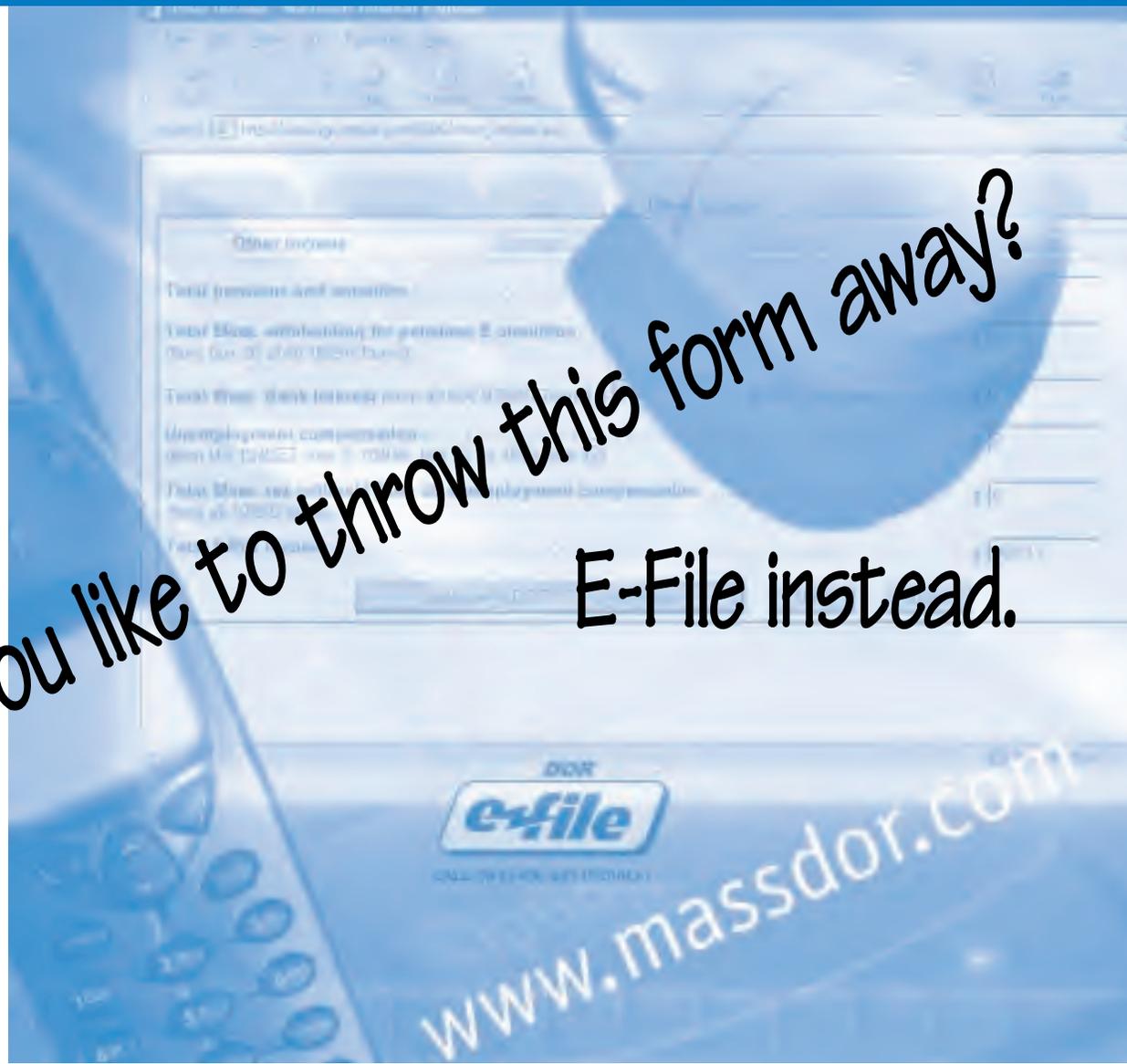
CALL OR CLICK. GET IT QUICK!

It's fast!

It's accurate!

It's safe!

See page 3
for details.



Would you like to throw this form away?
E-File instead.



Completing Your Form 1

Please read this page carefully as it explains the correct method of completing your return. This will ensure trouble-free processing.

PRINT IN BLACK INK
Ovals must be filled in completely. Example: For the year January 1–December 31, 2000 or other taxable year beginning _____, 2000, ending _____.

FOR PRIVACY ACT NOTICE, SEE PAGE 7.

Form 1 Massachusetts Resident Income Tax Return 2000

MICHAEL MURRAY
PEGGY MURRAY
123 ANY STREET
ANYTOWN MA 02345

1. YOUR SOCIAL SECURITY NUMBER
0 1 2 3 4 5 6 7 8
2. SPOUSE'S SOCIAL SECURITY NUMBER
9 8 7 6 5 4 3 2 1

Note: Be Sure to Enter Your Social Security Number(s) Above

YOUR DAYTIME PHONE: 6 1 7 5 5 5 5 1 2 3 4
SPOUSE'S DAYTIME PHONE: 7 8 1 5 5 5 1 9 8 7 6

If name/address has change since 1999, fill in oval: 1. 2. If taxpayer(s) is deceased, fill in appropriate oval(s) (see instr.): 1. 2.

1 Filing Status: (Select one only) Single Married filing joint return Married filing separate return. (Enter spouse's Soc. Sec. no. in the appropriate space above.)

2 Exemptions: Fill in if noncustodial parent

a. Personal exemptions. If single or married filing separately, enter \$4,400. If head of household, enter \$6,800. If married filing jointly, enter \$8,800. a 8 8 0 0 0 0

b. Number of dependents. (Do not include yourself or your spouse.) Enter number b 2 x \$1,000 b 2 0 0 0 0 0
Enter dependents' Social Security numbers. See instructions if born in 2000. 111-22-3333 444-55-6666

c. Age 65 or over before 2001: You + Spouse = x \$700 c

d. Blindness: You + Spouse = x \$2,200 d

e. Other: 1. Medical/Dental (from U.S. Sch. A, line 4) 2. Adoption (from worksheet) 1 + 2 = e

f. Total exemptions. Add items a, b, c, d and e. Enter here and on line 18 2f 1 0 8 0 0 0 0

3 Wages, salaries, tips and other employee compensation (from all Forms W-2) 3 6 0 0 0 0 0 0

4 Taxable pensions and annuities (see instructions) 4

5 Mass. bank interest: a. 1 8 0 0 0 - b. exemption 2 0 0 0 0 = 5
Exemption: if married filing jointly, subtract \$200 from Total; otherwise subtract \$100 & enter result Not less than "0."

6 Business/profession or farm income/loss (enclose Mass. & U.S. Sch. C or C-EZ or U.S. Sch. F) 6 X

7 Rental, royalty, REMIC, partnership, S corp., trust income/loss (enclose Mass. & U.S. Sch. E) 7 X 4 5 0 0 0 0

8 Unemployment compensation (from U.S. return or U.S. Telefile Tax Record) 8

9 Other income (alimony, taxable IRA/Keogh distr., winnings, fees) from Sch. X, line 6 (enclose Sch. X) 9
Not less than "0."

10 TOTAL 5.85% INCOME. Add lines 3 through 9. (Be sure to subtract any loss(es) in lines 6 or 7) 10 X 5 5 5 0 0 0 0

11 Amount paid to Soc. Sec., Medicare, R.R., U.S. or Mass. retirement. Not more than \$2,000 per person. a. You 2 0 0 0 0 0 + b. Spouse 1 2 0 0 0 0 a + b = 11 3 2 0 0 0 0

12 Child under age 13, or disabled dependent/spouse care expenses (from worksheet in instructions) Enter provider's name(s) and ID number(s) 12

13 Dependent member of household under age 12 on 12/31/00 (only if not claiming line 12) 13 1 2 0 0 0 0
Enter one \$1,200 amount and the child's name Michael, Jr.

14 50% rental deduction (from worksheet in instr.). Landlord's name(s) 14

15 Other deductions from Schedule Y, line 8 (enclose Schedule Y) 15

16 TOTAL DEDUCTIONS. Add lines 11 through 15 16 4 4 0 0 0 0

17 5.85% INCOME AFTER DEDUCTIONS. Subtract line 16 from line 10. Not less than "0" 17 5 1 1 0 0 0 0

Name and Address

Use the preaddressed return in the back of the booklet we sent you. Print in black ink the Social Security number of each person filing the return in the space provided. If your address has changed, please make all changes on the preprinted form. If you did not receive a preaddressed booklet, print in **black ink** the full name and address. Enter names as they appear on your federal tax return.

Social Security Number

Be sure to enter the Social Security number of each person filing the return in the space provided.

Whole-Dollar Method

If using the whole-dollar method, be sure to fill in the appropriate oval. Then round off, to the nearest dollar, all amounts on the return and on any attached schedules. **Do not** use the whole-dollar method in calculations on worksheets that you use to reach amounts shown on your return.

\$1.00–\$1.49 =

\$1.50–\$2.00 =

Filling in the Ovals

Make sure all ovals applicable to your filing situation are filled in completely, as shown:

Filling in Dollar Amounts/Reporting Losses

When entering amounts on the Form 1 and schedules, print your numbers in **black ink** as shown below. Be sure there is only one number per box. Numbers must be written completely within the boxes and should not touch the boxes.

If you are reporting a loss in any line, mark over the "X" in the far left box for that line. Failure to do so will result in the loss being machine-read as a gain. Also, be sure to mark over the "X" boxes in the supporting schedules. **Do not** use parentheses or minus signs to indicate losses.

If showing a loss, mark over X in box at left

1 2 3 4 5 6 7 8 9 0

When entering amounts, make sure to enter cents, even if using the whole dollar method, in the rightmost boxes. For example, \$1,000 should be entered as:

Mailing Checks and Enclosing Forms

Attach to Form 1, with a single staple only, your Form W-2 or 1099 withholding documents. If you are making a payment, complete Form PV, Massachusetts Income Tax Payment Voucher. Form PV is attached to the back of the "Payment Due" envelope found in this booklet. Staple your check or money order to the front of Form PV and enclose Form PV with your return. Also, do not staple supporting schedules or documentation to the Form 1 as this will delay the processing of your return.

FILING TIP You may be able to lower your taxes by taking advantage of other deductions on Schedule Y or other credits on Schedule Z.

See line 15 of Form 1. For a complete list of other deductions for which you may be eligible, see Schedule Y instructions.

Landlord's name(s) _____

15 Other deductions from Schedule Y, line 8 (enclose Schedule Y) 15

16 TOTAL DEDUCTIONS

See line 26 of Form 1. For a complete list of other credits for which you may be eligible, see Schedule Z instructions.

25 Limited income Credit (from wksht. on p. 18) ...

26 Other credits from Sch. Z, line 3 (encl. Sch. Z) 25 + 26 = 27

You Can If You E-File

What Is E-File?

E-File is filing your state personal income tax return electronically through one of four methods offered by the Massachusetts Department of Revenue (DOR).

NEW! The Web



E-Filing via DOR's website, www.massdor.com, is easy and secure. Simply fill out the online tax form, which performs the calculations for you, submit it, and receive confirmation that you have filed.

It's free and available 24 hours a day, 7 days a week. This new E-File method replaces DOR's "PC File" method.

Telefile



Telefile allows eligible taxpayers to E-File by touch-tone telephone. Millions of taxpayers have used Telefile, completing their calls in an average of

eight minutes. **It's free and available 24 hours a day, 7 days a week.** Call (617) 660-2000 or (413) 827-7100 to see if you qualify to Telefile.

Paid Preparer



Hundreds of thousands of taxpayers have had their returns E-Filed through a DOR-approved preparer. If your preparer does not offer E-File, ask him or her to give it a try! Visit www.massdor.com for a list of approved preparers.

Commercial Tax Preparation Software



You can also E-File using DOR-approved commercial tax filing websites or software products. Visit www.massdor.com for a complete listing of approved websites and products. This E-File method is also known as "Online Filing."

Personal Identification Number (PIN)

If you received this booklet in the mail, be sure to retain the PIN printed on the back cover. You will need it in order to Web File or Telefile. You may also need it to access the Department's telephone and Web-based systems that allow you to check the status of your refund and perform other actions. If you did not get this booklet in the mail and do not have a PIN, you will need the amount of your requested refund or tax due from your 1999 Massachusetts tax return to access these systems. If you are a first-time filer, you will still be able to access these systems without a PIN.

Why Should You E-File?

► **Less stress.** If you E-File you will not have to worry about math errors, missing schedules or other common mistakes which could delay your refund or cause other problems that take time to resolve. And E-File is safe. Returns are transmitted via secure telephone connections or encrypted Web connections. PLUS, you will receive immediate confirmation that serves as proof you filed. **E-File and relax.**

► **Fast refunds.** Whether you E-File in January or mid-April, you will receive your refund, on average, in three to four days and sometimes as fast as 48 hours. You also have the option of having your refund deposited directly into your bank account. (Some commercial tax preparation products may not offer direct deposit.) **Call or click, get it quick!**

► **Easy to use.** Whether you call or click to file your return, or have your preparer E-File for you, it is as easy as pressing a button. If you prepare your own return, E-File walks you through it step by step, and does the calculations for you. **Try it! What do you have to lose?**

► **Convenient payment options.** If you owe money, you can file now and mail your check later, up to April 17, 2001. With Telefile you can also pay using a MasterCard, Visa, Discover or Novus brand card.

Filing Your Extension by Telephone or Via the Web

Taxpayers who want to file an Automatic Six-Month Extension of Time to File Massachusetts Income Tax Return, Form M-4868, may do so by telephone or via DOR's website. This option is available to taxpayers who meet the following requirements:

- you filed a 1999 Massachusetts income tax return;
- you owe no tax; or
- if there is a tax due with your extension, payment is made with a Mastercard, Visa, Discover or Novus brand card and your extension is filed by telephone.

If you meet all of the criteria above, call (617) 660-2222 to file your extension by telephone or visit www.massdor.com to file via the Web if you owe no tax. If you do not have Form M-4868, complete the following worksheet before you call to determine whether or not you have a tax due.

1. Enter amount from Form 1, line 28.	_____
2. Enter the total of Form 1, lines 31-34.	_____
3. Amount due. Subtract line 2 from line 1, not less than "0".	_____

Would You Like More Information?



For more information about E-File, visit DOR's website, www.massdor.com or call (617) 887-MDOR, or toll-free in Massachusetts, 1-800-392-6089. DOR's website also offers visitors a searchable index of legal rulings; tax forms and publications; news releases; statistical data and related articles. In addition, our website provides timely information from our Local Services and Child Support Enforcement divisions.

TaxTalk



TaxTalk is our automated system of recorded tax information available by calling (617) 887-MDOR or toll-free in Massachusetts 1-800-392-6089 during non-business hours. TaxTalk topics are also available through the Department's Fax on Demand system or via the Department's website at www.massdor.com. For a menu of tax topics available by Fax on Demand, please call (617) 887-1900 using the handset and keypad on your fax machine and, when prompted, enter document retrieval number 4000. To access the list of tax topics through DOR's website, go to "Help/Resources."

TaxTalk Topics

What's New for Tax Year 2000

- 101 Income Tax Rate Change
- 102 What's New in Exemptions?
- 103 E-File Your Tax Return Using DOR's Website
- 104 Long-Term Capital Gains, Filing Your 2000 Tax Return
- 105 Tax Credit Provisions of the Brownfields Act
- 106 Sales Tax — Discounts, Coupons and Rebates

Filing Options

- 131 Telefile
- 132 E-File Your Tax Return Using DOR's Website
- 133 Online Filing

Residency Status/Filing Status/ Filing Requirements

- 151 Am I a Resident?/Which Return Should I File?
- 152 Am I a Nonresident?/Which Return Should I File?
- 153 Am I a Part-Year Resident?/Which Return Should I File?
- 154 What is My Filing Status?
- 155 Guidelines for Filing an Extension
- 156 Should I Be Making Estimated Tax Payments?
- 157 Guidelines for Filing an Amended Return

Types of Income

- 201 Understanding Your Form W-2 and Your Form 1099G
- 202 Roth and Education IRAs
- 203 Pensions
- 204 IRA and Keogh Plans
- 205 403(b) Retirement Plans
- 206 401K and 457 Massachusetts Government Employees' Deferred Compensation Plans
- 207 Unemployment Compensation
- 208 Interest & Dividend Income
- 209 Short-Term Capital Gains/Losses & Long-Term Gains on Collectibles
- 210 Disability/Sick Pay/Workers' Compensation
- 211 Fiduciary/Trusts
- 212 Exclusion for Gain on the Sale of a Principal Residence

Credits

- 301 No Tax Status/Limited Income Credit
- 302 Earned Income Credit
- 303 Full Employment Credit
- 304 Title 5 Septic Credit
- 305 Credit for Taxes Paid to Other Jurisdictions
- 306 Lead Paint Credit

Deductions

- 331 Rental Deduction
- 332 Social Security and Retirement

- 333 Child Care Expenses or Dependent Under 12
- 334 Employee Business Expense Deduction
- 335 Student Loan Interest Deduction
- 336 Medical Savings Account Deduction
- 337 Self-Employed Health Insurance Premiums Deduction
- 338 Miscellaneous Deductions
- 339 Moving Expense Deduction
- 340 Trade or Business Expenses, Travel Expenses, Meal & Entertainment Expenses
- 341 College Tuition Deduction

Responding to Your Income Tax Bill

- 351 Responding to Your Income Tax Bill/Payment by Credit Card
- 352 Understanding Penalties and Interest
- 353 Wage and Bank Levy
- 354 Liens Upon Property

Massachusetts Trustee Taxes — Registration Information

- 501 Registration — General Information
- 502 How Do I Remit My Taxes in a Timely Manner?

Withholding

- 511 Am I an Employer and What are My Responsibilities?
- 512 Who is an Employee and How Much Do I Withhold?
- 513 Which Employers Must File Form(s) W-2?
- 514 Do I Withhold Massachusetts Income Tax from Household Help?
- 515 Withholding and Reporting Requirements for Pensions and Annuities

Room Occupancy

- 521 Room Occupancy — General Information

Sales Tax

- 531 Sales Tax — General Information
- 532 What Are My Responsibilities as a Sales/Use Tax Vendor?
- 533 What Items are Exempt from Sales/Use Tax?

Sales Tax on Meals

- 541 Meals Tax — General Information

Sales Tax on Motor Vehicles

- 551 Motor Vehicles — General Information

Partnerships and S Corporations

- 581 Partnerships — General Information/Forms
- 582 Partners' Requirements
- 583 S Corporations — General Information
- 584 S Corporations — Shareholders' Requirements and Form(s) to File

Corporate Excise

- 701 Who Must File and Pay Corporate Excise?
- 702 Which Form Should Be Filed?
- 707 Estimated Payment Requirements for Corporations
- 708 Extension Filing Requirements for Corporations

Estate Tax

- 801 General Information for Estates with Date of Death before January 1, 1997
- 802 Estate Tax Reduction and "Sponge Tax"
- 805 General Information for Estates with Date of Death on or after January 1, 1997

Your Rights as a Taxpayer

- 901 Taxpayer Rights and Responsibilities
- 902 When Do I Call the Problem Resolution Office?
- 903 Taxpayer Advocate
- 904 Dispute Resolution
- 905 Repeal of Pay to Play Provisions

Form 1 Checklist

Use this checklist before mailing your return to help avoid any errors that may delay the processing of your return.

- Is your preprinted name and address correct?
- If you received a preprinted Form 1 booklet in the mail, be sure to retain the four-digit Personal Identification Number (PIN) printed on the back cover. You may need it use DOR's Web-based and/or Interactive Voice Response (IVR) applications, such as checking the status of your refund.
- Have you entered your Social Security number(s) on Form 1, even if you received a preprinted booklet in the mail?
- Have you completed your Form 1 in black ink?
- Are all ovals filled in as necessary?
- If using the whole-dollar method, have you filled in the correct oval?
- If filing Schedule D, have you completed and enclosed pages 1–4?
- Have you printed all dollar amounts completely within the boxes?
- Have you marked an "X" in any form or schedule box that shows a loss?
- Is your Social Security number correct on your Form(s) W-2 or 1099? If incorrect, make the necessary changes on Form(s) W-2 or 1099.
- Have you attached with a single staple your Form(s) W-2 or 1099 to the return where indicated?
- If making a payment, have you stapled your check to the front of Form PV, Massachusetts Income Tax Payment Voucher, and enclosed (not stapled) Form PV with your return? Form PV is attached to the back of the "Payment Due" envelope found in this booklet.
- Are you filing an original copy of the form? Remember, photocopies of the forms and schedules are not acceptable.
- Have you enclosed (not stapled) all supporting schedules and documentation?

Major 2000 Tax Changes

Tax Lowered on Wages, Salaries and Certain Other Items of Income

Legislation passed in 1999 provides a reduction of the tax rate on wages, salaries, and certain other items of income that will be phased in over a three-year period starting with tax year 2000. This category of income includes such items as wages, salaries, other employee compensation, tips, pensions, partner-

ship income, business income, rents, alimony, winnings and Massachusetts bank interest. The tax rate on this category of income is decreased from 5.95% to 5.85% for taxable year 2000.

Tax Lowered on Interest and Dividends

Under a recent law change, the tax rate on dividends and interest (other than interest from Massachusetts banks) is the same as the tax rate on the category of income including wages, salaries, etc., that is more fully described above. As a result, when the tax rate on income including wages, salaries, etc. changes, the tax rate on dividends and interest will change to the same rate. The tax rate on dividends and interest is decreased from 5.95% to 5.85% for taxable year 2000. 12% income continues to include short-term capital gains, as well as short- and long-term capital gains arising from the sale of collectibles and pre-1996 installment sales classified as capital gain income for Massachusetts purposes.

Tax Lowered on Capital Gains/Change in Tax Rates

Legislation passed in 1994 reduced the tax on gain from the sale of capital assets held for more than one year. For purposes of the law, holding periods will be deemed not to have begun prior to January 1, 1995. The lower tax rates, ranging from 5% to 0%, will be gradually phased in over six years as holding periods increase from the deemed commencement date. The law expands the definition of a capital asset and allocates capital gains and losses into either 12% income or long-term capital gain income based on the capital asset's character and holding period. There are special rules for collectibles that are capital assets such as antiques, gems, and works of art.

The new law defines "capital gain income" as gain from the sale or exchange of a capital asset. The definition of "capital asset" has been expanded to include: (1) an asset which is a capital asset under IRC sec. 1221, or (2) property that is used in a trade or business within the meaning of IRC sec. 1231(b) without regard to the holding period as defined in said sec. 1231(b).

Applicable to tax years beginning on or after January 1, 1996, reduced tax rates on long-term capital gains will be phased in year by year over a six-year period. The applicable tax rate is 5% if the capital asset was held for more than one year but not more than two years, 4% if the capital asset was held for more than two years but not more than three years, 3% if the capital asset was held for more than three years but not more than four years, 2% if the capital asset was held for more than four years but not more than five years, and 1% if the capital asset was held for more than five years. For each subsequent tax year, the longest possible holding period increases by one year, and lower tax rates apply accordingly. By tax year 2001 when the law is fully operational, gains on the sale of capital assets held

more than one year will be taxed at the following rates: capital assets held for more than one year but less than or equal to two years will be taxed at 5%; more than two years but less than or equal to three years will be taxed at 4%; more than three years but less than or equal to four years will be taxed at 3%; more than four years but less than or equal to five years will be taxed at 2%; and more than five years but less than or equal to six years will be taxed at 1%. Capital assets held for more than six years will not be subject to tax.

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

As a result of the above changes, the various classes of Mass. gross income are now allocated among three categories:

- ▶ Gains on the sale of capital assets (excluding collectibles) held for more than one year but not more than two years are taxed as 5% income, those held for more than two years but not more than three years are taxed as 4% income, those held for more than three years but not more than four years are taxed as 3% income, those held for more than four years but not more than five years are taxed as 2% income, and those held for more than five years are taxed as 1% income in tax year 2000. Allowable deductions from these items of income include losses on the sale of capital assets held for more than one year, certain losses on the sale of capital assets held for one year or less, allowable deductions from your trade or business, and excess exemptions.

- ▶ Dividends and interest (other than interest from Massachusetts banks) are taxed at the rate of 5.85% for tax year 2000. 12% income continues to include short-term capital gains as well as short- and long-term capital gains arising from the sale of collectibles and pre-1996 installment sales classified as capital gain income for Massachusetts purposes. Allowable deductions from these items of income include allowable deductions from your trade or business, losses on the sale of capital assets held for one year or less, certain losses on the sale of capital assets held for more than one year, a 50% deduction for gains on the sale of collectibles and pre-1996 installment sales classified as capital gain income held for more than one year, and excess exemptions.

- ▶ 5.85% income will consist of all income (except dividends and interest, other than interest from Massachusetts banks) that is not 5% income, 4% income, 3% income, 2% income, 1% income, or 12% income, including such items as wages, salaries, tips, other employee compensation, pensions, partnership income, business income, rents, alimony, winnings and Massachusetts bank interest.

Massachusetts Adopts the U.S. Internal Revenue Code (IRC) as of January 1, 1998

Massachusetts generally adopts the federal treatment of items of income and the federal exclusions from gross income. In addition, certain deductions allowed for federal tax purposes are allowed for Massachusetts tax purposes. With certain exceptions, Massachusetts now adopts the Internal Revenue Code as amended and in effect on January 1, 1998. The exceptions, which will be treated according to the current Internal Revenue Code, are listed below. See TIR 98-15 for an explanation of the major changes to the Massachusetts personal income tax provisions as a result of the adoption of the January 1, 1998 Internal Revenue Code.

Federal Law Changes NOT Adopted by Massachusetts

- ▶ **Parking, T-Pass and Vanpool Fringe Benefits — IRC sec. 132(f).** Generally, Massachusetts follows the exclusion from an employee's gross income for employer-provided parking, T-Pass, and vanpool benefits. However, two federal acts subsequent to January 1, 1998, have created differences between the Massachusetts and federal treatment of this exclusion. Specifically, the exclusion amounts are higher for Massachusetts purposes, and Massachusetts will not allow an exclusion for T-Pass and vanpool benefits unless they are provided by an employer without charge to the employee. These differences will be reflected in the Form W-2 provided by your employer. See TIR 00-4.

- ▶ **Self-Employed Health Insurance Deduction — IRC sec. 162(l).** A federal and Massachusetts deduction is allowed for amounts paid for medical care insurance for a self-employed taxpayer and his or her spouse and dependents. For federal purposes the deduction will be 60% of the qualified insurance payments for the 2000 tax year. However, due to differences between the Internal Revenue Code as amended and in effect as of January 1, 1998, and the current year, only 50% of the qualified insurance payments are deductible for Massachusetts purposes for the 2000 tax year.

Massachusetts Adopts the Current (post-1998 changes) U.S. Internal Revenue Code for Certain Federal Tax Provisions

The areas in which Massachusetts applies the current (which will include changes that have taken place after January 1, 1998) Internal Revenue Code consist of:

- ▶ exclusions of certain income derived from Roth IRAs as defined in IRC sec. 408A and Education IRAs as defined in IRC sec. 530;
- ▶ treatment of rollovers from a traditional to Roth IRAs;
- ▶ exclusion of gain from the sale of a principal residence provided by IRC sec. 121;

- ▶ deduction of trade or business expenses under IRC sec. 162(a); and
- ▶ the limitations provided by IRC secs. 274(m) & (n) for the deduction of certain travel, meals and entertainment expenses.

For more information, see TIRs 98-8 and 98-15.

Recovered Assets of Holocaust Survivors

Legislation passed in 2000 provides a deduction from Massachusetts gross income for certain payments received by a Holocaust survivor (or his or her heirs) because of persecution for racial or religious reasons by Nazi Germany or any other Axis regime. The provisions of the law apply to tax years commencing on or after January 1, 1998. For more information, see TIR 00-8.

Brownfields Credit

Under existing law, certain taxpayers are allowed a personal income tax credit for incurring eligible costs to remediate a hazardous waste site on property used for business purposes and located within an economically distressed area. Recent legislation extends the time for incurring eligible costs that qualify for the credit and changes the limitation rules where the taxpayer has received state financial assistance. For more information on these changes, see TIR 00-9.

Corporate Trusts

Under recent legislation, certain dividends received by a resident beneficiary or shareholder of a corporate trust are subject to tax. However, where a taxpayer or the corporate trust also paid tax to another state (or certain other jurisdictions) on this income, he or she may be entitled to a credit for taxes paid to another jurisdiction. For more information, see Department Directive 00-9.

Paid Preparer Authorization

If you want to allow DOR to discuss your 2000 tax return with the paid preparer who signed it, fill in the "Yes" oval in the area where you sign your return. See page 22 for details.

Privacy Act Notice

Under the authority of 42 U.S.C. sec. 405(c)(2)(C)(i), and M.G.L. c. 62C, sec. 5, the Department of Revenue has the right to require an individual to furnish his or her Social Security number on a state tax return. This information is mandatory. The Department of Revenue 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 M.G.L. c. 62C, sec. 40, the taxpayer's identifying number is required to process a refund of overpaid taxes. Although tax return information is generally confidential pursuant to M.G.L. c. 62C, sec. 21, the Department of Revenue may disclose return information to other taxing authorities and those entities specified in M.G.L. c. 62C, secs. 21, 22 or 23, and as otherwise authorized by law.

Getting Started

If you follow this easy three-step process, you should be able to complete your form with a minimum amount of time and effort.

Step One — Gather Your Records

Before you begin, gather all your records together, including your Form(s) W-2 (Wages), W-2G (Winnings), and any Form(s) 1099. Use this information to complete your U.S. Form 1040, 1040A, 1040EZ or U.S. Telefile Tax Record first. The information on your U.S. return will help you complete your Massachusetts return.

Step Two — Complete Your Return

First, remove the forms from this booklet. If you received this booklet in the mail and the information in the preaddressed area is correct, file this return with the Department of Revenue. Be sure to enter your Social Security number(s) in the spaces provided. If you received a preprinted Form 1 booklet in the mail, be sure to retain the four-digit Personal Identification Number (PIN) printed on the back cover. You may need it use DOR's Web-based and/or Interactive Voice Response (IVR) applications, such as checking the status of your refund. If your address has changed, make all of the necessary changes on the preprinted form. Please keep the extra copy for your records; you may need information from it when you complete your return next year.

When completing your return, simply proceed line by line, reading the instructions for each line before you enter any amounts. Make entries in black ink only. If a line does not apply to you, leave it blank. Be sure to check your return to make sure it is correct.

Step Three — Sign Your Return

After you have checked your return, be sure to sign it. Your spouse must also sign if it is a joint return. Form 1 is not considered a valid return unless it is signed. Original signatures are required or the return will not be accepted. If a payment is due, be sure to staple your payment to the front of Form PV, Massachusetts Income Tax Payment Voucher, and enclose Form PV with your return. Form PV is attached to the back of the "Payment Due" envelope found in this booklet.

Common Form 1 Mistakes

An incomplete or incorrect return can delay the processing of your return. Listed on the next page are a number of tips to help us process your return as quickly as possible.

Note: You should **not** staple any items, other than any required Form(s) W-2 or 1099, to Form 1. Any enclosures such as schedules, statements, Form PV, etc. should simply be placed in the envelope along with Form 1 when mailing.

► **Missing Social Security Number(s).** Be sure to enter your Social Security number(s) in the spaces provided, even if you received a preprinted booklet in the mail.

► **Incorrect Computation.** The Department corrects many returns each year due to errors in computation. Before mailing your return, check your arithmetic to make sure the computations are correct.

► **Filing Status.** Be sure to fill in the correct oval in line 1, Filing Status. This line is frequently overlooked.

► **Exemptions.** Be sure that you specify the number of exemptions you are claiming in line 2, items b, c and d. Enter the appropriate number(s) in the small white box(es).

► **Missing Withholding Statement(s).** Be sure the state copy of Form(s) W-2 (Wages), W-2G (Winnings) and any Form 1099 that show Massachusetts income tax withheld are attached with a single staple. These forms are frequently missing and must be obtained later from you in order to process the return.

► **Missing Supporting Schedules.** Be sure all required schedules are enclosed to support the information on your Form 1. These include Massachusetts Schedules X, Y, Z, B, C, C-2, D (all four pages), E, BC, EC, EOA, FEC, LP, SC and all required U.S. schedules. Also remember to enclose: copies of other states' return when claiming a credit for income tax paid to another state or jurisdiction; a certificate of compliance or verification letter if claiming the Septic Credit; a letter of compliance or interim control if claiming the Lead Paint Credit; and a copy of the response action outcome statement or remedy operation status submittal stamped by the Department of Environmental Protection if claiming the Brownfields Credit. We cannot process your return without these forms.

► **Government Employee Pension Contributions.** If you were a state, local or county employee and made contributions to a Massachusetts state or local pension plan, your total wages for state purposes will be different from the amount you report on your U.S. return. Report your total state wages from your Form(s) W-2 on Form 1.

► **Earned Income Credit.** You must have your federal earned income credit amount from your U.S. return or as computed by the IRS if you wish to claim the earned income credit on Form 1.

► **Missing Signatures.** Thousands of unsigned returns are received by the Department every year. These returns must be returned to the taxpayers for signatures. If a joint return is filed, both spouses must sign the return. Make sure signatures are on the correct lines.

► **Missing Form PV.** If you are making a payment, make certain you fill out Form PV, Massachusetts Income Tax Payment Voucher, and staple your payment to the front of Form PV. Form PV is attached to the back of the "Payment Due" envelope found in this booklet. Enclose Form PV with your return.

Filing Your Mass. Return

If you were a legal resident of Massachusetts and your gross income was more than \$8,000 — whether received from sources inside or outside of Massachusetts — you are required to file a Massachusetts income tax return. If your gross income was \$8,000 or less, you do not need to file a return.

If you did not live in Massachusetts but received Massachusetts source income in excess of your personal exemption amount multiplied by the ratio of your Massachusetts income to your total income, you must file as a nonresident on the Nonresident/Part-Year Resident Income Tax Return, Form 1-NR/PY. Generally, this means you must file Form 1-NR/PY if you were a nonresident of Massachusetts and you received Massachusetts source income in excess of \$4,400 if single, \$6,800 if head of household or \$8,800 if married filing jointly.

If, during the taxable year, you either moved to Massachusetts or terminated your status as a Massachusetts resident to establish residency outside the state, and your gross income was more than \$8,000, you must file as a part-year resident on the Nonresident/Part-Year Resident Income Tax Return, Form 1-NR/PY.

If your Massachusetts Adjusted Gross Income (AGI) is \$8,000 or less if single, \$14,400 or less plus \$1,000 for each dependent if filing as head of household, or \$16,400 or less plus \$1,000 for each dependent if married filing jointly, you may qualify for No Tax Status. See the instructions for Massachusetts AGI on page 18.

What Is Gross Income?

Massachusetts gross income **includes** the following:

- all wages, salaries, tips, bonuses, fees and other compensation;
- taxable pensions and annuities;
- pension income from another state or political subdivision before any deduction;
- taxable IRA/Keogh and Roth IRA distributions;
- 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;
- 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 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
- ▶ amounts received as U.S. Social Security, public welfare assistance, Veterans Administration disability payments, G.I. Bill education payments, worker's compensation, gifts, accident or life insurance payments, or certain payments received by Holocaust survivors.

Am I a Resident, Nonresident, or Part-Year Resident?

There are three different categories of resident status under Massachusetts tax law:

1. You are a **Full-Year Resident** if your legal residence (domicile) is in Massachusetts or if you maintain a permanent place of abode in Massachusetts and during the year spend more than 183 days, in the aggregate, in the state. If you fit this description you should file a Massachusetts Resident Income Tax Return, Form 1.
2. You are a **Nonresident** if you were not a resident of Massachusetts but earned Massachusetts income (e.g., from a job in Massachusetts). You must report such income by filing a Massachusetts Nonresident/Part-Year Resident Income Tax Return, Form 1-NR/PY.
3. You are a **Part-Year Resident** if you were not considered a resident of Massachusetts for the full year. In this case, you must reduce certain income, deductions and exemptions based on the number of days you were a resident or on the amount of your income that is subject to Massachusetts tax. Part-year residents must file a Massachusetts Nonresident/Part-Year Resident Income Tax Return, Form 1-NR/PY.

If **both** categories 2 and 3 apply to you, you will have to **file both** as a nonresident and as a part-year resident. In these cases, you must file **one** Massachusetts Form 1-NR/PY and complete the Resident/Nonresident Worksheet, Schedule R/NR, to calculate the portion of income earned while a part-year resident and the portion of income earned while a nonresident. If you are required to **file as both** a part-year resident and a nonresident, be sure to fill in the oval below the address section of Form 1-NR/PY to indicate that you are completing Schedule R/NR and enclose Schedule R/NR with your return.

For additional information on how to file as a part-year resident/nonresident, refer to the *Guide to Filing Your 2000 Massachusetts Income Taxes*. This publication is available by visiting DOR's website at www.massdor.com or calling (617) 887-MDOR.

Are Military Personnel Required to File?

If you enlisted in the service as a Massachusetts resident and have not established a new domicile (legal residence) elsewhere, 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 "legal 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 other than from military sources.

The following examples illustrate circumstances under which military pay is or is not taxable in Massachusetts. No guidance is intended on the tax status 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.

Example: *Betsy enlisted in the Navy in Massachusetts, but moved with her husband, Eric, from Massachusetts to Delaware when she was stationed there. They did not change their domicile to Delaware. She received military income while her husband received income working as a reporter for a local newspaper.*

Betsy's income from the Navy, as well as her husband's income from the newspaper, are both subject to Massachusetts income tax since she enlisted in the Navy in Massachusetts and they did not become legal residents of Delaware. Betsy and her husband are, therefore, Massachusetts residents, and any income they receive, whether derived in Massachusetts or not, is included in their Massachusetts gross income.

Example: *Tom and Ellen are residents of Georgia. Tom enlisted in the Army in Georgia, but was stationed in Massachusetts and moved here with his wife, Ellen. He earned \$30,000 in military pay. Tom and Ellen had no other income.*

Military personnel and their spouses are residents of the state in which they resided when they enlisted. Since Tom enlisted in Georgia, he and his wife are considered residents of that state. They are not residents of Massachusetts and do not have to file a Massachusetts resident income tax return.

What Are the Rules for Filing a Joint Return?

If you are legally married, you have the option of filing either a joint return or a married filing separate return. Married taxpayers who file a joint return are allowed to claim the following exemptions and deductions which married taxpayers filing separate returns may not claim:

- ▶ a deduction of one \$1,200 amount for any dependent member of the household under the age of 12 as of December 31, 2000;
- ▶ No Tax Status if joint Massachusetts Adjusted Gross Income (Massachusetts AGI) was \$16,400 or less plus \$1,000 for each dependent;
- ▶ Limited Income Credit if joint Massachusetts AGI is between \$16,400 and \$28,700 plus \$1,750 for each dependent; and
- ▶ exemptions from interest income (other than interest from Massachusetts banks), dividends or capital gain income.

If your spouse died during 2000, you may still choose to file a joint return.

Note: A joint Form 1 is not allowed if both spouses were not Massachusetts residents for the same portion of 2000.

Example: *John and Jane Taxpayer were married in June 2000. John moved to Massachusetts to live with Jane. They would not be allowed to file a joint return because John was a Massachusetts resident for only half of the year.*

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 a statement 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 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.

Should I Make Estimated Tax Payments in 2001?

Every resident or nonresident who expects to pay more than \$200 in Massachusetts income tax on income which is not covered by Massachusetts withholding must pay Massachusetts estimated taxes on Massachusetts Form 1-ES. Visit www.massdor.com for information about online filing options for Form 1-ES. See line 33 instructions for a further discussion of who must pay quarterly estimated taxes to the Department of Revenue.

When to File Your Return

Your Massachusetts Form 1 is due on or before April 17, 2001.

How Do I File for an Extension?

To receive an extension of time to file, you must file Form M-4868, Application for Automatic Six-Month Extension of Time to File Massachusetts Income Tax Return, and pay the amount of tax you expect to owe on or before the due date for filing your Massachusetts income tax return. The filing and approval of this form will extend the due date for six months. An approved extension means only that you will not be assessed a late return penalty for filing your return after the due date. Interest is charged on any tax not paid by the original due date.

If you are applying for an extension and either owe no tax or choose to pay your tax due by Mastercard, Visa, Discover or Novus brand card, you may file your application for extension by touch-tone telephone or via the Web (see page 3 for more information), or if you owe no tax, you may substitute U.S. Form 4868 for the Massachusetts extension form. If you substitute U.S. Form 4868, be sure to indicate on the form that this extension is for Massachusetts purposes.

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 Massachusetts Form M-4868. Massachusetts Form M-4868 is available at any Department of Revenue location or by calling (617) 887-MDOR.

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.

What Should I Do If I Make a Mistake or Leave Something Off My Return?

If, after filing your income tax return, you receive an additional tax statement or discover that an error was made, do not submit a second tax return. If corrections are necessary, you must file Form CA-6, Application for Abatement/Amended Return. Form CA-6 is available at www.massdor.com or you may have one mailed to you by calling (617) 887-MDOR.

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 the Department for the remaining amount of tax due plus accrued interest and penalty charges. If the amount of that bill is less than \$5,000 and you still cannot pay it in full, you must apply formally to the Department for a small payment agreement in order to avoid collection activity.

Note: Do not mail your request for a payment agreement with your tax return. Requests can be made once a bill is received by calling the Customer Service Bureau at (617) 887-MDOR. Setting up a small payment agreement will allow you to make monthly payments within a set time period to meet your unpaid liability.

Name and Address

Use the preaddressed return in the back of the booklet we sent you if all of the preprinted information is correct. Be sure to enter your Social Security number(s) in the space(s) provided. If you received a preprinted Form 1 booklet in the mail, be sure to retain the four-digit Personal Identification Number (PIN) printed on the back cover. You may need it use DOR's Web-based and/or Interactive Voice Response (IVR) applications, such as checking the status of your refund. If your address has changed, please make all of the necessary changes on the preprinted form. If you did not receive a preaddressed return, 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. Also, please enter the phone number where you can be reached during the day. This will enable us to contact you if there are any problems processing your return. Like all information requested by DOR, your phone number will remain confidential.

Social Security Number(s)

Be sure to enter your Social Security number(s) on your return, even if you received a preprinted booklet in the mail. 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 Social Security number even if you are filing a separate return.

Voluntary Contribution to Massachusetts Clean Elections Fund

You, and your spouse if filing jointly, may voluntarily contribute \$1 each to the Massachusetts Clean Elections Fund. The purpose of this fund is to provide limited public financing for campaigns for statewide and legislative office and the Governor's Council of candidates participating in the program set up under the 1998 Massachusetts Clean Elections Law. This contribution will not change your tax or reduce your refund.

Name/Address Change

If you legally changed your name or address in 2000, 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.

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 Decedent's Return?" on page 10 of the instructions.

1 Filing Status

Single

Fill in the "Single" oval if you were single as of December 31, 2000. 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 widower whose spouse died before 2000; or
- you were legally separated under a final judgment of the probate court.

Please note that you are not single if: (1) you have obtained a judgment of divorce which has not yet become final; (2) you have a temporary support order; or (3) 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, 2000. Both spouses are responsible for the accuracy of all information entered on a joint return and both must sign. A joint return is allowed even if only one spouse had income or if one spouse died during 2000.

For further information, refer to the section "What Are the Rules for Filing a Joint Return?" on page 9.

Married Filing Separate Return

Fill in the "Married filing separate return" oval if you were legally married as of December 31, 2000, and if you and your spouse are not filing a joint return. Be sure to enter your spouse's 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.

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.

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.

Whole-Dollar Method

Rounding all amounts on your return will hasten processing of your return. If doing so, please fill in the appropriate oval. Then, round off, to the nearest dollar, all amounts on the return and on any enclosed schedule(s).

- ▶ 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.
- ▶ Do not use the whole-dollar method in calculations on worksheets that you use to reach the amounts shown on your return.

2 Exemptions

Line 2a: Personal Exemptions

Each taxpayer is entitled to claim a personal exemption. The amount of your personal exemption depends on your filing status as filled in line 1: single, married filing a joint return, married filing a separate return or head of household.

- ▶ If you are single or married filing a separate return, enter \$4,400 in line 2a.
- ▶ If married filing a joint return, enter \$8,800 in line 2a.
- ▶ If filing as head of household, enter \$6,800 in line 2a.

Line 2b: 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 the dependents you listed on U.S. Form 1040, line 6c or U.S. Form 1040A, line 6c. Do not include yourself or your spouse. Then, multiply that total by \$1,000 and enter the total amount in line 2b.

You must list the Social Security number of each dependent in the space provided for item b. To apply for a Social Security number, get Form SS-5 from your local Social Security Administration (SSA) office or call the SSA at 1-800-772-1213. If your dependent will not have a Social Security number by April 17, 2001, file Form M-4868, Application for Automatic Six-Month Extension of Time to File Massachusetts Income Tax Return, on or before April 17, 2001. See page 3 for information about filing your extension by telephone or via the Web.

Note: In a few cases, the number of dependents claimed for Massachusetts purposes and for U.S. purposes may differ. For U.S. tax purposes, a dependent exemption is not allowed for a person who would otherwise be a dependent but who files his/her own income tax return and claims a personal exemption. For Massachusetts tax purposes, 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 2c: Age 65 or Over Before 2001

You are allowed an additional \$700 exemption if you were age 65 or over before January 1, 2001. 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 2c.

Line 2d: 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 2d.

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 2e: Other: Medical and Dental Expenses/Adoption Agency Fee

You may claim an exemption for medical and dental expenses paid during 2000 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 to claim this exemption. Enter in line 2e, item 1 the amount reported on your U.S. Form 1040, Schedule A, line 4.

If you paid adoption fees to a licensed adoption agency during 2000 and if the adoption fees were more than 3% of your adjusted 5.85% income, you are eligible for a limited exemption. Complete the following worksheet.

Line 2e Worksheet — Adoption Agency Fee Exemption

Enclose a statement showing the name and address of the licensed adoption agency and your exemption calculation.

Enter all losses as "0."

A. Licensed adoption agency fees. _____

B. 5.85% income from Form 1, line 10* _____

C. Enter the total of Schedule Y, lines 1 through 5. _____

D. Subtract item C from item B. _____

E. Enter the total Massachusetts bank interest or the interest exemption amount, whichever is smaller, from Form 1, line 5a or line 5b _____

Note: If Form 1, line 10 is a loss, combine Form 1, line 10 with the smaller amount of total Massachusetts bank interest or the interest exemption amount. Enter the result in item E above, unless the result is a loss. If the result is a loss, enter "0."

F. Adjusted 5.85% income. Add items D and E. _____

G. 3% of adjusted income. Multiply item F by .03. _____

H. Allowable Adoption Agency Fee Exemption. Subtract item G from item A and enter in Form 1, line 2e, item 2. Not less than "0" _____

*Add back any Abandoned Building Renovation deduction claimed on Schedule(s) C and/or E before entering an amount in item B.

Add item 1 and item 2 and enter the total in line 2e.

Line 2f: Total Exemptions

Add items 2a through 2e and enter the total in line 2f. This amount should also be entered on line 18 of Form 1.

5.85% Income

DOR and the IRS maintain an extensive exchange program, routinely sharing computer tapes and audit results. Discrepancies between income, deductions, and schedules reported federally and on this return, except those allowed under state law, will be identified and may result in a state audit or further investigation.

3 Wages, Salaries, Tips and Other Employee Compensation

Report in line 3 total state wages and allocated tips from Form(s) W-2. **Note:** Income earned by a Massachusetts resident in another state is subject to taxation in Massachusetts. In most cases your total wages and allocated tips will be the same amount reported on your U.S. 1040 or 1040A, line 7; or 1040EZ, line 1. The following are some instances that require an adjustment to these amounts.

Massachusetts Legal Residents Working in a Foreign Country

Income earned by a Massachusetts resident 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 Section 911 of the U.S. IRC), you must include any such amount in line 3 for Massachusetts tax purposes.

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 3 the Massachusetts W-2 state wage amount. This amount will be higher than the U.S. amount because your pension contributions are excluded from your income for U.S. tax purposes. Contributions up to \$2,000 per taxpayer may still be deducted in line 11 for Massachusetts tax purposes.

4 Taxable Pensions and Annuities

Income from most private pensions or annuity plans is taxable in 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 exempt, enter "0" in line 4 and note the source on the dotted line to the left.

If your pension is not exempt, you should generally enter in line 4 the taxable amount reported on your U.S. Form 1040, line 16b, or U.S. Form 1040A, line 12b. In some cases, however, Mass-

achusetts law requires an adjustment to the federal amount. Distributions from annuity, stock bonus, pension, profit-sharing or deferred payment plans or contracts described in Sections 403(b) and 404 of the U.S. 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 16a, or U.S. Form 1040A, line 12a) the amount of your contributions which was 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 4 and explain briefly (in an enclosed statement) why this amount is different from 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, please refer to the instructions for Schedule X on page 23.

Note: Massachusetts does not tax Social Security income; therefore, you should not report such income on Massachusetts Form 1.

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 4. Refer to Schedule Y, line 6 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 Chapter 32, Sections 56–60 of Massachusetts General Laws 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 4.

10 Total 5.85% Income

Add lines 3 through 9 and enter the total in line 10. Remember to subtract any losses marked with an "X" when calculating the total.

Deductions

Lines 11 through 15

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, lines 11 through 14 and Schedule Y.

Please read the instructions for lines 12 and 13 to determine which deduction you qualify for or which is better for you. You cannot claim a deduction in both lines 12 and 13.

You are not allowed to deduct amounts unless they are directly related to income that is subject to taxation and reported on Massachusetts Form 1.

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

If you have paid into any of the retirement systems listed above during 2000, you may deduct those contributions, up to a maximum of \$2,000.

Enter in items 11a and 11b 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 2000 as shown on your Form W-2, but not more than \$2,000 each. Payment amounts may not be combined or transferred from one spouse to the other. Add items 11a and 11b and enter the result in line 11. Be sure to add any amount of Medicare tax withheld as shown on Form W-2 to the amount of Social Security tax withheld, the total not to exceed \$2,000 per person.

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.

12 Child Under Age 13, or Disabled Dependent/Spouse Care Expenses

Massachusetts generally allows the same expenses as the U.S. Government for employment-related expenses for the care of a qualified child under the age of 13, a disabled dependent or a disabled spouse. Complete the following worksheet in order to calculate your Massachusetts child or disabled dependent/spouse care expense deduction.

Be sure to enter the care provider's name and identifying number (Social Security number or Employer Identification number) in the space provided in line 12 of Form 1. If more space is needed, enclose an additional statement.

If you choose to take a deduction in line 12, you cannot take the deduction in line 13.

Line 12 Worksheet — Child Under 13 or Disabled Dependent/Spouse Care Deduction

Use the following worksheet to calculate your Massachusetts child under age 13 or disabled dependent/spouse care deduction. Also, enclose U.S. Form 2441 or U.S. Form 1040A, Schedule 2.

A. Enter the amount from U.S. Form 2441, line 6, or U.S. Form 1040A, Schedule 2, line 6 _____

B. If you paid 1999 expenses in 2000, enter the amount of the allowed 1999 expenses used to compute the credit on U.S. Form 2441, line 9, or U.S. Form 1040A, Schedule 2, line 9. Otherwise, enter "0" _____

C. Add items A and B. Enter here and in Form 1, line 12 _____

13 Dependent Member of Household Under Age 12 at Year End

You may deduct one \$1,200 amount if at least one dependent member of your household was under age 12 on December 31, 2000 and if you are either single, head of household, or married filing jointly. You may claim only one \$1,200 amount, regardless of the number of dependent children under age 12. Be sure to enter the dependent child's name on the line provided in line 13.

You may claim an amount in line 13 only if there is no entry in line 12.

14 50% Rental Deduction

You may be entitled to a rental deduction equal to one-half (50%) of the rent you paid during 2000 (up to a maximum of \$2,500 per return) for your principal residence in Massachusetts.

What Qualifies for the Rental Deduction?

The deduction must be for rent you paid to a landlord for the rental or lease of your principal residence in Massachusetts.

If two or more persons jointly rent a unit, each occupant using it as his/her principal residence is entitled to a deduction based on the amount of rent that each person paid.

If the rent is paid by a third party (such as a parent) who maintains a principal residence elsewhere, no 50% rental deduction is allowed for either party.

A principal residence does not include any residence for vacation, an apartment for a person on a temporary assignment, or a student or faculty member who has a principal residence elsewhere. It also does not include any apartment or house in Mass-

achusetts of a nonresident who has a legal residence in another state or country.

Payment for occupying a hotel, motel or rooming house is not considered rent unless a rental agreement exists. All separately stated charges such as utilities, furnishings or parking cannot be included in rent for purposes of this deduction. Also, rent does not include any advance payments (such as security deposit, last month's rent, etc.) until actually applied as rent.

To compute your 50% rental deduction, complete the worksheet below. Do not include separately stated charges for furnishings, utilities, parking, etc.

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

If a husband and wife file separate returns, they are each entitled to a rental deduction equal to 50% of the rent each pays, not to exceed \$1,250 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 \$2,500. If the allocation results in one spouse claiming a deduction in excess of \$1,250, 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. This statement is in addition to the requirement that each taxpayer who claims the rental deduction must provide the landlord's name(s) on the front of the return.

Line 14 Worksheet — 50% Rental Deduction

A. Enter the total amount of qualified rent paid by you during 2000

B. Divide item A by 2 (÷ 2) and enter the result, or \$2,500 (\$1,250, if married filing a separate return; see instructions) — whichever is smaller — in line 14 of Form 1

This deduction is limited to one deduction of not more than \$2,500 per return, only if single, married filing a joint return or head of household. If married filing a separate return, the deduction is generally limited to \$1,250 per return (see instructions). Enter your landlord's name(s) in the area provided on line 14. Enclose an additional statement if you need more space.

15 Other Deductions (from Schedule Y)

Allowable Employee Business Expenses, Penalty on Early Savings Withdrawal, Alimony Paid, Amounts Excludible Under MGL Ch. 41, Sec. 111F or U.S. Tax Treaty, Student Loan Interest Deduction, Medical Savings Account Deduction, Moving Expenses, Self-Employed Health Insurance Deduction, Certain Qualified Deductions From U.S. Form 1040, Deductible Amount of Qualified Contributory Pension Income from Another State or Political Subdivision & College Tuition Deduction

"Other deductions" include the items listed above and must be included on Schedule Y. Enter the total from Schedule Y, line 8. Be sure to enclose Schedule Y with your return. Failure to do so will delay the processing of your return. See Schedule Y instructions on page 25.

16 Total Deductions

Add lines 11 through 15.

17 5.85% Income After Deductions

Subtract line 16 from line 10. Enter the result in line 17. If line 16 exceeds line 10, enter "0" in line 17. Please carry over this amount to the back of Form 1.

18 Exemption Amount

Enter amount from Exemption Section, line 2, item f.

19 5.85% Income

a 5.85% Income After Exemptions

Subtract line 18 from line 17. If line 18 exceeds line 17, enter "0" in line 19a.

If line 18 exceeds line 17 and you were the beneficiary of an estate or trust taxed in Massachusetts, or if you received interest income (other than interest from Massachusetts banks), dividends or capital gain income, read the following section and complete the worksheet for Schedule B, line 22 and Schedule D, line 19 on the next page, if applicable. All others proceed to line 19b.

Applying Exemptions for the Beneficiary of an Estate or Trust Taxed in Massachusetts

If you are reporting income on Form 1 and were also the beneficiary of an estate or trust, you may apply excess exemptions to your income taxed at 5.85% on Form 2, Massachusetts Fiduciary Income Tax Return. If you are single, head of household, or married filing jointly, you may then apply any remaining excess exemptions to your interest income (other than interest from Massachusetts banks), dividends or 12% capital gain income reported on Form 1. Any excess amount should then be applied against interest income (other than interest from Massachusetts banks), dividends or 12% capital gain income re-

12% Income and Tax

ported on Form 2 before applying any remaining excess amount against 5% income reported on Form 1. Any excess amount remaining should then be applied against 5% income reported on Form 2 before applying any remaining excess amount against 4% income reported on Form 1. Any excess amount remaining should then be applied against 4% income reported on Form 2 before applying any remaining excess amount against 3% income reported on Form 1. Any excess amount remaining should then be applied against 3% income reported on Form 2 before applying any remaining excess amount against 2% income reported on Form 1. Any excess amount remaining should then be applied against 2% income reported on Form 2 before applying any remaining excess amount against 1% income reported on Form 1. Any excess amount still remaining should then be applied against 1% income reported on Form 2. You must complete and file with your Form 2 a copy of Form 20A, Beneficiary's Claim for Exemptions Applicable to Fiduciary Income, in order to apply the excess exemptions to your Form 2 income. Form 20A is included in the Form 2 booklet.

b 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 \$400, 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 beginning on page 30 of this booklet.

Enter in line 19b the amount from Schedule B, line 24. If not required to file Schedule B, enter dividend income of \$400 or less (from U.S. Form 1040 or 1040A, line 9) in line 19b.

c Total 5.85% Income

Add line 19a and line 19b.

Tax on 5.85% Income

20 5.85% Tax (from Tax Table)

Based upon the amount in line 19c, find the proper amount of tax in the blue table at the back of this booklet. Enter the tax in line 20. If line 19c is more than \$80,000, multiply the amount in line 19c by .0585 and enter the result in line 20. You must use the tax table if line 19c is \$80,000 or less.

21 12% Income from Certain Capital Gains

If you have any interest income other than interest from deposits in banks located in Massachusetts, dividend income in excess of \$400, 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 beginning on page 30 of this booklet.

Enter in line 21a the amount from Schedule B, line 25. Multiply this amount by .12 (12%) and enter the tax in line 21.

Long-Term Capital Gain Income and Tax

22 Schedule D (Long-Term Capital Gains and Losses Excluding Collectibles)

Enter in line 22 the amount from Schedule D, page 4, line 21, **but not less than "0."** Be sure to enclose all four pages of Massachusetts Schedule D. To determine if you need to file Schedule D, refer to the Schedule D instructions beginning on page 34 of this booklet.

Schedule B, Line 22 and Schedule D, Line 19 Worksheet — 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 line 18 are more than the amount of your 5.85% income after deductions in line 17, the excess may be applied against all your interest and dividend income and income taxed at 12%. Any remaining excess amount may then be applied against all your long-term capital gain income. (If you are the beneficiary of a Massachusetts trust or estate, see the instructions for line 19.) Complete the following worksheet only if line 17 is less than line 18 to determine if you qualify for the excess exemption. Enter all losses as "0."

- A.** Enter amount from Schedule B, line 21. Not less than "0".....
- B.** Enter amount from Form 1, line 18.....
- C.** Enter amount from Form 1, line 17.....
- D.** Subtract item C from item B. If "0" or less, you do not qualify for this exemption. Omit remainder of worksheet.....
- E.** Excess exemptions applied against interest and dividend income and 12% income. If item A is larger than item D, enter item D here and in Schedule B, line 22 and omit remainder of worksheet. If item D is equal to or larger than item A, enter item A here and in Schedule B, line 22. Complete items F through H.....
- F.** Subtract item E from item D. If "0" you have no remaining excess exemptions. Omit remainder of worksheet.....

Worksheet continues on next page ...

... Continued from previous page

- G.** Enter Schedule D, line 18, column A. Not less than "0".....
- H.** Excess exemptions applied against long-term capital gain income taxed at 5%. If item G is larger than item F, enter item F here and in Schedule D, line 19, column A and omit remainder of worksheet. If item F is equal to or larger than item G, enter item G here and in Schedule D, line 19, column A. Complete items I through K
- I.** Subtract H from F. If "0," you have no remaining excess exemptions. Omit remainder of worksheet
- J.** Enter Schedule D, line 18, column B. Not less than "0".....
- K.** Excess exemptions applied against long-term capital gain income taxed at 4%. If item J is larger than item I, enter item I here and in Schedule D, line 19, column B and omit remainder of worksheet. If item I is equal to or larger than item J, enter item J here and in Schedule D, line 19, column B. Complete items L through N
- L.** Subtract K from I. If "0," you have no remaining excess exemptions. Omit remainder of worksheet
- M.** Enter Schedule D, line 18, column C (from page 2). Not less than "0".....
- N.** Excess exemptions applied against long-term capital gain income taxed at 3%. If item M is larger than item L, enter item L here and in Schedule D, line 19, column C (on page 2) and omit remainder of worksheet. If item L is equal to or larger than item M, enter item M here and in Schedule D, line 19, column C (on page 2)
- Complete items O through Q.
- O.** Subtract N from L. If "0," you have no remaining excess exemptions. Omit remainder of worksheet.
- P.** Enter Schedule D, line 18, column D (from page 2). Not less than "0"
- Q.** Excess exemptions applied against long-term capital gain income taxed at 2%. If item P is larger than item O, enter item O here and in Schedule D, line 19, column D (on page 2) and omit remainder of worksheet. If item O is equal to or larger than item P, enter item P here and in Schedule D, line 19, column D (on page 2)
- Complete items R through T
- R.** Subtract Q from O. If "0," you have no remaining excess exemptions. Omit remainder of worksheet
- S.** Enter Schedule D, line 18, column E (from page 3). Not less than "0"
- T.** Excess exemptions applied against long-term capital gain income taxed at 1%. If item S is larger than item R, enter item R here and in Schedule D, line 19, column E (on page 3). If item R is equal to or larger than item S, enter item S here and in Schedule D, line 19, column E (on page 3) ...

Excess Exemptions

If excess exemptions were used in calculating lines 19b, 21 or 22 (see Schedule B, line 22 and/or Schedule D, line 19), be sure to fill in the oval in line 22.

Massachusetts AGI

College Tuition Deduction

If you paid tuition to a two- or four-year college for yourself or a dependent, you may be entitled to a deduction equal to the amount by which the tuition payment, less any scholarships, grants, or financial aid received, exceeds 25% of line 7 of the Massachusetts AGI worksheet. See Schedule Y, line 7.

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.

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.

Massachusetts Adjusted Gross Income

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

- 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 5.85% income;
- interest from Massachusetts banks before exemptions; and
- other interest, dividends, and capital gains.

Complete the Massachusetts AGI Worksheet on the next page to see if you may qualify for the College Tuition Deduction, No Tax Status or the Limited Income Credit.

Massachusetts AGI Worksheet

Line 1. Enter your total 5.85% income from Form 1, line 10. Not less than "0"*

Line 2. Enter the total of Schedule Y, lines 1 through 5

Line 3. Subtract line 2 from line 1. Not less than "0"

Line 4. Enter total Massachusetts bank interest or the interest exemption amount, whichever is smaller, from Form 1, line 5a or line 5b

Note: If Form 1, line 10 is a loss, do not complete line 4 above. Instead, combine Form 1, line 10 with the smaller amount of total Massachusetts bank interest or the interest exemption amount. Enter the result in line 4 above, unless the result is a loss. If the result is a loss, enter "0."

Line 5. Enter amount from Schedule B, line 21. If there is no entry in Schedule B, line 21 or if not filing Schedule B, enter the amount from Form 1, line 19b

Line 6. Enter the total of Schedule D, line 18, columns A, B, C, D and E. Not less than "0"

Line 7. Add lines 3, 4, 5 and 6

If you paid tuition to a two- or four-year college for yourself or a dependent, you may be entitled to a deduction equal to the amount by which the tuition payment, less any scholarships, grants, or financial aid received, exceeds 25% of line 7. See Schedule Y, line 7.

If you are single and the total in line 7 is \$8,000 or less, you qualify for No Tax Status (see line 23 instructions). If you are single but do not qualify for No Tax Status, and your total in line 7 is \$14,000 or less, complete line 24 and see line 25 instructions for the Limited Income Credit. If you are filing as head of household or married filing a joint return, compare line 7 with the following chart to see if you may qualify for No Tax Status or the Limited Income Credit.

*Add back any Abandoned Building Renovation deduction claimed on Schedule(s) C and/or E before entering an amount in line 1.

Filing status:

Number of dependents (from Form 1, line 2b):	Head of household. Line 7 of the AGI worksheet is less than or equal to:		Married filing a joint return. Line 7 of the AGI worksheet is less than or equal to:	
	0	\$14,400	\$25,200	\$16,400
1	15,400	26,950	17,400	30,450
2	16,400	28,700	18,400	32,200
3	17,400	30,450	19,400	33,950
4	18,400	32,200	20,400	35,700
5	19,400	33,950	21,400	37,450
6	20,400	35,700	22,400	39,200
	you qualify for No Tax Status	you may qualify for the Limited Income Credit	you qualify for No Tax Status	you may qualify for the Limited Income Credit

If the number of dependents is more than 6, add \$1,000 per dependent to the blue column for No Tax Status, or \$1,750 per dependent to the red column for the Limited Income Credit.

If you qualify for No Tax Status, see the instructions for line 23. If you may qualify for the Limited Income Credit, go to line 24 and complete the worksheet for line 25.

23 No Tax Status

If you qualify for No Tax Status, fill in the oval in line 23, enter "0" in line 24 and omit lines 25–27. Also, enter "0" in line 28 and complete Form 1.

Note: If married filing separately, you do not qualify for No Tax Status.

24 Tax

Add line 20 (5.85% tax), line 21 (12% tax) and line 22 (tax on long-term capital gains). Enter the total in line 24.

25 Limited Income Credit

Line 25 Worksheet — Limited Income Credit (Only if Single, Head of Household, or Married Filing Jointly)

Line 1. Enter amount from line 7 of Massachusetts AGI Worksheet

Line 2. Enter \$8,000 if single. If married filing a joint return or head of household, enter the amount from the blue column of the preceding chart

Line 3. Subtract line 2 from line 1

Line 4. Enter in line 4 the amount of tax from Form 1, line 24

Line 5. Multiply line 3 by 10% (.10)

Line 6. If line 4 is smaller than line 5, you are not eligible for this credit. Enter "0." If line 4 is larger than line 5, subtract line 5 from line 4 and enter the result here and in line 25 on Form 1

26 Other Credits (from Schedule Z)

Lead Paint Credit, Economic Opportunity Area Credit, Full Employment Credit, Septic Credit, Brownfields Credit, Credit for Income Tax Paid to Another State or Jurisdiction and Energy Credit

"Other credits" include the items listed above and must be included on Schedule Z. Enter the total from Schedule Z, line 3. Be sure to enclose Schedule Z with your return. Failure to do so will delay the processing of your return. See Schedule Z instructions on page 27.

27 Total Credits

Add line 25 and line 26. This is the total of your credits. Enter the total in line 27.

28 Tax After Credits

Subtract line 27 from line 24 and enter the result in line 28, but not less than "0."

29 Voluntary Contributions

You may contribute any amount you choose 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. **Organ Transplant Fund:** The Organ Transplant Fund is administered by the Massachusetts Department of Health. All contributions received by the Fund assist patients with the costs of medications without which they might lose their transplanted organs. Patients assisted by the Fund are not eligible for other forms of assistance.

b. **Endangered Wildlife Conservation:** The Natural Heritage and Endangered Species Fund is administered by the Department of Fisheries, Wildlife and Environmental Law Enforcement to provide for conservation, protection and restoration of rare, endangered and nongame wildlife and plants in the Commonwealth.

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 Massachusetts 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.

Add items a, b, c and d and enter the total in line 29.

30 Tax After Credits Plus Voluntary Contributions

Add line 28 and line 29. This is the total tax plus voluntary contributions. Enter the total in line 30.

31 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 and certain 1099s, if applicable. Enter the total of all Massachusetts withholdings in line 31. Attach, with a single staple, state copies to your return; otherwise your claim of amounts withheld will not be allowed. If you have lost your state copy, ask the payer for a duplicate. Copies of 1099s need only be attached if they show an amount for Massachusetts tax withheld.

32 1999 Overpayment Applied to Your 2000 Estimated Tax

Include the exact amount of any 1999 overpayment you applied to your 2000 estimated taxes on your 1999 Massachusetts Form 1, line 39. Do not include any 1999 refund in this line.

33 2000 Massachusetts Estimated Tax Payments

If you paid Massachusetts estimated income tax for 2000, enter in line 33 the total of all Massachusetts estimated tax payments.

Be sure to include any last quarter (of 2000) payment made on or before January 16, 2001. Do not include any 1999 overpayment applied to your 2000 estimated tax. Every resident who expects to pay more than \$200 in Massachusetts income tax on income which is not covered by Massachusetts withholding must pay Massachusetts estimated taxes on Massachusetts Form 1-ES. These forms are available at any Department of Revenue location, or you may visit www.massdor.com to get information about online filing options.

Income which is not subject to withholding includes:

- salaries and wages where the employer is not subject to Massachusetts withholding;
- dividends and interest, including interest from Massachusetts banks;
- gains from capital assets;
- income from an individual trade, business, profession, partnership or S corporation;
- income from any estate or trust not taxed directly;
- certain pensions;
- taxable Keogh or IRA distributions;
- rental, royalty or REMIC income;
- unemployment compensation (from which no Massachusetts income tax was withheld);
- alimony received;
- contributions to SIMPLE accounts;
- illegal income; and
- any other income received while a Massachusetts resident from which Massachusetts tax will not be withheld.

In most cases, the first payment voucher, Massachusetts Form 1-ES, 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.

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

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

34 Earned Income Credit

Taxpayers who qualify for and claim the federal earned income credit are allowed a refundable credit equal to 10% of the federal amount. You must enter the number of qualifying children, if any, in line 34a, and their Social Security number(s) in the spaces provided. Then, enter the federal earned income credit amount from your U.S. Form 1040, line 60a, 1040A, line 38a;

1040EZ, line 8a; or U.S. Telefile Tax Record, item L. Multiply this amount by .10 (10%) and enter the result in line 34.

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 34. If you have not received your earned income credit amount as computed by the IRS by April 17, 2001, you may file Massachusetts Form M-4868, Application for Automatic Six-Month Extension of Time to File Massachusetts Income Tax Return. See page 3 for information about filing your extension by telephone or via the Web.

35 Payments Made with Extension

If you filed Massachusetts Form M-4868, Application for Automatic Six-Month Extension of Time to File Massachusetts Income Tax Return, for 2000 on or before April 17, 2001, enter in line 35 the amount you paid with Massachusetts Form M-4868, line 7. Enclose a copy of your extension form with your return.

36 Total Tax Payments

Add lines 31 through 35. Enter the total in line 36.

Refund Amount

37 Overpayment

If line 30 is smaller than line 36, subtract line 30 from line 36 and enter the result in line 37. This is the amount of your overpayment. If line 30 is larger than line 36, skip to line 40.

38 Amount of Overpayment You Want Applied to Your 2001 Massachusetts Estimated Tax

Enter the amount of your 2000 overpayment that you wish to apply to your 2001 Massachusetts estimated tax. Once an election is made to apply your overpayment to your 2001 estimated tax, it cannot be refunded later or applied to any additional tax you may owe for 2000. The amount entered in this line can only be claimed as a credit on your 2001 Massachusetts return.

39 Refund Amount

Subtract line 38 from line 37. Enter the result in line 39. This is the amount of your refund.

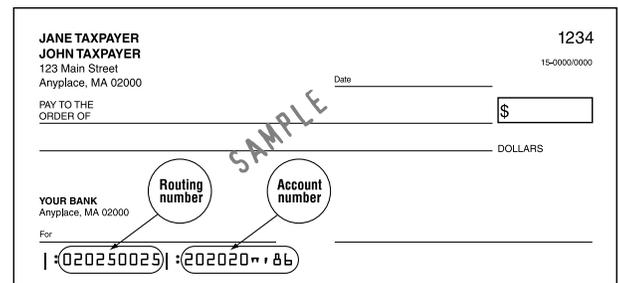
Direct Deposit

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 39 if you are requesting direct deposit. Failure to do so will result in your request for direct deposit being denied. See sample check below for location of this information.

Note: Only one direct deposit is allowed per account number.



A sample check form for JANE TAXPAYER and JOHN TAXPAYER, 123 Main Street, Anyplace, MA 02000. The check number is 1234. The date is blank. The amount is blank. The routing number is 020250025 and the account number is 020202086. The check is payable to the order of the taxpayer. The bank is YOUR BANK, Anyplace, MA 02000. The check is for the amount of \$0.00.

Tax Due

40 Tax Due

If line 30 is larger than line 36, subtract line 36 from line 30, and enter the result in line 40. This is the amount of tax you owe with your return. Pay in full with your return. 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. Complete and remove Form PV, Massachusetts Income Tax Payment Voucher, attached to the back of the "Payment Due" envelope. Staple the check to the front of Form PV and enclose Form PV with your return.

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 to your advantage to file when your return is due, whether or not you are able to make full payment.

If you owe any interest, penalty or addition for the underpayment of estimated tax, add those amounts to the tax you owe and enter the total amount in line 40.

What Are Interest and Penalties?

Interest: If you fail to pay the tax when due, interest will be charged. For an explanation of how interest is compounded in Massachusetts, see TIR 92-6 or call the Customer Service Bureau at (617) 887-MDOR or toll-free, within Massachusetts at 1-800-392-6089.

Penalty for Late Payment: The penalty for late payment is ½% per month (or fraction thereof) of the tax due, 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% per month (or fraction thereof) of the tax due, 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”) Check: If your check is not honored by your bank because of insufficient funds or any other reason, a penalty may be added equal to 2% of the amount of the check or \$10, whichever is greater (but no more than the amount of the check).

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 2000 tax due after credits and withholding is greater than \$200. The 80% requirement is reduced to 66% 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 40. You do not have to complete Form M-2210 if the balance due with your return is \$200 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, 2001;
- you were a Massachusetts resident and were not liable for 1999 taxes (where the taxable year was 12 months); or
- the sum of your estimated payments and withholding equals or exceeds your 1999 total tax due (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 “EX” under line 40 on Form 1 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
- you retired after reaching age 62 or became disabled during 1999 or 2000 and the underpayment was due to reasonable cause and not willful neglect.

If you think you qualify for one of these waivers, please enclose Form M-2210 and an explanatory statement with your return and fill in the oval marked “EX” under line 40. 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 www.massdor.com or at any Massachusetts Department of Revenue location.

Penalty for Failure to Report Federal Change: If the U.S. Internal Revenue Service changes your income for a prior year (generally through audit), file a Massachusetts Form CA-6, Application for Abatement/Amended Return together with any required schedules or additional payments within one year of the final federal determination, to avoid this penalty. This penalty is equal to 10% of the additional tax due or \$100, whichever is smaller. If the change indicates a refund, file Form CA-6 within one year, including acceptance of an amended federal return by the Internal Revenue Service.

Sign Here

Now that you have completed Form 1, sign your name. Your spouse must also sign if this is a joint return. Write the date you signed the return.

Attach to your Form 1, with a single staple, all state copies of your Forms W-2, W-2G and any Forms 1099 which included Massachusetts withholding. If making a payment, be sure to staple your check or money order to the front of Form PV and enclose Form PV with your Form 1. Form PV is attached to the back of the “Payment Due” envelope found in this booklet. Make your 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, enclose all required Massachusetts forms and schedules. Please enclose schedules and forms first, followed by Massachusetts Form M-2210, then Massachusetts Form M-4868, if applicable. Do not staple your forms together.

Paid Preparer Must Sign Your Return

Generally, anyone you pay to prepare your return must sign it by hand in the space provided. Signature stamps or labels cannot be used. 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 the Massachusetts Department of Revenue (DOR) to discuss your 2000 tax return with the paid preparer who signed it, fill in the “Yes” oval in the signature area of the return. 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 2001 tax return. This is April 16, 2002 for most people.

Mailing

If you are expecting a refund or if you have no tax due, use the blue envelope that came with this booklet. If you do not have one, mail Form 1 to:

Massachusetts Department of Revenue
PO Box 7000
Boston, MA 02204-7000

If you have a tax due, use the green envelope that came with this booklet. If you do not have one, mail Form 1 to:

Massachusetts Department of Revenue
PO Box 7003
Boston, MA 02204-7003

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. Do not cut or separate schedules.

Schedule X

Other Income

Be sure to enclose with Form 1.

1 Alimony Received

Enter in Schedule X, line 1 the total amount of all periodic payments 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, line 11. Payments specified as child support are not taxable. You must enter in the space provided the payer's Social Security number.

2 Taxable IRA/Keogh and Roth IRA Distributions

Complete the Schedule X, line 2 worksheet on the next page to calculate the taxable portion of any amount you received as an Individual Retirement Account (IRA), Keogh or Roth IRA distribution. 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.

Massachusetts generally adopts the federal conversion rules for partial or complete rollovers from existing IRAs to Roth IRAs. Generally, the rollover amount is treated as a distribution and included in federal gross income to the extent it is attributable to investment growth or previously deducted contributions. In 1998 a special four-tax year averaging rule applied at the election of the taxpayer on their U.S. return, whereby the taxable portion of the 1998 rollover amount was included in gross income evenly over four taxable years beginning in 1998. This election applies for Massachusetts purposes; however, only the portion previously not subject to Massachusetts taxation will be included in Massachusetts gross income evenly over four tax years. When completing the worksheet, taxpayers who elected the special four-tax-year averaging rule should include on line 9 the third installment of the taxable 1998 rollover amount. See TIR 98-8, *Massachusetts 1998 Reducing Income Taxes Act*, for further details.

If you have Roth IRA distributions during the four-year-spread that are treated federally as an accelerated income inclusion (i.e., a greater proportion of the income is included in an earlier tax year), you must also treat the distribution as an accelerated income inclusion for Massachusetts purposes.

Example: *Federally, you have \$800 of gross income from a 1998 Roth IRA conversion that is included evenly (\$200 each tax year) over four tax years. For Massachusetts purposes, you will include \$400 of gross income (\$100 each tax year), because \$400 of the 1998 Roth IRA conversion was attributed to contributions previously subject to Massachusetts taxation. In 1999 you received additional Roth IRA distributions that for federal tax purposes resulted in an accelerated income inclusion. For federal purposes the remaining three tax years will include \$300 in 1999, \$200 in 2000 and \$100 in 2001. For Massachusetts purposes, the remaining tax years will include \$150 in 1999, \$100 in 2000 and \$50 in 2001. In this example, the taxpayer would enter the \$100 taxable amount for tax year 2000 in line 9 of the worksheet on the next page.*

Schedule X, Line 2 Worksheet — Taxable IRA/Keogh Plan and Roth IRA Conversion Distributions

If completing the worksheet to report conventional IRA/Keogh distributions or Roth IRA conversion distributions, complete lines 1 through 5, omit lines 6 through 9 and complete line 10.

If completing the worksheet to report Roth IRA conversion distributions if four-year tax averaging was elected on your 1998 U.S. tax return, omit lines 1 through 5 and complete lines 6 through 10.

Note: If during 2000 you received a distribution from a Roth IRA that was treated as an accelerated income inclusion for federal tax purposes, you must also treat the distribution as an accelerated income inclusion for Massachusetts purposes. See the example in the instructions for further details.

If completing the worksheet to report conventional IRA/Keogh distributions, Roth IRA conversion distributions occurring in 2000 and Roth IRA conversion distributions if four-year tax averaging was elected on your 1998 U.S. tax return, complete lines 1 through 10.

Roth IRA distributions are taxable in Massachusetts to the extent they are federally taxable. Report taxable 2000 Roth IRA distributions on line 10.

Line 1. Total IRA/Keogh plan distributions, Roth IRA conversion distributions received during 2000.

Line 2. Total contributions previously taxed by Massachusetts

Line 3. Total distributions received in previous years

Line 4. Subtract line 3 from line 2. If line 3 is larger than line 2, enter "0"

Line 5. Taxable IRA/Keogh distributions. Subtract line 4 from line 1 and enter the result here. Not less than "0"

Note: Taxpayers who elected on their 1998 U.S. return four-tax-year averaging for 1998 Roth IRA conversion distributions must complete lines 6–9 to report the third installment for tax year 2000.

Line 6. Total 1998 Roth IRA conversion distributions if four-year tax averaging elected on 1998 U.S. tax return received during 1998

Line 7. Amount of contributions in line 6 that were previously taxed by Massachusetts

Line 8. Subtract line 7 from line 6. Not less than "0"

Line 9. 2000 taxable Roth IRA conversion distributions if four-year tax averaging elected on your 1998 U.S. tax return. Divide line 8 by 4

Line 10. Total taxable IRA/Keogh distributions, 2000 Roth IRA conversion distributions, 2000 taxable Roth IRA distributions and the third installment of four-tax year averaging of 1998 Roth IRA conversion distributions. Add line 5 and line 9 and enter the result here and in line 2 on Schedule X

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

3 Massachusetts State Lottery Winnings

Enter in Schedule X, line 3 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 are not deductible under Massachusetts law. Lottery losses claimed as itemized deductions on U.S. Form 1040, Schedule A are not allowed on your Massachusetts return.

4 Other Gambling Winnings

Enter in Schedule X, line 4 all gambling winnings from casinos, raffles, races, beano or other events of chance, wherever held, and winnings from non-Massachusetts lotteries. Do not enter less than "0." You may only deduct the price of the winning ticket. Gambling losses are not deductible under Massachusetts law. Gambling losses claimed as itemized deductions on U.S. Form 1040, Schedule A are not allowed on your Massachusetts return.

5 Fees and Other 5.85% Income

The following items should be reported on line 5 of Schedule X. 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 3 of Form 1 are 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 in a quiz program, drawing, beauty contest, etc. are taxable at fair market value. Awards and bonuses received from your employer for performance of services not part of a qualified award plan are also taxable.

► Other Massachusetts 5.85% income reported on U.S. Form 1040, line 21 and not reported elsewhere in Form 1, lines 3 through 8 or Schedule X, lines 1 through 4 must be reported in line 5 of Schedule X.

► Pre-1996 installment sales classified as ordinary income for Massachusetts purposes (from Massachusetts Schedule D, line 9) are taxed as 5.85% income and must be reported on line 5 of Schedule X.

► Embezzled or other income from illegal activities is taxable and should be reported on Schedule X, line 5.

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, 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.

6 Total

Add lines 1 through 5 and enter the total in line 6 of Schedule X and in line 9 of Form 1. Do not enter less than “0.” Be sure to enclose Schedule X with your return. Failure to do so will delay the processing of your return.

Schedule Y

Other Deductions

Be sure to enclose with Form 1.

1 Allowable Employee Business Expenses

Generally, reimbursed employee business expenses are not included in your wages or salary and therefore are not allowed as deductions. However, there are unreimbursed and certain reimbursed expenses for which you are allowed a deduction. Complete the following worksheet in order to calculate your Massachusetts employee business expense deduction. The expenses must relate to income reported in lines 3 or 9 on Form 1.

Employees may deduct the following:

- ▶ unreimbursed travel and transportation expenses including lodging and meals away from home incurred by an employee; and
- ▶ all federally deductible unreimbursed employee business expenses, if the employee is a salesperson who solicits business for an employer away from the employer’s place of business.

Unreimbursed expenses are only deductible if all of the following conditions are met:

- ▶ you itemize deductions;
- ▶ you file a joint return in Massachusetts, if you also filed a joint U.S. return; and
- ▶ your unreimbursed business expenses taken together with the other miscellaneous itemized deductions reported on U.S. Form 1040, Schedule A, lines 20, 21 and 22 exceed 2% of your federal adjusted gross income reported on U.S. Form 1040, Schedule A, line 25. See the following worksheet for Schedule Y, line 1.

If you are a qualified performing artist or a fee-basis state or local government official, do not complete the worksheet. Enter on Schedule Y, line 5 your federally deductible business expenses included on U.S. Form 1040, line 32 and fill in the appropriate oval in Schedule Y, line 5. On the dotted line next to line 5, be sure to indicate the type of deduction being taken, as identified on U.S. Form 1040, line 32. For example, qualified

performing arts-related expenses should be identified as “QPA” and employee business expenses of fee-basis state or local government officials should be identified as “FBO.” Enclose U.S. Form 2106 or 2106-EZ with your return.

Schedule Y, Line 1 — Massachusetts Employee Business Expense Deduction Worksheet

- A.** Enter the amount from U.S. Form 2106, line 10, or 2106-EZ, line 6 _____
- B.** If you are an employee other than an outside salesperson, add the amount of unreimbursed expenses included in U.S. Form 2106 or 2106-EZ, line 4 to the amount of unreimbursed meals and entertainment expenses included in U.S. Form 2106 or 2106-EZ, line 5, **except** for meals incurred while away from home. Enter the result here. _____
- C.** If you are an individual with a disability, enter the amount of impairment-related expenses included in item A and claimed on line 27 of U.S. Schedule A _____
- D.** Subtract items B and C from item A, and enter the result here. _____
- E.** Enter the amount from U.S. Schedule A, line 26 _____
- F.** Enter the smaller amount of Item D or E here and on Schedule Y, line 1. _____

Be sure to enclose U.S. Form 2106 or 2106-EZ with your return.

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 is reported on 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, line 30. Enter this amount in line 2 of Schedule Y.

3 Alimony Paid

Enter in Schedule Y, line 3 the total amount that you paid to your former spouse during 2000 for alimony or separate maintenance under court decree, or for excess alimony amounts recaptured, as reported on U.S. Form 1040, line 31a. Enter the recipient’s Social Security number in the space provided in line 3 of Schedule Y.

4 Amounts Excludible Under MGL Ch. 41, Sec. 111F or U.S. Tax Treaty Included in Form 1, Line 3.

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, sec. 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, line 3, and fill in the appropriate oval. Enclose a statement from your employer.

If you were a qualifying student, 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, line 3, and fill in the appropriate oval. Enter the country name, the income code number and the tax treaty article citation in the spaces provided. Enclose U.S. Form 1042-S.

5 Other Qualified Deductions

You may claim **only** the deductions listed below for Schedule Y, line 5. If you are entitled to claim any of the deductions in line 5, fill in the appropriate oval(s) and enter the total amount of deductions claimed in line 5.

▶ **Student Loan Interest Deduction:** Enter the amount from U.S. Form 1040, line 24 or 1040A, line 17 (not to exceed \$2,000 for tax year 2000) and fill in the appropriate oval in line 5 of Schedule Y.

▶ **Medical Savings Account (MSA) Deduction:** Enter the amount from U.S. Form 1040, line 25, enclose U.S. Form 8853 and fill in the appropriate oval in line 5 of Schedule Y.

▶ **Moving Expenses:** Enter the amount from U.S. Form 1040, line 26, enclose U.S. Form 3903 and fill in the appropriate oval in line 5 of Schedule Y.

▶ **Self-Employed Health Insurance Deduction:** Due to differences between the Internal Revenue Code as amended and in effect as of January 1, 1998 and the current year, **only 50%** of the qualified insurance payments are deductible for Massachusetts purposes for the 2000 tax year. As a result, you must complete a pro forma version of the U.S. Self-Employed Health Insurance Deduction Worksheet (U.S. Form 1040 instructions) using .50 (50%) in line 2 of the worksheet. If you used the worksheet in IRS Pub. 535, you must complete a pro forma version using .50 (50%) in line 4 of the worksheet. Enter the result here and fill in the appropriate oval in line 5 of Schedule Y.

▶ **Certain Qualified Deductions from U.S. Form 1040:** **Do not include** any amounts reported on U.S. Form 1040, lines 23 through 31a that are included in Form 1040, line 32 total. Enter **only** amounts included in U.S. Form 1040, line 32 as an adjustment, **except** amounts contributed to sec. 501(c)(18) pension plan and contributions by certain chaplains to sec. 403(b) plans. For Massachusetts purposes, contributions to sec. 501(c)(18) pension plans and contributions by certain chaplains to sec. 403(b) plans are not deductible. On the dotted line next to line 5, be sure to indicate the type of deduction being taken, as identified on U.S. Form 1040, line 32. Identify qualified performing arts-related expenses as "QPA"; 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"; the deduction for clean-fuel vehicles as "Clean-Fuel"; employee business expenses of fee-basis state or local government officials as "FBO";

and deductible expenses related to income reported on U.S. Form 1040, line 21 and Massachusetts Schedule X, line 5 from the rental of personal property engaged in for profit as "PPR." Fill in the appropriate oval in line 5 of Schedule Y.

6 Deductible Qualified Contributory Pension Income from Another State or Political Subdivision Included in Form 1, Line 4

Massachusetts allows a deduction for 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 6 of Schedule Y that was included in Form 1, line 4. Enter the name of the state or political subdivision in the space provided in line 6.

7 College Tuition Deduction

A deduction is allowed for tuition payments paid by you, for yourself or a dependent, to a qualifying two- or four-year college leading to an undergraduate or associate's degree, diploma or certificate. Tuition payments for students pursuing graduate degrees at such a college or university are not eligible for the college tuition deduction. The deduction is equal to the amount by which the tuition payments, less any scholarships, grants or financial aid received, exceeds 25% of Massachusetts adjusted gross income. Qualified tuition expenses include only those expenses designated as tuition or mandatory fees required for the enrollment or attendance of the taxpayer or any dependent of the taxpayer at an eligible educational institution. No deduction is allowed for any amount paid for room and board, books, supplies, equipment, personal living expenses, meals, lodging, travel or research, athletic fees, insurance expenses or other expenses unrelated to an individual's academic course of instruction. Complete the Massachusetts AGI Worksheet on page 19 and the Schedule Y, line 7 worksheet below to see if you may qualify for this deduction. See TIR 97-13 for more information.

Schedule Y, Line 7 Worksheet — College Tuition Deduction

- Line 1.** Enter total tuition payments paid by you, for yourself or a dependent, to a qualifying two- or four-year college in 2000 _____
- Line 2.** Enter amount of scholarships, grants or financial aid received in 2000 for amounts shown in line 1 _____
- Line 3.** Subtract line 2 from line 1. If "0" or less, you do not qualify for this deduction _____
- Line 4.** Enter amount from line 7 of Massachusetts AGI Worksheet (page 19) _____
- Line 5.** Multiply line 4 by .25 _____
- Line 6.** If line 3 is smaller than line 5, you are not eligible for this deduction. Enter "0." If line 3 is larger than line 5, subtract line 5 from line 3 and enter the result here and in line 7 on Schedule Y _____

8 Total Other Deductions

Add lines 1 through 7 and enter the total in line 8 of Schedule Y and on line 15 of Form 1. Be sure to enclose Schedule Y with your return. Failure to do so will delay the processing of your return.

Schedule Z**Other Credits**

Be sure to enclose with Form 1.

1 Part 1 Credits

► **Lead Paint:** If you incurred expenses for covering or removing lead paint on residential premises in Massachusetts, you may claim a credit for expenses up to \$1,500 for each residential unit. A seven-year carryover of any unused credits is allowed. Strict regulations govern who can remove or cover the lead paint. The basic rules are explained on Massachusetts Schedule LP, Credit for Removing or Covering Lead Paint on Residential Premises. If you qualify for the credit, complete and enclose Schedule LP and fill in the appropriate oval in Part 1.

► **Economic Opportunity Area Credit:** Massachusetts allows a credit equal to 5% of the cost of qualifying property purchased for business use within an Economic Opportunity Area (EOA). To qualify for this credit, the property must be used exclusively in a certified project in an EOA. A certified project is a project that has been approved by the Economic Assistance Coordinating Council (EACC). If you qualify for the credit, complete and enclose Schedule EOA and fill in the appropriate oval in Part 1.

► **Full Employment Credit:** Every employer who participates in the Full Employment Program and continues to employ a participant for at least one full month after any Full Employment Program subsidy for that participant has expired may claim the Full Employment Credit. A qualified employer may claim a credit equal to \$100 per month of eligible employment per participant, with a maximum credit of \$1,200 per participant. Qualified participants and employers are those who participate in the Full Employment Program under the rules of the Department of Transitional Assistance (DTA). A five-year carryover of any unused credit is allowed. If you qualify for this credit, complete and enclose Massachusetts Schedule FEC, Full Employment Credit, and fill in the appropriate oval in Part 1.

► **Septic Credit:** An owner of residential property located in Massachusetts who occupies the property as his or her principal residence is allowed a credit of a maximum of \$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, consent decree or similar mandate. The amount of the credit 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 credit is \$6,000. A five-year carryover of any unused credit is allowed. See TIRs 97-12, 98-8 and 99-5 for more information. If you qualify for this credit, complete and enclose Massachusetts Schedule SC, Septic Credit, and fill in the appropriate oval in Part 1.

► **Brownfields Credit:** Effective for tax years beginning on or after January 1, 1999, taxpayers are allowed a credit for amounts expended to rehabilitate contaminated property owned or leased for business purposes and located within an economically distressed area. In general, the credit is 25% or 50% of certain environmental response and removal costs incurred between August 1, 1998, and January 1, 2007, provided that the taxpayer commences and diligently pursues an environmental response action before August 5, 2003. The credit that may be taken in any taxable year is limited to 50% of the taxpayer's tax liability. A five-year carryforward of unused credit is allowed, provided the taxpayer continues to maintain the remedies required by law. For more information, see TIRs 99-13 and 00-9.

Enter the total amount of all credits claimed in Part 1 in Schedule Z, line 1 and complete lines 2 and 3.

2 Part 2 Credits for Residents and Part-Year Residents Only

► **Income Tax Paid to Another State:** If any of the income 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 Schedule Z, line 2 worksheet on the next page, enclose a copy of your return filed with another state or jurisdiction and fill in the appropriate oval in Part 2. 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 paid to the following jurisdictions: (a) other states in the U.S.; (b) any territory or dependency of the U.S. (including Puerto Rico, the Virgin Islands, Guam, the District of Columbia); or (c) the Dominion of Canada or any of its provinces (less any U.S. credit amount allowable from U.S. Form 1116).

The total credit which you calculate on this 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 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 5.85% 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 5.85% income in line 1. You must also substitute Schedule B, line 11 (interest and dividend income and taxable 12% capital gains) or Schedule D, line 12, columns A, B, C, D and E (gross long-term capital gains and losses), but not less than "0," for Form 1, line 10 in line 2 of the worksheet, and the total of Form 1, line 19b multiplied by .0585 (tax on interest and dividend income) and Form 1, line 21 (12% tax) or line 22 (tax on long-term capital gains) for Form 1, line 19a in line 4 of the worksheet.

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

Schedule Z, Line 2 Worksheet — Income Tax Paid to Another Jurisdiction

Note: If you have income other than from Form 1, line 10 taxed by other jurisdictions, see instructions.

Line 1. Enter the total 5.85% income included in Form 1, line 10 on which you paid taxes to another jurisdiction. _____

Line 2. Enter the total of Form 1, line 10 and the total Massachusetts bank interest or the interest exemption amount, whichever is smaller, from Form 1, line 5a or line 5b. _____

Line 3. Divide line 1 by line 2. _____

Line 4. Multiply Form 1, line 19a by .0585. _____

Line 5. Enter any Limited Income Credit from Form 1, line 25. _____

Line 6. Subtract line 5 from line 4. _____

Line 7. Multiply line 6 by line 3. _____

Line 8. Enter the total tax paid to other jurisdictions on income also reported on this return 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, line 43. Credit is only allowable for amount of tax paid. _____

Line 9. Enter the smaller of lines 7 or 8 here and on Schedule Z, line 2. _____

Be sure to enclose copies of other state's returns with Form 1.

► **Energy:** If you had 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 your principal residence in Massachusetts, you may qualify for a credit. Massachusetts does not allow a credit for expenditures on items such as: insulation, storm or thermal windows or doors, caulking, weather-stripping, heat pumps (air and water), wood burning stoves or furnaces, and costs for energy conservation. If

you qualify for the credit, complete and enclose Massachusetts Schedule EC, Residential Energy Credit, and fill in the appropriate oval in Part 2.

Enter the total amount of the credits claimed in Part 2 in Schedule Z, line 2. Then, add line 1 and line 2 and enter the result in Schedule Z, line 3 and in Form 1, line 26.

Schedule E, Part I

Note: If showing a loss, be sure to mark over the "X" in the box to the left.

Rental, Royalty and REMIC Income or Loss

1a Rental and Royalty Income or Loss

Enter total rental and royalty income or loss included in U.S. Form 1040, Schedule E, Part I, line 26 and U.S. Schedule E, Part V, line 39.

1b Real Estate Mortgage Investment Conduit (REMIC) Income or Loss

Enter total Real Estate Mortgage Investment Conduit (REMIC) residual income or loss from U.S. Schedule E, Part IV, line 38.

2 Massachusetts Differences

Enter and explain any differences between total rental, royalty and REMIC income on the U.S. return and the same type of income on your Massachusetts return. Possible differences include trust provisions, deductible royalties from approved U.S. energy conservation patents and passive losses as described below. Explain the differences in the space provided or enclose an additional sheet if necessary.

Trust Provisions

Enter any rental, royalty or REMIC income or loss shown on your U.S. return that is taxed on a Massachusetts Fiduciary Return, Form 2.

Deductible Royalties from U.S. Energy Conservation Patents

Enter any income you received from certain U.S. patents that are approved by the Massachusetts Division of Energy Resources as being useful for energy conservation or for alternative energy development. Request approval from the Division of Energy Resources, Attention: General Counsel, 70 Franklin Street, 7th Floor, Boston, MA 02110, or call (617) 727-4732. Enclose evidence of such approval with your tax return. If such approved patent income is other than royalty income, use the applicable schedule and explain.

Passive Losses

As a result of differences in U.S. and Massachusetts rules in 1987, the calculations you made for passive losses on your

1987 U.S. and Massachusetts returns may have differed. Differences in amounts reported in 1987 for U.S. and Massachusetts tax purposes should be adjusted when the property is disposed of or the deduction is used up. In addition, passive losses allowed for Massachusetts tax purposes in 1987, but carried over for U.S. tax purposes, cannot be used again for Massachusetts tax purposes when such carryover losses are eventually allowed for U.S. tax purposes.

To the extent there are applicable adjustments for Massachusetts differences, taxpayers must calculate allowable losses on a pro forma U.S. Form 8582, Passive Activity Loss Limitations.

For more information, see the *Guide to Filing Your 2000 Massachusetts Income Taxes*.

4 Abandoned Building Renovation Deduction

In line 4 enter 10% of the costs of renovating a qualifying abandoned building in an Economic Opportunity Area. Enclose a statement detailing the location and cost of renovating the qualifying abandoned building. For further information, contact the Massachusetts Office of Business Development, 10 Park Plaza, Suite 3720, Boston, MA 02116, or call (617) 973-8600.

5 Total Rental, Royalty and REMIC Income or Loss for Massachusetts

Subtract line 4 from line 3. Remember to subtract losses when calculating the total. This figure should be added to any amount(s) in Schedule E, Part II, line 8 and/or Part III, line 11 and the total entered on Form 1, line 7.

Schedule E, Part II

Note: If showing a loss, be sure to mark over the "X" in the box to the left.

Income or Loss From Partnerships and S Corporations

1 Partnership and S Corporation Income or Loss

Enter your total partnership and S corporation income or loss from your U.S. Form 1040, Schedule E, Part II, line 31.

2 Massachusetts Differences

Enter and explain any differences between total partnership and S corporation income on the U.S. return and the same type of income on your Massachusetts return. Explain the differences in the space provided or enclose an additional sheet if necessary. Refer back to Schedule E, Part I, line 2 instructions for further guidance. If you use information from Massachusetts Schedule 3K-1 and/or SK-1, take care not to duplicate adjustments already made for differences in U.S. and Massachusetts tax treatments.

4 Abandoned Building Renovation Deduction

In line 4 enter 10% of the costs of renovating a qualifying abandoned building in an Economic Opportunity Area. For further information, refer to the instructions for Schedule E, Part I, line 4.

6 Interest (Other Than from Massachusetts Banks) and Dividends

Enter interest (other than from Massachusetts banks) and dividends from trade or business activity(ies) if included in line 5 from partnerships and S corporations. This income must be reported in Massachusetts Schedule B, line 3. This information should be provided by the S corporation or partnership.

7 Interest from Massachusetts Banks

Enter interest from Massachusetts banks from trade or business activity(ies) if included in line 5. This income must be reported on Form 1, line 5a. This information should be provided by the S corporation or partnership.

8 Total Income or Loss from Partnerships and S Corporations

Subtract the total of lines 6 and 7 from line 5. Remember to subtract losses when calculating the total. This figure should be added to any amount(s) in Schedule E, Part I, line 5 and/or Part III, line 11 and the total entered on Form 1, line 7.

Schedule E, Part III

Note: If showing a loss, be sure to mark over the "X" in the box to the left.

Income or Loss From Grantor-Type Trusts and Non-Massachusetts Estates and Trusts

1 Estate and Trust Income or Loss

Enter your total estate and trust income or loss from your U.S. Schedule E, Part III, line 36.

2 Massachusetts Differences

Enter and explain any differences between estate and trust income or loss on the U.S. return and the same type of income on your Massachusetts return. Explain the differences in the space provided or enclose an additional sheet if necessary. See explanation in Schedule E, Part I, line 2.

4 Abandoned Building Renovation Deduction

In line 4 enter 10% of the costs of renovating a qualifying abandoned building in an Economic Opportunity Area. For further information, refer to the instructions for Schedule E, Part I, line 4.

6 Estate or Nongrantor-Type Trust Income

Enter estate or nongrantor-type trust income taxed directly on your Massachusetts Fiduciary Return, Form 2, if included in line 5. If you do not know this amount, check either your U.S. Schedule K-1 or contact your trustee or other fiduciary.

8 Interest (Other Than from Massachusetts Banks) and Dividends

Enter interest (other than from Massachusetts banks) and dividends if included in line 7 and enter on Massachusetts Schedule B, line 3.

9 Adjustment of 5.85% Income

Enter the total of interest from Massachusetts banks if included in line 7. This income must be reported on Form 1, line 5a. Enter the total of pension and annuity income if included in line 7. This income must be reported on Form 1, line 4.

11 Income or Loss from Grantor-Type and Non-Massachusetts Estates and Trusts

Subtract line 10 from line 7. Remember to subtract losses when calculating the total. This figure should be added to any amount(s) in Schedule E, Part I, line 5 and/or Part II, line 8 and the total entered on Form 1, line 7.

Schedule B

Note: If showing a loss, be sure to mark over the "X" in the box to the left.

Interest, Dividends and Certain Capital Gains and Losses

You must file Massachusetts Schedule B if you had:

- ▶ dividend income in excess of \$400;
- ▶ any interest income other than from Massachusetts banks taxed at 5.85%;
- ▶ 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 Internal Revenue Code section 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.

▶ You need not file Massachusetts Schedule B if all interest income you had was from Massachusetts banks (reportable in Form 1, line 5a), and your gross dividend income was \$400 or less (dividend income of \$400 or less is reportable on Form 1, line 19b), 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.

▶ You must complete Massachusetts Schedule B if your interest or dividend income includes: dividends taxed directly to trusts or estates on a Massachusetts Fiduciary Return, Form 2; distributions that are returns of capital; or exempt portions of any interest or dividends from a mutual fund or dividends from current earnings of a corporate trust that are taxed directly on a Massachusetts Corporate Trust Return, Form 3F.

▶ You need not complete Schedule B, Part 2 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 7 instructions).

Part 1. Interest and Dividend Income**1 Total Interest Income**

Enter your total interest income from your U.S. Form 1040 or 1040A, lines 8a and 8b, U.S. Form 1040EZ, line 2, or U.S. Telephone Tax Record, item C.

2 Total Ordinary Dividends

Enter your total ordinary dividends from your U.S. Schedule B, Part II, line 6 (Form 1040) or U.S. Schedule 1, Part II, line 6 (Form 1040A). If you did not file U.S. Schedule B or U.S. Schedule 1, enter the amount from U.S. Form 1040 or 1040A, line 9.

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 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 divi-

dends 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 the 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 line 1 or line 2. See line 6.

Lines 5 and 6

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

5 Total Interest from Massachusetts Banks

Enter the total interest included in Form 1, line 5a (prior to the exemption amount being subtracted) only if it has been included in lines 1 or 3 of this schedule.

6 Other Interest and Dividends to Be Excluded

Enter the total interest and dividends from the following sources (enclose an additional statement, if necessary):

- ▶ 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 dividends from current earnings of a corporate trust only if such entity is taxed directly on a Massachusetts Corporate Trust Return, Massachusetts Form 3F; or
- ▶ Any interest on pre-retirement distributions from state and municipal contributory pension plans.

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 investment trusts (both as defined under the U.S. Internal Revenue Code, Sections 851 and 856); holding companies (as defined in Massachusetts General Laws, Chapter 62, section 8); or those which derive less than 10% of their income from business activities or transactions in Massachusetts.

7 Subtotal Interest and Dividend Income

Subtract the total of lines 5 and 6 from line 4. 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 8–23. Enter the amount from line 7 in line 24 of Schedule B and on Form 1, line 19b, and omit lines 25 and 26 of Schedule B. Otherwise, complete Parts 2 and 3.

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 8, 9, 10, 14 and 15, be sure to enter the Massachusetts amount and enclose a statement that includes the line number and an explanation of the differences. Possible differences include:

- ▶ 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 or the *Guide to Filing Your 2000 Massachusetts Income Taxes*.

8 Short-Term Capital Gains

Enter the gross short-term capital gains included in U.S. Schedule D, lines 1, 2, 4 and 5, column (f).

9 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 11, columns A, B, C, D and E.

10 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. Be sure to enclose U.S. Form 4797 with your return.

12 Allowable Deductions From Your Trade or Business

Enter the amount from Massachusetts Schedule C-2, line 10 if you qualify for an excess trade or business deduction. Generally, taxpayers may not use excess 5.85% 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 5.85% deductions must be adjusted gross income deductions allowed under MGL Ch. 62, sec. 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, sec. 469(d)(1)(B) to offset losses from passive activities. Enclose Schedule C-2 with your return.

14 Short-Term Capital Losses

Enter the gross short-term capital losses included in U.S. Schedule D, lines 1, 2, 4 and 5, column (f).

15 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. Be sure to enclose U.S. Form 4797 with your return.

16 Prior Years Short-Term Unused Losses

You may use short-term losses accumulated in the previous taxable years beginning after 1981 in the computation of short-term gain or loss for the current year. Enter here the amount from your 1999 Massachusetts Schedule B, line 28.

17 Subtotal Interest and Dividends and Certain Capital Gains and Losses

Combine lines 13, 14, 15 and 16. If Schedule B, line 17 is a loss and all amounts in Schedule D, line 14, columns A, B, C, D or E are "0" or less, omit lines 18-23, enter "0" in lines 24 and 25, enter the amount from line 17 on line 26 (Schedule B, page 2) and enter "0" on Form 1, lines 19b and 21. If line 17 is a positive

amount and any amount in Schedule D, line 14, columns A, B, C, D or E is greater than "0," omit line 18 and enter the amount from line 17 in line 19. Otherwise, go to line 18.

18 Capital Losses Applied Against Interest, Dividends and/or Capital Gains

If Schedule B, line 17 is a loss and any amount in Schedule D, line 14, columns A, B, C, D or E is a positive amount, complete the Short-Term Capital Losses Applied Against Long-Term Capital Gains Worksheet for Schedule B, Line 18 and Schedule D, Line 15 on page 33. When completing the worksheet, be sure to enter all losses as a positive amount.

If Schedule B, line 17 is a positive amount and any amount in Schedule D, line 14, columns A, B, C, D or E is a loss, complete the Long-Term Capital Losses Applied Against Interest, Dividends and Short-Term Capital Gains Worksheet for Schedule B, Line 18 and Schedule D, Line 15 on page 33. When completing the worksheet, be sure to enter all losses as a positive amount.

19 Subtotal Interest and Dividends and Certain Capital Gains and Losses

If line 17 is greater than "0," subtract line 18 from line 17. If line 17 is less than "0," combine lines 17 and 18. If line 19 is a loss, omit lines 20 through 25, enter the amount from line 19 in line 26 and enter "0" on Form 1, lines 19b and 21. Otherwise, continue completing Schedule B.

20 Long-Term Gain Deduction

Complete only if lines 9 and 19 are greater than "0." If there is no entry in line 9, enter "0." If line 9 shows a gain, enter 50% of line 9 less 50% of losses in lines 14, 15, 16 and 18, but not less than "0."

Example: Jack has a long-term capital gain on collectibles of \$1,000 entered in line 9 and line 13. He does not have any other interest income (other than interest from Massachusetts banks) and dividend income. Jack also has a short-term capital loss of \$100 entered in line 14 and a prior year short-term unused loss of \$200 entered in line 16. Jack enters \$350 in line 20: $\$500$ (50% of \$1,000) minus \$150 (50% of \$300) = \$350.

Part 3. Taxable Interest, Dividends and Certain Capital Gains**21 Adjusted Gross Interest, Dividends and Certain Capital Gains**

Subtract line 20 from line 19. Not less than "0."

22 Excess Exemptions

Enter the amount from item E of the Excess Exemption Worksheet on pages 17-18. Complete only if single, head of household or married filing jointly and Form 1, line 18 is greater than Form 1, line 17.

24 Interest and Dividends Taxable at 5.85%

If line 23 is greater than or equal to line 7, enter the amount from line 7 here and on Form 1, line 19b. If line 23 is less than line 7, enter the amount from line 23 here and on Form 1, line 19b.

25 Taxable 12% Capital Gains

Subtract line 24 from line 23. Not less than '0.' Enter the result here and on Form 1, line 21a.

26 Available Short-Term Losses for Carryover in 2001

Enter the amount from line 19 (Schedule B, page 1), only if it is a loss. If line 19 is not completed, enter the amount from line 17, only if it is a loss.

Note: Before completing the Short-Term Capital Losses Applied Against Long-Term Capital Gains Worksheet for Schedule B, Line 18 and Schedule D, Line 15, or the Long-Term Capital Losses Applied Against Interest, Dividends and Short-Term Capital Gains Worksheet for Schedule B, Line 18 and Schedule D, Line 15, you must have completed Schedule B, line 17 and Schedule D, line 14.

If you need additional information on how to net capital gains against capital losses, visit DOR's website at www.massdor.com.

Short-Term Capital Losses Applied Against Long-Term Capital Gains Worksheet for Schedule B, Line 18 and Schedule D, Line 15. Complete only if Schedule B, line 17 is a loss and any amount in Schedule D, line 14, column A, B, C, D or E is a positive amount. Enter all losses as positive amounts.

- A.** Enter amount from Schedule B, line 17 as a positive amount. _____
- B.** Enter any gain from Schedule D, line 14, column A. Otherwise, enter "0". _____
- C.** If item A is smaller than or equal to item B, enter item A here and in Schedule D, line 15, column A. If item A is larger than item B, enter item B here and in Schedule D, line 15, column A. _____
- D.** Subtract item C from item A. Enter result here. If "0," omit items E through O and complete item P. Otherwise, complete items E through G. _____
- E.** Enter any gain from Schedule D, line 14, column B. Otherwise, enter "0". _____
- F.** If item D is smaller than or equal to item E, enter item D here and in Schedule D, line 15, column B. If item D is larger than item E, enter item E here and in Schedule D, line 15, column B. _____
- G.** Subtract item F from item D. Enter result here. If "0," omit items H through O and complete item P. Otherwise, complete items H through J. _____
- H.** Enter any gain from Schedule D, line 14, column C. Otherwise, enter "0". _____
- I.** If item G is smaller than or equal to item H, enter item G here and in Schedule D, line 15, column C. If item G is larger than item H, enter item H here and in Schedule D, line 15, column C. _____

Worksheet continues in next column ...

... Continued from previous column

- J.** Subtract item I from item G. Enter result here. If "0," omit items K through O and complete item P. Otherwise, complete items K through M. _____
- K.** Enter any gain from Schedule D, line 14, column D. Otherwise, enter "0". _____
- L.** If item J is smaller than or equal to item K, enter item J here and in Schedule D, line 15, column D. If item J is larger than item K, enter item K here and in Schedule D, line 15, column D. _____
- M.** Subtract item L from item J. Enter result here. If "0," omit items N and O and complete item P. Otherwise, complete items N through P. _____
- N.** Enter any gain from Schedule D, line 14, column E. Otherwise, enter "0". _____
- O.** If item M is smaller than or equal to item N, enter item M here and in Schedule D, line 15, column E. If item M is larger than item N, enter item N here and in Schedule D, line 15, column E. _____
- P.** Add items C, F, I, L and O. Enter the result here and in Schedule B, line 18. _____

Long-Term Capital Losses Applied Against Interest, Dividends and Short-Term Capital Gains Worksheet for Schedule B, Line 18 and Schedule D, Line 15. Complete only if Schedule B, line 17 is a positive amount and any amount in Schedule D, line 14, column A, B, C, D or E is a loss. Enter all losses as a positive amount.

- A.** Enter amount from Schedule B, line 17. _____
- B.** Enter any loss from Schedule D, line 14, column A as a positive amount. Otherwise, enter "0". _____
- C.** If item A is smaller than or equal to item B, enter item A here and in Schedule D, line 15, column A. If item A is larger than item B, enter item B here and in Schedule D, line 15, column A. _____
- D.** Subtract item C from item A. Enter result here. If "0," omit items E through O and complete item P. Otherwise, complete items E through G. _____
- E.** Enter any loss from Schedule D, line 14, column B as a positive amount. Otherwise, enter "0". _____
- F.** If item D is smaller than or equal to item E, enter item D here and in Schedule D, line 15, column B. If item D is larger than item E, enter item E here and in Schedule D, line 15, column B. _____
- G.** Subtract item F from item D. Enter result here. If "0," omit items H through O and complete item P. Otherwise, complete items H through J. _____
- H.** Enter any loss from Schedule D, line 14, column C as a positive amount. Otherwise, enter "0". _____
- I.** If item G is smaller than or equal to item H, enter item G here and in Schedule D, line 15, column C. If item G is larger than item H, enter item H here and in Schedule D, line 15, column C. _____
- J.** Subtract item I from item G. Enter result here. If "0," omit items K through O and complete item P. Otherwise, complete items K through M. _____
- K.** Enter any loss from Schedule D, line 14, column D as a positive amount. Otherwise, enter "0". _____

Worksheet continues on next page ...

... Continued from previous page

- L.** If item J is smaller than or equal to item K, enter item J here and in Schedule D, line 15, column D. If item J is larger than item K, enter item K here and in Schedule D, line 15, column D.
- M.** Subtract item L from item J. Enter result here. If "0," omit items N and O and complete item P. Otherwise, complete items N through P.
- N.** Enter any loss from Schedule D, line 14, column E as a positive amount. Otherwise, enter "0".
- O.** If item M is smaller than or equal to item N, enter item M here and in Schedule D, line 15, column E. If item M is larger than item N, enter item N here and in Schedule D, line 15, column E.
- P.** Add items C, F, I, L and O. Enter the result here and in Schedule B, line 18.

Schedule D

Note: If showing a loss, be sure to mark over the "X" in the box to the left.

Long-Term Capital Gains and Losses Excluding Collectibles

You must complete Massachusetts Schedule D if you had long-term and short-term gains or losses 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 if you had capital gain distributions. If you did not file U.S. Schedule D but are reporting capital gain distributions on U.S. Form 1040, line 13 or 1040A, line 10, you must complete Massachusetts Schedule D (see line 5 instructions). Include gains from all property, wherever located. Long-term capital gains are gains on the sale or exchange of capital assets that have been held for more than one year on the date of the 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 the sale or exchange. Holding periods will be deemed not to have begun prior to January 1, 1995.

For tax year 2000 the applicable tax rates are 5% if the capital asset was held for more than one year but not more than two years (column A), 4% if the capital asset was held more than two years but not more than three years (column B), 3% if the capital asset was held more than three years but not more than four years (column C), 2% if the capital asset was held more than four years but not more than five years (column D), and 1% if the capital asset was held more than five years (column E).

The new law defines "capital gain income" as gain from the sale or exchange of a capital asset. The definition of "capital asset" has been expanded to include: (1) an asset which is a capital asset under IRC sec. 1221, or (2) property that is used in a trade

or business within the meaning of IRC sec. 1231(b) without regard to the holding period as defined in said sec. 1231(b).

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

- ▶ 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 or the *Guide to Filing Your 2000 Massachusetts Income Taxes*.

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 3 should be reported on Massachusetts Schedule D, line 11 ("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 9. Enclose a statement with Massachusetts Schedule D identifying such amount in line 11 as "2000 gain from pre-1996 installment sale."

Gains from pre-1996 installment sales classified as ordinary income and that are included on Massachusetts Schedule D, line 3 should be reported on Massachusetts Schedule D, line 9 ("Differences"). The amount of such gain classified as ordinary income should then be reported on Form 1, line 9 ("Other income") and included on Schedule X, line 5 and identified as "2000 gain from pre-1996 installment sale."

If you wish to report a sale on your Massachusetts return as an installment sale, you must apply in writing to the Department of Revenue's Installment Sales Unit. 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.

Note: Complete Schedule D, lines 1–20, columns A, B, C, D or E (Schedule D, pages 1–3) before completing Schedule D, lines 21 and 22 (Schedule D, page 4). Also, be sure to enclose pages 1–4 of Schedule D with Form 1.

1 Long-Term Capital Gains and Losses

Enter in column A the gain or loss included in U.S. Schedule D, line 8, column f, from the sale or exchange of assets held more than one year but not more than two years. Enter in column B the gain or loss included in U.S. Schedule D, line 8, column f, from the sale or exchange of assets held more than two years but not more than three years. Enter in column C (Schedule D, page 2) the gain or loss included in U.S. Schedule D, line 8, column f, from the sale or exchange of assets held more than three years but not more than four years. Enter in column D (Schedule D, page 2) the gain or loss included in U.S. Schedule D, line 8, column f, from the sale or exchange of assets held more than four years but not more than five years. Enter in column E (Schedule D, page 3) the gain or loss included in U.S. Schedule D, line 8, column f, from the sale or exchange of assets held more than five years.

2 Additional Long-Term Capital Gains and Losses

Enter in column A the gain or loss included in U.S. Schedule D, line 9, column f, from the sale or exchange of assets held more than one year but not more than two years. Enter in column B the gain or loss included in U.S. Schedule D, line 9, column f, from the sale or exchange of assets held more than two years but not more than three years. Enter in column C (Schedule D, page 2) the gain or loss included in U.S. Schedule D, line 9, column f, from the sale or exchange of assets held more than three years but not more than four years. Enter in column D (Schedule D, page 2) the gain or loss included in U.S. Schedule D, line 9, column f, from the sale or exchange of assets held more than four years but not more than five years. Enter in column E (Schedule D, page 3) the gain or loss included in U.S. Schedule D, line 9, column f, from the sale or exchange of assets held more than five years.

3 Gain from Sales of Business Property and Other Long-Term Gains and Losses

Enter in column A the gain or loss included in U.S. Schedule D, line 11, column f, from the sale or exchange of assets held more than one year but not more than two years. Enter in column B the gain or loss included in U.S. Schedule D, line 11, column f, from the sale or exchange of assets held more than two years but not more than three years. Enter in column C (Schedule D, page 2) the gain or loss included in U.S. Schedule D, line 11, column f, from the sale or exchange of assets held more than three years but not more than four years. Enter in column D (Schedule D, page 2) the gain or loss included in

U.S. Schedule D, line 11, column f, from the sale or exchange of assets held more than four years but not more than five years. Enter in column E (Schedule D, page 3) the gain or loss included in U.S. Schedule D, line 11, column f, from the sale or exchange of assets held more than five years.

4 Net Long-Term Gain or Loss from Partnerships, S Corporations, Estates and Trusts

If a partnership, S corporation, estate or trust does not report capital gains in a manner that allows you to determine the amounts attributable to assets held more than two years, report the amount in column A.

Enter in column A the gain or loss included in U.S. Schedule D, line 12, column f, from the sale or exchange of assets held more than one year but not more than two years. Enter in column B the gain or loss included in U.S. Schedule D, line 12, column f, from the sale or exchange of assets held more than two years but not more than three years. Enter in column C (Schedule D, page 2) the gain or loss included in U.S. Schedule D, line 12, column f, from the sale or exchange of assets held more than three years but not more than four years. Enter in column D (Schedule D, page 2) the gain or loss included in U.S. Schedule D, line 12, column f, from the sale or exchange of assets held more than four years but not more than five years. Enter in column E (Schedule D, page 3) the gain or loss included in U.S. Schedule D, line 12, column f, from the sale or exchange of assets held more than five years.

5 Capital Gain Distributions

If a mutual fund or real estate investment trust does not report capital gain distributions in a manner that allows you to determine the amounts attributable to assets held more than two years, report the amount in column A.

If you did not file U.S. Schedule D, enter in column A 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, line 13 or 1040A, line 10, from the sale or exchange of assets held more than one year but not more than two years. Enter in column B 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, line 13 or 1040A, line 10, from the sale or exchange of assets held more than two years but not more than three years. Enter in column C (Schedule D, page 2) 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, line 13 or 1040A, line 10, from the sale or exchange of assets held more than three years but not more than four years. Enter in column D (Schedule D, page 2) 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, line 13 or 1040A, line 10, from the sale or exchange

of assets held more than four years but not more than five years. Enter in column E (Schedule D, page 3) 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, line 13 or 1040A, line 10, from the sale or exchange of assets held more than five years.

If you did file a U.S. Schedule D, enter in column A 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 f, from the sale or exchange of assets held more than one year but not more than two years. Enter in column B 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 f, from the sale or exchange of assets held more than two years but not more than three years. Enter in column C (Schedule D, page 2) 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 f, from the sale or exchange of assets held more than three years but not more than four years. Enter in column D (Schedule D, page 2) 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 f, from the sale or exchange of assets held more than four years but not more than five years. Enter in column E (Schedule D, page 3) the capital gain distributions reported to you by a mutual fund or real estate investment trust included in the amount from U.S. Schedule D, line 13, column f, from the sale or exchange of assets held more than five years.

6 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 1–5 above). These include ordinary gains from the sale of Section 1231 property, recapture amounts under Sections 1245, 1250 and 1255, Section 1244 losses and the loss on the sale, exchange or involuntary conversion of property used in a trade or business.

Enter in column A the gain or loss included in U.S. Form 4797, Part II, from the sale or exchange of assets held more than one year but not more than two years. Enter in column B the gain or loss included in U.S. Form 4797, Part II, from the sale or exchange of assets held more than two years but not more than three years. Enter in column C (Schedule D, page 2) the gain or loss included in U.S. Form 4797, Part II, from the sale or exchange of assets held more than three years but not more than four years. Enter in column D (Schedule D, page 2) the gain or loss included in U.S. Form 4797, Part II, from the sale or exchange of assets held more than four years but not more than five years. Enter in Column E (Schedule D, page 3) the gain or

loss included in U.S. Form 4797, Part II, from the sale or exchange of assets held more than five years.

7 Carryover Losses from Previous Years

If you have a carryover loss from a prior year, enter in the applicable column in line 7 the amount of carryover losses from your 1999 Schedule D, line 25, columns A, B, C and D. This line is not applicable for column E.

8 Subtotal Long-Term Capital Gains and Losses

Combine lines 1 through 7, column A and enter the result in line 8, column A. Combine lines 1 through 7, column B and enter the result in line 8, column B. Combine lines 1 through 7, column C (Schedule D, page 2) and enter the result in line 8, column C. Combine lines 1 through 7, column D (Schedule D, page 2) and enter the result in line 8, column D. Combine lines 1 through 6, column E (Schedule D, page 3) and enter the result in line 8, column E.

9 Differences

Enter any differences between the gains or losses reportable for Massachusetts tax purposes and the U.S. gains or losses reported in Massachusetts Schedule D, lines 1–7, columns A, B, C, D and E. Differences include:

- ▶ Net gains or losses taxed to a Massachusetts estate or trust. Enter in line 9 only gains or losses of a Massachusetts estate or trust that are taxed directly on the Massachusetts Fiduciary Return, Form 2, if you are the beneficiary and if you included the amounts on Schedule D, line 4;

Note: Do not enter gains or losses from any grantor-type trust or from an estate or trust that is not subject to taxation in Massachusetts.

- ▶ Pre-1996 installment sales classified as ordinary income for Massachusetts purposes;

- ▶ 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.

Entries in line 9 must be clearly explained in an enclosed statement.

10 Adjusted Capital Gains and Losses

Exclude/subtract line 9, column A from line 8, column A and enter the result in line 10, column A. Exclude/subtract line 9, column B from line 8, column B and enter the result in line 10, column B. Exclude/subtract line 9, column C (Schedule D, page 2) from line 8, column C and enter the result in line 10, column C. Exclude/subtract line 9, column D (Schedule D, page 2) from

line 8, column D and enter the result in line 10, column D. Exclude/subtract line 9, column E (Schedule D, page 3) from line 8, column E and enter the result in line 10, column E.

► If line 9 in any column is a loss, add loss as a positive number to the amount recorded in line 8 of that column. See the following examples:

Sch. D	Example A		Example B	
Line	col. A	col. B	col. A	col. B
8	\$1,000	\$1,000	\$700*	\$700*
9	500	300*	500	500*
10	500	1,300	1,200*	200*

*denotes loss

► If in line 9 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 9 to the amount in line 8.

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

Enter in line 11, column A the amount of long-term gains on collectibles and pre-1996 installment sales classified as capital gain income for Massachusetts purposes that are included in line 10, column A. Enter in line 11, column B the amount of long-term gains on collectibles and pre-1996 installment sales classified as capital gain income for Massachusetts purposes that are included in line 10, column B. Enter in line 11, column C (Schedule D, page 2) the amount of long-term gains on collectibles and pre-1996 installment sales classified as capital gain income for Massachusetts purposes that are included in line 10, column C. Enter in line 11, column D (Schedule D, page 2) the amount of long-term capital gains on collectibles and pre-1996 installment sales classified as capital gain income for Massachusetts purposes that are included in line 10, column D. Enter in line 11, column E (Schedule D, page 3) the amount of long-term capital gains on collectibles and pre-1996 installment sales classified as capital gain income for Massachusetts purposes that are included in line 10, column E.

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 the total of columns A, B, C, D and E should be entered on Schedule B, line 9.

Collectibles are defined as any capital asset that is a collectible within the meaning of Internal Revenue Code section 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.

12 Subtotal

Subtract line 11, column A from line 10, column A and enter the result in line 12, column A. Subtract line 11, column B from line 10, column B and enter the result in line 12, column B. Subtract line 11, column C (Schedule D, page 2) from line 10, column C and enter the result in line 12, column C. Subtract line 11, column D (Schedule D, page 2) from line 10, column D and enter the result in line 12, column D. Subtract line 11, column E (Schedule D, page 3) from line 10, column E and enter the result in line 12, column E.

If any amount in Schedule D, line 12, columns A, B, C, D or E is a gain and any amount in Schedule D, line 12, columns A, B, C, D or E is a loss, complete the Long-Term Capital Losses Applied Against Long-Term Capital Gains Worksheet for Schedule D, Line 13 on pages 38–40.

If any amount in Schedule D, line 12 is a gain, no other amount in Schedule D, line 12 is a loss, and Schedule B, line 17 is “0” or greater, omit Schedule D, lines 13–15 and enter the amount from Schedule D, line 12 in Schedule D, line 16.

If any amount in Schedule D, line 12 is a loss, no other amount in Schedule D, line 12 is a gain, and Schedule B, line 17 is a positive amount, omit Schedule D, line 13, enter the amount from Schedule D, line 12 in Schedule D, line 14 and complete the Long-Term Capital Losses Applied Against Interest, Dividends and Short-Term Capital Gains Worksheet for Schedule B, Line 18 and Schedule D, Line 15 on page 33.

If any amount in Schedule D, line 12 is a gain, no other amount in Schedule D, line 12 is a loss, and Schedule B, line 17 is a loss, omit Schedule D, line 13, enter the amount from Schedule D, line 12 on Schedule D, line 14 and complete the Short-Term Capital Losses Applied Against Long-Term Capital Gains Worksheet for Schedule B, Line 18 and Schedule D, Line 15 on page 33.

If any amount in Schedule D, line 12 is a loss, no other amount in Schedule D, line 12 is a gain, and Schedule B, line 17 is “0” or less, omit Schedule D, lines 13–15, enter the amount from Schedule D, line 12 in Schedule D, line 16, omit Schedule D, lines 17–21, enter the amount from Schedule D, line 16 in Schedule D, line 22, and enter “0” on Form 1, line 22.

13 Long-Term Capital Loss Applied Against Long-Term Capital Gains

Complete the Long-Term Capital Losses Applied Against Long-Term Capital Gains Worksheet for Schedule D, Line 13 on the next page only if any amount in Schedule D, line 12, columns A, B, C, D or E is a gain and any amount in Schedule D, line 12, columns A, B, C, D or E is a loss. When completing the worksheet, be sure to enter all losses as a positive amount.

This worksheet was designed to provide for the netting of long-term gains and losses. First, gains and losses within each hold-

ing period are netted. For example, 5% gains are applied against 5% losses, 4% gains are applied against 4% losses, 3% gains are applied against 3% losses, 2% gains are applied against 2% losses, and 1% gains are applied against 1% losses. Then, any net losses within a particular holding period can be applied against net gains within other holding periods, beginning with the highest tax rate and applying any remaining losses against the next highest tax rate. For example, a 3% loss is first applied to 5% gains, any remaining loss is applied to 4% gains, any remaining loss is applied against 2% gains, and any loss still remaining then is applied against 1% gains.

If you need additional information on how to net long-term gains against long-term losses, visit DOR's website at www.massdor.com.

Long-Term Capital Losses Applied Against Long-Term Capital Gains Worksheet for Schedule D, Line 13. Complete only if any amount in Schedule D, line 12, columns A, B, C, D or E is a gain and any amount in Schedule D, line 12, columns A, B, C, D or E is a loss.

Part 1. Complete only if you have a gain in Schedule D, line 12, column A. Otherwise, enter "0" in items A–L and go to Part 2.

- A.** Enter any gain from Schedule D, line 12, column A.
- B.** Enter any loss from Schedule D, line 12, column B as positive figure. If Schedule D, line 12, column B is "0" or greater, enter "0"
- C.** If item A is smaller than or equal to item B, enter item A here. If item A is larger than item B, enter item B here
- D.** Subtract item C from item A. Enter result here
- E.** If item D is "0," enter "0" in items E–L and go to Part 2. If item D is greater than "0," enter any loss from Schedule D, line 12, column C as a positive figure. If Schedule D, line 12, column C is "0" or greater, enter "0"
- F.** If item D is smaller than or equal to item E, enter item D here. If item D is larger than item E, enter item E here
- G.** Subtract item F from item D. Enter result here
- H.** If item G is "0," enter "0" in items H–L and go to Part 2. If item G is greater than "0," enter any loss from Schedule D, line 12, column D as a positive figure. If Schedule D, line 12, column D is "0" or greater, enter "0"
- I.** If item G is smaller than or equal to item H, enter item G here. If item G is larger than item H, enter item H here
- J.** Subtract item I from item G. Enter result here
- K.** If item J is "0," enter "0" in items K and L and go to Part 2. If item J is greater than "0," enter any loss from Schedule D, line 12, column E as a positive figure. If Schedule D, line 12, column E is "0" or greater, enter "0"
- L.** If item J is smaller than or equal to item K, enter item J here. If item J is larger than item K, enter item K here

Worksheet continues in next column ...

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Part 2. Complete only if you have a gain in Schedule D, line 12, column B. Otherwise, enter "0" in items M–DD and go to Part 3.

- M.** Enter any gain from Schedule D, line 12, column B.
- N.** Enter any loss from Schedule D, line 12, column A as a positive figure. If Schedule D, line 12, column A is "0" or greater, enter "0"
- O.** If item M is smaller than or equal to item N, enter item M here. If item M is larger than item N, enter item N here
- P.** Subtract item O from item M. Enter result here
- Q.** If item P is "0," enter "0" in items Q–DD and go to Part 3. If item P is greater than "0," enter any loss from Schedule D, line 12, column C as a positive figure. If Schedule D, line 12, column C is "0" or greater, enter "0"
- R.** Enter the amount from item F.
- S.** Subtract item R from item Q. Enter result here
- T.** If item P is smaller than or equal to item S, enter item P here. If item P is larger than item S, enter item S here
- U.** Subtract item T from item P. Enter result here
- V.** If item U is "0," enter "0" in items V–DD and go to Part 3. If item U is greater than "0," enter any loss from Schedule D, line 12, column D as a positive figure. If Schedule D, line 12, column D is "0" or greater, enter "0"
- W.** Enter the amount from item I.
- X.** Subtract item W from item V. Enter result here
- Y.** If item U is smaller than or equal to item X, enter item U here. If item U is larger than item X, enter item X here
- Z.** Subtract item Y from item U. Enter result here
- AA.** If item Z is "0," enter "0" in items AA–DD and go to Part 3. If item Z is greater than "0," enter any loss from Schedule D, line 12, column E as a positive figure. If Schedule D, line 12, column E is "0" or greater, enter "0"
- BB.** Enter the amount from item L
- CC.** Subtract item BB from item AA. Enter result here
- DD.** If item Z is smaller than or equal to item CC, enter item Z here. If item Z is larger than item CC, enter item CC here

Part 3. Complete only if you have a gain in Schedule D, line 12, column C. Otherwise, enter "0" in items EE–XX and go to Part 4.

- EE.** Enter any gain from Schedule D, line 12, column C.
- FF.** Enter any loss from Schedule D, line 12, column A as a positive figure. If Schedule D, line 12, column A is "0" or greater, enter "0"
- GG.** Enter the amount from item O
- HH.** Subtract item GG from item FF. Enter result here
- II.** If item EE is smaller than or equal to item HH, enter item EE here. If item EE is larger than item HH, enter item HH here
- JJ.** Subtract item II from item EE. Enter result here

Worksheet continues on next page ...

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- KK.** If item JJ is "0," enter "0" in items KK–XX and go to Part 4. If item JJ is greater than "0," enter any loss from Schedule D, line 12, column B as a positive figure. If Schedule D, line 12, column B is "0" or greater, enter "0"
 - LL.** Enter the amount from item C.
 - MM.** Subtract item LL from item KK. Enter result here
 - NN.** If item JJ is smaller than or equal to item MM, enter item JJ here. If item JJ is larger than item MM, enter item MM here
 - OO.** Subtract item NN from item JJ. Enter result here
 - PP.** If item OO is "0," enter "0" in items PP–XX and go to Part 4. If item OO is greater than "0," enter any loss from Schedule D, line 12, column D as a positive figure. If Schedule D, line 12, column D is "0" or greater, enter "0"
 - QQ.** Add item I and item Y. Enter result here.
 - RR.** Subtract item QQ from item PP. Enter result here
 - SS.** If item OO is smaller than or equal to item RR, enter item OO here. If item OO is larger than item RR, enter item RR here
 - TT.** Subtract item SS from item OO. Enter result here
 - UU.** If item TT is "0," enter "0" in items UU–XX and go to Part 4. If item TT is greater than "0," enter any loss from Schedule D, line 12, column E as a positive figure. If Schedule D, line 12, column E is "0" or greater, enter "0"
 - VV.** Add item L and item DD. Enter result here
 - WW.** Subtract item VV from item UU. Enter result here
 - XX.** If item TT is smaller than or equal to item WW, enter item TT here. If item TT is larger than item WW, enter item WW here
- Part 4. Complete only if you have a gain in Schedule D, line 12, column D. Otherwise, enter "0" in items YY–RRR and go to Part 5.**
- YY.** Enter any gain from Schedule D, line 12, column D.
 - ZZ.** Enter any loss from Schedule D, line 12, column A as a positive figure. If Schedule D, line 12, column A is "0" or greater, enter "0"
 - AAA.** Add item O and item II. Enter result here
 - BBB.** Subtract item AAA from item ZZ. Enter result here
 - CCC.** If item YY is smaller than or equal to item BBB, enter item YY here. If item YY is larger than item BBB, enter item BBB here
 - DDD.** Subtract item CCC from item YY. Enter result here
 - EEE.** If item DDD is "0," enter "0" in items EEE–RRR and go to Part 5. If item DDD is greater than "0," enter any loss from Schedule D, line 12, column B as a positive figure. If Schedule D, line 12, column B is "0" or greater, enter "0"
 - FFF.** Add item C and item NN. Enter result here
 - GGG.** Subtract item FFF from item EEE. Enter result here

Worksheet continues in next column ...

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- HHH.** If item DDD is smaller than or equal to item GGG, enter item DDD here. If item DDD is larger than item GGG, enter item GGG here
 - III.** Subtract item HHH from item DDD. Enter result here
 - JJJ.** If item III is "0," enter "0" in items JJJ–RRR and go to Part 5. If item III is greater than "0," enter any loss from Schedule D, line 12, column C as a positive figure. If Schedule D, line 12, column C is "0" or greater, enter "0"
 - KKK.** Add item F and item T. Enter result here
 - LLL.** Subtract item KKK from item JJJ. Enter result here
 - MMM.** If item III is smaller than or equal to item LLL, enter item III here. If item III is larger than item LLL, enter item LLL here
 - NNN.** Subtract item MMM from item III. Enter result here
 - OOO.** If item NNN is "0," enter "0" in items OOO–RRR and go to Part 5. If item NNN is greater than "0," enter any loss from Schedule D, line 12, column E as a positive figure. If Schedule D, line 12, column E is "0" or greater, enter "0"
 - PPP.** Add items L, DD and XX. Enter result here
 - QQQ.** Subtract item PPP from item OOO. Enter result here
 - RRR.** If item NNN is smaller than or equal to item QQQ, enter item NNN here. If item NNN is larger than item QQQ, enter item QQQ here
- Part 5. Complete only if you have a gain in Schedule D, line 12, column E. Otherwise, enter "0" in items SSS–LLLL and go to Part 6.**
- SSS.** Enter any gain from Schedule D, line 12, column E.
 - TTT.** Enter any loss from Schedule D, line 12, column A as a positive figure. If Schedule D, line 12, column A is "0" or greater, enter "0"
 - UUU.** Add items O, II and CCC. Enter result here
 - VVV.** Subtract item UUU from item TTT. Enter result here
 - WWW.** If item SSS is smaller than or equal to item VVV, enter item SSS here. If item SSS is larger than item VVV, enter item VVV here
 - XXX.** Subtract item WWW from item SSS. Enter result here
 - YYY.** If item XXX is "0," enter "0" in items YYY–LLLL and go to Part 6. If item XXX is greater than "0," enter any loss from Schedule D, line 12, column B as a positive figure. If Schedule D, line 12, column B is "0" or greater, enter "0"
 - ZZZ.** Add items C, NN and HHH. Enter result here
 - AAAA.** Subtract item ZZZ from item YYY. Enter result here
 - BBBB.** If item XXX is smaller than or equal to item AAAA, enter item XXX here. If item XXX is larger than item AAAA, enter item AAAA here
 - CCCC.** Subtract item BBBB from item XXX. Enter result here

Worksheet continues on next page ...

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DDDD. If item CCCC is "0," enter "0" in items DDDD–LLLL and go to Part 6. If item CCCC is greater than "0," enter any loss from Schedule D, line 12, column C as a positive figure. If Schedule D, line 12, column C is "0" or greater, enter "0"

EEEE. Add items F, T and MMM. Enter result here

FFFF. Subtract item EEEE from item DDDD. Enter result here

GGGG. If item CCCC is smaller than or equal to item FFFF, enter item CCCC here. If item CCCC is larger than item FFFF, enter item FFFF here

HHHH. Subtract item GGGG from item CCCC. Enter result here

IIII. If item HHHH is "0," enter "0" in items IIII–LLLL and go to Part 6. If item HHHH is greater than "0," enter any loss from Schedule D, line 12, column D as a positive figure. If Schedule D, line 12, column D is "0" or greater, enter "0"

JJJJ. Add items I, Y and SS. Enter result here

KKKK. Subtract item JJJJ from item IIII. Enter result here

LLLL. If item HHHH is smaller than or equal to item KKKK, enter item HHHH here. If item HHHH is larger than item KKKK, enter item KKKK here

Part 6. Complete only if you have completed Part 1, 2, 3, 4 or 5.

MMMM. If Schedule D, line 12, column A is a gain, add item C, item F, item I and item L. Enter the result here and in Schedule D, line 13, column A as a negative amount. This is the amount of any long-term losses applied to offset long-term capital gains taxed at 5%. If Schedule D line 12, column A is a loss, add item O, item II, item CCC and item WWW. Enter the result here and in Schedule D, line 13, column A as a positive amount. This is the amount of long-term losses from assets held for more than one year but not more than two years applied to offset other long-term capital gains

NNNN. If Schedule D, line 12, column B is a gain, add item O, item T, item Y and item DD. Enter the result here and in Schedule D, line 13, column B as a negative amount. This is the amount of any long-term losses applied to offset long-term capital gains taxed at 4%. If Schedule D line 12, column B is a loss, add item C, item NN, item HHH and item BBBB. Enter the result here and in Schedule D, line 13, column B as a positive amount. This is the amount of long-term losses from assets held for more than two years but not more than three years applied to offset other long-term capital gains

OOOO. If Schedule D, line 12, column C is a gain, add item II, item NN, item SS and item XX. Enter the result here and in Schedule D, line 13, column C as a negative amount. This is the amount of any long-term losses applied to offset long-term capital gains taxed at 3%. If Schedule D line 12, column C is a loss, add item F, item T, item MMM and item GGGG. Enter the result here and in Schedule D, line 13, column C as a positive amount. This is the amount of long-term losses from assets held for more than three years but not more than four years applied to offset other long-term capital gains

Worksheet continues in next column . . .

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PPPP. If Schedule D, line 12, column D is a gain, add item CCC, item HHH, item MMM and item RRR. Enter the result here and in Schedule D, line 13, column D as a negative amount. This is the amount of any long-term losses applied to offset long-term capital gains taxed at 2%. If Schedule D, line 12, column D is a loss, add item I, item Y, item SS and item LLLL. Enter the result here and in Schedule D, line 13, column D as a positive amount. This is the amount of long-term losses from assets held for more than four years but not more than five years applied to offset other long-term capital gains

QQQQ. If Schedule D, line 12, column E is a gain, add item WWW, item BBBB, item GGGG and item LLLL. Enter the result here and in Schedule D, line 13, column E as a negative amount. This is the amount of any long-term losses applied to offset long-term capital gains taxed at 1%. If Schedule D, line 12, column E is a loss, add item L, item DD, item XX and item RRR. Enter the result here and in Schedule D, line 13, column E as a positive amount. This is the amount of long-term losses from assets held for more than five years applied to offset other long-term capital gains

14 Subtotal

Combine line 12, column A with line 13, column A and enter the result in line 14, column A. Combine line 12, column B with line 13, column B and enter the result in line 14, column B. Combine line 12, column C with line 13, column C and enter the result in line 14, column C. Combine line 12, column D with line 13, column D and enter the result in line 14, column D. Combine line 12, column E with line 13, column E and enter the result in line 14, column E.

Note: After completing Schedule D, line 13, all amounts in Schedule D, line 14, columns A, B, C, D and E should be either "0" and/or gain(s) or "0" and/or loss(es). If all amounts in Schedule D, line 14 are "0," omit Schedule D, lines 15–17, enter "0" in Schedule D, line 18, omit the remainder of Schedule D and enter "0" in Form 1, line 22.

If any amount in any column in Schedule D, line 14 is "0," enter "0" in lines 15–20 for that column.

If any amount in Schedule D, line 14 is a loss, and Schedule B, line 17 is a positive amount, complete the Long-Term Capital Losses Applied Against Interest, Dividends and Short-Term Capital Gains Worksheet for Schedule B, Line 18 and Schedule D, Line 15 on page 33.

If any amount in Schedule D, line 14 is a gain and Schedule B, line 17 is "0" or greater, omit Schedule D, line 15 and enter the amount from Schedule D, line 14 in Schedule D, line 16.

If any amount in Schedule D, line 14 is a gain and Schedule B, line 17 is a loss, complete the Short-Term Capital Losses Applied Against Long-Term Capital Gains Worksheet for Schedule B, Line 18 and Schedule D, Line 15 on page 33.

If any amount in Schedule D, line 14 is a loss and Schedule B, line 17 is "0" or less, omit Schedule D, line 15, enter the amount from Schedule D, line 14 in Schedule D, line 16, omit Schedule D, lines 17–21, enter the amount from Schedule D, line 16 in Schedule D, line 22, and enter "0" in Form 1, line 22.

15 Capital Losses Applied Against Interest, Dividends and Capital Gains

If Schedule B, line 17 is a positive amount and any amount in Schedule D, line 14, column A, B, C, D or E is a loss, complete the Long-Term Capital Losses Applied Against Interest, Dividends and Short-Term Capital Gains Worksheet for Schedule B, Line 18 and Schedule D, Line 15 on page 33. When completing the worksheet, be sure to enter all losses as a positive amount.

If Schedule B, line 17 is a loss and any amount in Schedule D, line 14, columns A, B, C, D or E is a positive amount, complete the Short-Term Capital Losses Applied Against Long-Term Capital Gains Worksheet for Schedule B, Line 18 and Schedule D, line 15 on page 33. When completing the worksheet, be sure to enter all losses as a positive amount.

16 Subtotal

If line 14 is greater than "0," subtract line 15 from line 14. If line 14 is less than "0," combine lines 14 and 15. If line 16 is a loss, omit line 17 through 21, enter the amount from line 16 in line 22 and enter "0" on Form 1, line 22. Otherwise, go to line 17.

17 Allowable Deductions From Your Trade or Business

Generally, taxpayers may not use excess 5.85% trade or business 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 5.85% deductions must be adjusted gross income deductions allowed under MGL Ch. 62, sec. 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 of business or any other income allowed under IRC, sec. 469(d)(1)(B) to offset losses from passive activities. Enclose Schedule C-2 with your return.

Enter in line 17, column A the amount from Schedule C-2, line 14. Enter in line 17, column B the amount from Schedule C-2, line 16. Enter in line 17, column C the amount from Schedule C-2, line 18. Enter in line 17, column D the amount from Schedule C-2, line 20. Enter in line 17, column E the amount from Schedule C-2, line 22.

18 Subtotal

Subtract line 17, column A from line 16, column A and enter the result in line 18, column A. Not less than "0." Subtract line 17, column B from line 16, column B and enter the result in line 18,

column B. Not less than "0." Subtract line 17, column C from line 16, column C and enter the result in line 18, column C. Not less than "0." Subtract line 17, column D from line 16, column D and enter the result in line 18, column D. Not less than "0." Subtract line 17, column E from line 16, line E and enter the result in line 18, column E. Not less than "0."

If all amounts in Schedule D, line 18 are "0," omit Schedule D, lines 19–22 and enter "0" in Form 1, line 22.

19 Excess Exemptions

Enter in line 19, column A the amount from item H of the Excess Exemption Worksheet on pages 17–18. Enter in line 19, column B the amount from item K of the Excess Exemption Worksheet on pages 17–18. Enter in line 19, column C (Schedule D, page 2) the amount from item N of the Excess Exemption Worksheet on pages 17–18. Enter in line 19, column D the amount from item Q of the Excess Exemption Worksheet on pages 17–18. Enter in line 19, column E (Schedule D, page 3) the amount from item T of the Excess Exemption Worksheet on pages 17–18.

20 Adjusted Long-Term Capital Gains and Tax on Capital Gains by Holding Period

Subtract line 19, column A from line 18, column A and enter the result in line 20, column A and on Schedule D, page 4, line 20A, column 1. Not less than "0." Subtract line 19, column B from line 18, column B and enter the result in line 20, column B and on Schedule D, page 4, line 20B, column 1. Not less than "0." Subtract line 19, column C (Schedule D, page 2) from line 18, column C and enter the result in line 20, column C and on Schedule D, page 4, line 20C, column 1. Not less than "0." Subtract line 19, column D (Schedule D, page 2) from line 18, column D and enter the result in line 20, column D and on Schedule D, page 4, line 20D, column 1. Not less than "0." Subtract line 19, column E (Schedule D, page 3) from line 18, column E and enter the result in line 20, column E and on Schedule D, page 4, line 20E, column 1. Not less than "0."

If all amounts in Schedule D, line 20 are "0," omit Schedule D, lines 21 and 22 and enter "0" in Form 1, line 22.

Multiply the amount in line 20A, column 1 (Schedule D, page 4) by .05 (5%) and enter the result in column 2. Multiply the amount in line 20B, column 1 (Schedule D, page 4) by .04 (4%) and enter the result in column 2. Multiply the amount in line 20C, column 1 (Schedule D, page 4) by .03 (3%) and enter the result in column 2. Multiply the amount in line 20D, column 1 (Schedule D, page 4) by .02 (2%) and enter the result in column 2. Multiply the amount in line 20E, column 1 (Schedule D, page 4) by .01 (1%) and enter the result in column 2.

21 Total Tax on Long-Term Capital Gains

Add line 20A, column 2, line 20B, column 2, line 20C, column 2, line 20D, column 2 and line 20E, column 2. Enter result here and on Form 1, line 22. Not less than "0."

22 Available Losses for Carryover

Enter in line 22A the amount from line 16, column A, only if it is a loss. Enter in line 22B the amount from line 16, column B, only if it is a loss. Enter in line 22C the amount from line 16, column C, only if it is a loss. Enter in line 22D the amount from line 16, column D, only if it is a loss. Enter in line 22E the amount from line 16, column E, only if it is a loss.

Schedule C

Note: If showing a loss, be sure to mark over the "X" in the box to the left.

Substituting U.S. Schedules C or C-EZ

If you are substituting U.S. Schedule C or Schedule C-EZ for Massachusetts Schedule C and there are no differences between the amounts reported on U.S. Schedule C or Schedule C-EZ and amounts that would be reported on Massachusetts Schedule C, write "No Massachusetts Differences" on the top of U.S. Schedule C or Schedule C-EZ. Also enclose a copy of U.S. Form 4562 (Depreciation and Amortization). If you deduct expenses for the business use of your home, enclose a copy of U.S. Form 8829.

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. If filing Massachusetts Schedule C, a copy of U.S. Schedule C (or Schedule F for farm income) and U.S. Form 4562 (Depreciation and Amortization) must be enclosed. If you deduct expenses for the business use of your home, enclose a copy of U.S. Form 8829.

If your business deductions, excluding the Abandoned Building Renovation Deduction, exceed Schedule C income and any other income taxable at the 5.85% rate, such excess deductions may be subtracted from the other income that is effectively connected with the active conduct of your trade or business and any other income allowed under IRC Section 469(d)(1)(B) to offset losses from passive activities. To compute the excess trade or business deductions use Massachusetts Schedule C-2. This form is available by visiting www.massdor.com, or you may have one mailed to you by calling (617) 887-MDOR.

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. If you do not have an EIN, leave the line blank. Do **not** enter your SSN.

Principal Business Code

Enter the six-digit principal business or professional activity code that you entered on your U.S. Schedule C.

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 2000, you must have five or fewer employees. You must enter the number of your employees in the space provided.

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 you filed a return on the cash basis last year and wish to change to the accrual basis this year, you must obtain permission from the Commissioner by filing Massachusetts Form 14 with your return. Form 14 is available from the Massachusetts Department of Revenue.

Material Participation

Indicate if you materially participated in the operation of this business during 2000. If you did not materially participate and have a loss from this business, see line 33 for further instructions.

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 is interest (other than from Massachusetts banks) and dividend income, exclude this income from lines 1 and 4 on Massachusetts Schedule C and include it in line 32 and in Schedule B, line 3. 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, 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 15 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 Schedules C.

4 Other Income

If you received bartering income, you must report the fair market value of goods or services received in payment for your goods and services in line 4. Do not include interest income (other than from Massachusetts banks) and dividends here (see line 32).

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.

11 Depreciation and Section 179 Deduction

The Section 179 expensing allowance is \$20,000 for property placed in service in tax years after 1999. Massachusetts now adopts the federal provision which requires a recovery period for the depreciation of nonresidential real property of 39 years for qualifying property placed in service on or after May 14, 1993.

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.

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 (a) directly related to or associated with the conduct of your trade or business, (b) not lavish or extravagant and (c) 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.

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, 10 Park Plaza, Suite 3720, Boston, MA 02116, or call (617) 973-8600.

In line 30 enter 10% of the costs of renovating a qualifying abandoned building. Enclose a statement detailing the location and cost of renovating the qualifying abandoned building.

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, line 6 **unless** you answered "no" to the question on material participation on the front of Schedule C. If you answered "no" to this question, complete and enclose 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 and enclose 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. Be sure to enclose both forms with your return. If your at-risk amount is "0" or less, enter "0" in line 31.

2000 Massachusetts Income Tax Table at the 5.85% Rate

Use this table to calculate tax for taxable 5.85% income (line 19c) of not more than \$80,000.

Line 20 Instructions: To find your **Tax on 5.85% Income** (line 20), read down the tax table income column to the line containing the amount you entered in line 19c. Then read across to the **TAX** column and enter this amount in line 20. If your taxable 5.85% income in line 19c is greater than \$80,000, multiply the amount by .0585. Enter the result in line 20.

INCOME			INCOME			INCOME			INCOME			INCOME			INCOME		
More than	But not more than	TAX	More than	But not more than	TAX	More than	But not more than	TAX	More than	But not more than	TAX	More than	But not more than	TAX	More than	But not more than	TAX
\$ 1 - \$ 50	\$ 1		\$ 4,000 - \$ 4,050	\$ 235		\$ 8,000 - \$ 8,050	\$ 469		\$12,000 - \$12,050	\$ 703		\$16,000 - \$16,050	\$ 937		\$20,000 - \$20,050	\$1,171	
50 - 100	4		4,050 - 4,100	238		8,050 - 8,100	472		12,050 - 12,100	706		16,050 - 16,100	940		20,050 - 20,100	1,174	
100 - 150	7		4,100 - 4,150	241		8,100 - 8,150	475		12,100 - 12,150	709		16,100 - 16,150	943		20,100 - 20,150	1,177	
150 - 200	10		4,150 - 4,200	244		8,150 - 8,200	478		12,150 - 12,200	712		16,150 - 16,200	946		20,150 - 20,200	1,180	
200 - 250	13		4,200 - 4,250	247		8,200 - 8,250	481		12,200 - 12,250	715		16,200 - 16,250	949		20,200 - 20,250	1,183	
250 - 300	16		4,250 - 4,300	250		8,250 - 8,300	484		12,250 - 12,300	718		16,250 - 16,300	952		20,250 - 20,300	1,186	
300 - 350	19		4,300 - 4,350	253		8,300 - 8,350	487		12,300 - 12,350	721		16,300 - 16,350	955		20,300 - 20,350	1,189	
350 - 400	22		4,350 - 4,400	256		8,350 - 8,400	490		12,350 - 12,400	724		16,350 - 16,400	958		20,350 - 20,400	1,192	
400 - 450	25		4,400 - 4,450	259		8,400 - 8,450	493		12,400 - 12,450	727		16,400 - 16,450	961		20,400 - 20,450	1,195	
450 - 500	28		4,450 - 4,500	262		8,450 - 8,500	496		12,450 - 12,500	730		16,450 - 16,500	964		20,450 - 20,500	1,198	
500 - 550	31		4,500 - 4,550	265		8,500 - 8,550	499		12,500 - 12,550	733		16,500 - 16,550	967		20,500 - 20,550	1,201	
550 - 600	34		4,550 - 4,600	268		8,550 - 8,600	502		12,550 - 12,600	736		16,550 - 16,600	970		20,550 - 20,600	1,204	
600 - 650	37		4,600 - 4,650	271		8,600 - 8,650	505		12,600 - 12,650	739		16,600 - 16,650	973		20,600 - 20,650	1,207	
650 - 700	39		4,650 - 4,700	273		8,650 - 8,700	507		12,650 - 12,700	741		16,650 - 16,700	975		20,650 - 20,700	1,209	
700 - 750	42		4,700 - 4,750	276		8,700 - 8,750	510		12,700 - 12,750	744		16,700 - 16,750	978		20,700 - 20,750	1,212	
750 - 800	45		4,750 - 4,800	279		8,750 - 8,800	513		12,750 - 12,800	747		16,750 - 16,800	981		20,750 - 20,800	1,215	
800 - 850	48		4,800 - 4,850	282		8,800 - 8,850	516		12,800 - 12,850	750		16,800 - 16,850	984		20,800 - 20,850	1,218	
850 - 900	51		4,850 - 4,900	285		8,850 - 8,900	519		12,850 - 12,900	753		16,850 - 16,900	987		20,850 - 20,900	1,221	
900 - 950	54		4,900 - 4,950	288		8,900 - 8,950	522		12,900 - 12,950	756		16,900 - 16,950	990		20,900 - 20,950	1,224	
950 - 1,000	57		4,950 - 5,000	291		8,950 - 9,000	525		12,950 - 13,000	759		16,950 - 17,000	993		20,950 - 21,000	1,227	
1,000 - 1,050	60		5,000 - 5,050	294		9,000 - 9,050	528		13,000 - 13,050	762		17,000 - 17,050	996		21,000 - 21,050	1,230	
1,050 - 1,100	63		5,050 - 5,100	297		9,050 - 9,100	531		13,050 - 13,100	765		17,050 - 17,100	999		21,050 - 21,100	1,233	
1,100 - 1,150	66		5,100 - 5,150	300		9,100 - 9,150	534		13,100 - 13,150	768		17,100 - 17,150	1,002		21,100 - 21,150	1,236	
1,150 - 1,200	69		5,150 - 5,200	303		9,150 - 9,200	537		13,150 - 13,200	771		17,150 - 17,200	1,005		21,150 - 21,200	1,239	
1,200 - 1,250	72		5,200 - 5,250	306		9,200 - 9,250	540		13,200 - 13,250	774		17,200 - 17,250	1,008		21,200 - 21,250	1,242	
1,250 - 1,300	75		5,250 - 5,300	309		9,250 - 9,300	543		13,250 - 13,300	777		17,250 - 17,300	1,011		21,250 - 21,300	1,245	
1,300 - 1,350	78		5,300 - 5,350	312		9,300 - 9,350	546		13,300 - 13,350	780		17,300 - 17,350	1,014		21,300 - 21,350	1,248	
1,350 - 1,400	80		5,350 - 5,400	314		9,350 - 9,400	548		13,350 - 13,400	782		17,350 - 17,400	1,016		21,350 - 21,400	1,250	
1,400 - 1,450	83		5,400 - 5,450	317		9,400 - 9,450	551		13,400 - 13,450	785		17,400 - 17,450	1,019		21,400 - 21,450	1,253	
1,450 - 1,500	86		5,450 - 5,500	320		9,450 - 9,500	554		13,450 - 13,500	788		17,450 - 17,500	1,022		21,450 - 21,500	1,256	
1,500 - 1,550	89		5,500 - 5,550	323		9,500 - 9,550	557		13,500 - 13,550	791		17,500 - 17,550	1,025		21,500 - 21,550	1,259	
1,550 - 1,600	92		5,550 - 5,600	326		9,550 - 9,600	560		13,550 - 13,600	794		17,550 - 17,600	1,028		21,550 - 21,600	1,262	
1,600 - 1,650	95		5,600 - 5,650	329		9,600 - 9,650	563		13,600 - 13,650	797		17,600 - 17,650	1,031		21,600 - 21,650	1,265	
1,650 - 1,700	98		5,650 - 5,700	332		9,650 - 9,700	566		13,650 - 13,700	800		17,650 - 17,700	1,034		21,650 - 21,700	1,268	
1,700 - 1,750	101		5,700 - 5,750	335		9,700 - 9,750	569		13,700 - 13,750	803		17,700 - 17,750	1,037		21,700 - 21,750	1,271	
1,750 - 1,800	104		5,750 - 5,800	338		9,750 - 9,800	572		13,750 - 13,800	806		17,750 - 17,800	1,040		21,750 - 21,800	1,274	
1,800 - 1,850	107		5,800 - 5,850	341		9,800 - 9,850	575		13,800 - 13,850	809		17,800 - 17,850	1,043		21,800 - 21,850	1,277	
1,850 - 1,900	110		5,850 - 5,900	344		9,850 - 9,900	578		13,850 - 13,900	812		17,850 - 17,900	1,046		21,850 - 21,900	1,280	
1,900 - 1,950	113		5,900 - 5,950	347		9,900 - 9,950	581		13,900 - 13,950	815		17,900 - 17,950	1,049		21,900 - 21,950	1,283	
1,950 - 2,000	116		5,950 - 6,000	350		9,950 - 10,000	584		13,950 - 14,000	818		17,950 - 18,000	1,052		21,950 - 22,000	1,286	
2,000 - 2,050	118		6,000 - 6,050	352		10,000 - 10,050	586		14,000 - 14,050	820		18,000 - 18,050	1,054		22,000 - 22,050	1,288	
2,050 - 2,100	121		6,050 - 6,100	355		10,050 - 10,100	589		14,050 - 14,100	823		18,050 - 18,100	1,057		22,050 - 22,100	1,291	
2,100 - 2,150	124		6,100 - 6,150	358		10,100 - 10,150	592		14,100 - 14,150	826		18,100 - 18,150	1,060		22,100 - 22,150	1,294	
2,150 - 2,200	127		6,150 - 6,200	361		10,150 - 10,200	595		14,150 - 14,200	829		18,150 - 18,200	1,063		22,150 - 22,200	1,297	
2,200 - 2,250	130		6,200 - 6,250	364		10,200 - 10,250	598		14,200 - 14,250	832		18,200 - 18,250	1,066		22,200 - 22,250	1,300	
2,250 - 2,300	133		6,250 - 6,300	367		10,250 - 10,300	601		14,250 - 14,300	835		18,250 - 18,300	1,069		22,250 - 22,300	1,303	
2,300 - 2,350	136		6,300 - 6,350	370		10,300 - 10,350	604		14,300 - 14,350	838		18,300 - 18,350	1,072		22,300 - 22,350	1,306	
2,350 - 2,400	139		6,350 - 6,400	373		10,350 - 10,400	607		14,350 - 14,400	841		18,350 - 18,400	1,075		22,350 - 22,400	1,309	
2,400 - 2,450	142		6,400 - 6,450	376		10,400 - 10,450	610		14,400 - 14,450	844		18,400 - 18,450	1,078		22,400 - 22,450	1,312	
2,450 - 2,500	145		6,450 - 6,500	379		10,450 - 10,500	613		14,450 - 14,500	847		18,450 - 18,500	1,081		22,450 - 22,500	1,315	
2,500 - 2,550	148		6,500 - 6,550	382		10,500 - 10,550	616		14,500 - 14,550	850		18,500 - 18,550	1,084		22,500 - 22,550	1,318	
2,550 - 2,600	151		6,550 - 6,600	385		10,550 - 10,600	619		14,550 - 14,600	853		18,550 - 18,600	1,087		22,550 - 22,600	1,321	
2,600 - 2,650	154		6,600 - 6,650	388		10,600 - 10,650	622		14,600 - 14,650	856		18,600 - 18,650	1,090		22,600 - 22,650	1,324	
2,650 - 2,700	156		6,650 - 6,700	390		10,650 - 10,700	624		14,650 - 14,700	858		18,650 - 18,700	1,092		22,650 - 22,700	1,326	
2,700 - 2,750	159		6,700 - 6,750	393		10,700 - 10,750	627		14,700 - 14,750	861		18,700 - 18,750	1,095		22,700 - 22,750	1,329	
2,750 - 2,800	162		6,750 - 6,800	396		10,750 - 10,800	630		14,750 - 14,800	864		18,750 - 18,800	1,098		22,750 - 22,800	1,332	
2,800 - 2,850	165		6,800 - 6,850	399		10,800 - 10,850	633		14,800 - 14,850	867		18,800 - 18,850	1,101		22,800 - 22,850	1,335	

2000 Massachusetts Income Tax Table at the 5.85% Rate

INCOME																	
More than	But not more than	TAX	More than	But not more than	TAX	More than	But not more than	TAX	More than	But not more than	TAX	More than	But not more than	TAX	More than	But not more than	TAX
\$24,000	-\$24,050	1,405	\$28,750	-\$28,800	1,683	\$33,500	-\$33,550	1,961	\$38,250	-\$38,300	2,239	\$43,000	-\$43,050	2,517	\$47,750	-\$47,800	2,795
24,050	24,100	1,408	28,800	28,850	1,686	33,550	33,600	1,964	38,300	38,350	2,242	43,050	43,100	2,520	47,800	47,850	2,798
24,100	24,150	1,411	28,850	28,900	1,689	33,600	33,650	1,967	38,350	38,400	2,245	43,100	43,150	2,523	47,850	47,900	2,801
24,150	24,200	1,414	28,900	28,950	1,692	33,650	33,700	1,970	38,400	38,450	2,248	43,150	43,200	2,526	47,900	47,950	2,804
24,200	24,250	1,417	28,950	29,000	1,695	33,700	33,750	1,973	38,450	38,500	2,251	43,200	43,250	2,529	47,950	48,000	2,807
24,250	24,300	1,420	29,000	29,050	1,698	33,750	33,800	1,976	38,500	38,550	2,254	43,250	43,300	2,532	48,000	48,050	2,810
24,300	24,350	1,423	29,050	29,100	1,701	33,800	33,850	1,979	38,550	38,600	2,257	43,300	43,350	2,535	48,050	48,100	2,812
24,350	24,400	1,426	29,100	29,150	1,704	33,850	33,900	1,982	38,600	38,650	2,260	43,350	43,400	2,537	48,100	48,150	2,815
24,400	24,450	1,429	29,150	29,200	1,707	33,900	33,950	1,985	38,650	38,700	2,262	43,400	43,450	2,540	48,150	48,200	2,818
24,450	24,500	1,432	29,200	29,250	1,710	33,950	34,000	1,988	38,700	38,750	2,265	43,450	43,500	2,543	48,200	48,250	2,821
24,500	24,550	1,435	29,250	29,300	1,713	34,000	34,050	1,990	38,750	38,800	2,268	43,500	43,550	2,546	48,250	48,300	2,824
24,550	24,600	1,438	29,300	29,350	1,716	34,050	34,100	1,993	38,800	38,850	2,271	43,550	43,600	2,549	48,300	48,350	2,827
24,600	24,650	1,441	29,350	29,400	1,718	34,100	34,150	1,996	38,850	38,900	2,274	43,600	43,650	2,552	48,350	48,400	2,830
24,650	24,700	1,443	29,400	29,450	1,721	34,150	34,200	1,999	38,900	38,950	2,277	43,650	43,700	2,555	48,400	48,450	2,833
24,700	24,750	1,446	29,450	29,500	1,724	34,200	34,250	2,002	38,950	39,000	2,280	43,700	43,750	2,558	48,450	48,500	2,836
24,750	24,800	1,449	29,500	29,550	1,727	34,250	34,300	2,005	39,000	39,050	2,283	43,750	43,800	2,561	48,500	48,550	2,839
24,800	24,850	1,452	29,550	29,600	1,730	34,300	34,350	2,008	39,050	39,100	2,286	43,800	43,850	2,564	48,550	48,600	2,842
24,850	24,900	1,455	29,600	29,650	1,733	34,350	34,400	2,011	39,100	39,150	2,289	43,850	43,900	2,567	48,600	48,650	2,845
24,900	24,950	1,458	29,650	29,700	1,736	34,400	34,450	2,014	39,150	39,200	2,292	43,900	43,950	2,570	48,650	48,700	2,847
24,950	25,000	1,461	29,700	29,750	1,739	34,450	34,500	2,017	39,200	39,250	2,295	43,950	44,000	2,573	48,700	48,750	2,850
25,000	25,050	1,464	29,750	29,800	1,742	34,500	34,550	2,020	39,250	39,300	2,298	44,000	44,050	2,575	48,750	48,800	2,853
25,050	25,100	1,467	29,800	29,850	1,745	34,550	34,600	2,023	39,300	39,350	2,301	44,050	44,100	2,578	48,800	48,850	2,856
25,100	25,150	1,470	29,850	29,900	1,748	34,600	34,650	2,026	39,350	39,400	2,303	44,100	44,150	2,581	48,850	48,900	2,859
25,150	25,200	1,473	29,900	29,950	1,751	34,650	34,700	2,028	39,400	39,450	2,306	44,150	44,200	2,584	48,900	48,950	2,862
25,200	25,250	1,476	29,950	30,000	1,754	34,700	34,750	2,031	39,450	39,500	2,309	44,200	44,250	2,587	48,950	49,000	2,865
25,250	25,300	1,479	30,000	30,050	1,756	34,750	34,800	2,034	39,500	39,550	2,312	44,250	44,300	2,590	49,000	49,050	2,868
25,300	25,350	1,482	30,050	30,100	1,759	34,800	34,850	2,037	39,550	39,600	2,315	44,300	44,350	2,593	49,050	49,100	2,871
25,350	25,400	1,484	30,100	30,150	1,762	34,850	34,900	2,040	39,600	39,650	2,318	44,350	44,400	2,596	49,100	49,150	2,874
25,400	25,450	1,487	30,150	30,200	1,765	34,900	34,950	2,043	39,650	39,700	2,321	44,400	44,450	2,599	49,150	49,200	2,877
25,450	25,500	1,490	30,200	30,250	1,768	34,950	35,000	2,046	39,700	39,750	2,324	44,450	44,500	2,602	49,200	49,250	2,880
25,500	25,550	1,493	30,250	30,300	1,771	35,000	35,050	2,049	39,750	39,800	2,327	44,500	44,550	2,605	49,250	49,300	2,883
25,550	25,600	1,496	30,300	30,350	1,774	35,050	35,100	2,052	39,800	39,850	2,330	44,550	44,600	2,608	49,300	49,350	2,886
25,600	25,650	1,499	30,350	30,400	1,777	35,100	35,150	2,055	39,850	39,900	2,333	44,600	44,650	2,611	49,350	49,400	2,889
25,650	25,700	1,502	30,400	30,450	1,780	35,150	35,200	2,058	39,900	39,950	2,336	44,650	44,700	2,613	49,400	49,450	2,891
25,700	25,750	1,505	30,450	30,500	1,783	35,200	35,250	2,061	39,950	40,000	2,339	44,700	44,750	2,616	49,450	49,500	2,894
25,750	25,800	1,508	30,500	30,550	1,786	35,250	35,300	2,064	40,000	40,050	2,341	44,750	44,800	2,619	49,500	49,550	2,897
25,800	25,850	1,511	30,550	30,600	1,789	35,300	35,350	2,067	40,050	40,100	2,344	44,800	44,850	2,622	49,550	49,600	2,900
25,850	25,900	1,514	30,600	30,650	1,792	35,350	35,400	2,069	40,100	40,150	2,347	44,850	44,900	2,625	49,600	49,650	2,903
25,900	25,950	1,517	30,650	30,700	1,794	35,400	35,450	2,072	40,150	40,200	2,350	44,900	44,950	2,628	49,650	49,700	2,906
25,950	26,000	1,520	30,700	30,750	1,797	35,450	35,500	2,075	40,200	40,250	2,353	44,950	45,000	2,631	49,700	49,750	2,909
26,000	26,050	1,522	30,750	30,800	1,800	35,500	35,550	2,078	40,250	40,300	2,356	45,000	45,050	2,634	49,750	49,800	2,912
26,050	26,100	1,525	30,800	30,850	1,803	35,550	35,600	2,081	40,300	40,350	2,359	45,050	45,100	2,637	49,800	49,850	2,915
26,100	26,150	1,528	30,850	30,900	1,806	35,600	35,650	2,084	40,350	40,400	2,362	45,100	45,150	2,640	49,850	49,900	2,918
26,150	26,200	1,531	30,900	30,950	1,809	35,650	35,700	2,087	40,400	40,450	2,365	45,150	45,200	2,643	49,900	49,950	2,921
26,200	26,250	1,534	30,950	31,000	1,812	35,700	35,750	2,090	40,450	40,500	2,368	45,200	45,250	2,646	49,950	50,000	2,924
26,250	26,300	1,537	31,000	31,050	1,815	35,750	35,800	2,093	40,500	40,550	2,371	45,250	45,300	2,649	50,000	50,050	2,926
26,300	26,350	1,540	31,050	31,100	1,818	35,800	35,850	2,096	40,550	40,600	2,374	45,300	45,350	2,652	50,050	50,100	2,929
26,350	26,400	1,543	31,100	31,150	1,821	35,850	35,900	2,099	40,600	40,650	2,377	45,350	45,400	2,655	50,100	50,150	2,932
26,400	26,450	1,546	31,150	31,200	1,824	35,900	35,950	2,102	40,650	40,700	2,379	45,400	45,450	2,657	50,150	50,200	2,935
26,450	26,500	1,549	31,200	31,250	1,827	35,950	36,000	2,105	40,700	40,750	2,382	45,450	45,500	2,660	50,200	50,250	2,938
26,500	26,550	1,552	31,250	31,300	1,830	36,000	36,050	2,107	40,750	40,800	2,385	45,500	45,550	2,663	50,250	50,300	2,941
26,550	26,600	1,555	31,300	31,350	1,833	36,050	36,100	2,110	40,800	40,850	2,388	45,550	45,600	2,666	50,300	50,350	2,944
26,600	26,650	1,558	31,350	31,400	1,835	36,100	36,150										

2000 Massachusetts Income Tax Table at the 5.85% Rate

INCOME																	
More than	But not more than	TAX	More than	But not more than	TAX	More than	But not more than	TAX	More than	But not more than	TAX	More than	But not more than	TAX	More than	But not more than	TAX
\$52,500	-\$52,500	3,073	\$57,250	-\$57,300	3,351	\$62,000	-\$62,050	3,628	\$66,750	-\$66,800	3,906	\$71,500	-\$71,550	4,184	\$76,250	-\$76,300	4,462
52,550	52,600	3,076	57,300	57,350	3,354	62,050	62,100	3,631	66,800	66,850	3,909	71,550	71,600	4,187	76,300	76,350	4,465
52,600	52,650	3,079	57,350	57,400	3,356	62,100	62,150	3,634	66,850	66,900	3,912	71,600	71,650	4,190	76,350	76,400	4,468
52,650	52,700	3,081	57,400	57,450	3,359	62,150	62,200	3,637	66,900	66,950	3,915	71,650	71,700	4,193	76,400	76,450	4,471
52,700	52,750	3,084	57,450	57,500	3,362	62,200	62,250	3,640	66,950	67,000	3,918	71,700	71,750	4,196	76,450	76,500	4,474
52,750	52,800	3,087	57,500	57,550	3,365	62,250	62,300	3,643	67,000	67,050	3,921	71,750	71,800	4,199	76,500	76,550	4,477
52,800	52,850	3,090	57,550	57,600	3,368	62,300	62,350	3,646	67,050	67,100	3,924	71,800	71,850	4,202	76,550	76,600	4,480
52,850	52,900	3,093	57,600	57,650	3,371	62,350	62,400	3,649	67,100	67,150	3,927	71,850	71,900	4,205	76,600	76,650	4,483
52,900	52,950	3,096	57,650	57,700	3,374	62,400	62,450	3,652	67,150	67,200	3,930	71,900	71,950	4,208	76,650	76,700	4,485
52,950	53,000	3,099	57,700	57,750	3,377	62,450	62,500	3,655	67,200	67,250	3,933	71,950	72,000	4,211	76,700	76,750	4,488
53,000	53,050	3,102	57,750	57,800	3,380	62,500	62,550	3,658	67,250	67,300	3,936	72,000	72,050	4,214	76,750	76,800	4,491
53,050	53,100	3,105	57,800	57,850	3,383	62,550	62,600	3,661	67,300	67,350	3,939	72,050	72,100	4,216	76,800	76,850	4,494
53,100	53,150	3,108	57,850	57,900	3,386	62,600	62,650	3,664	67,350	67,400	3,941	72,100	72,150	4,219	76,850	76,900	4,497
53,150	53,200	3,111	57,900	57,950	3,389	62,650	62,700	3,666	67,400	67,450	3,944	72,150	72,200	4,222	76,900	76,950	4,500
53,200	53,250	3,114	57,950	58,000	3,392	62,700	62,750	3,669	67,450	67,500	3,947	72,200	72,250	4,225	76,950	77,000	4,503
53,250	53,300	3,117	58,000	58,050	3,394	62,750	62,800	3,672	67,500	67,550	3,950	72,250	72,300	4,228	77,000	77,050	4,506
53,300	53,350	3,120	58,050	58,100	3,397	62,800	62,850	3,675	67,550	67,600	3,953	72,300	72,350	4,231	77,050	77,100	4,509
53,350	53,400	3,122	58,100	58,150	3,400	62,850	62,900	3,678	67,600	67,650	3,956	72,350	72,400	4,234	77,100	77,150	4,512
53,400	53,450	3,125	58,150	58,200	3,403	62,900	62,950	3,681	67,650	67,700	3,959	72,400	72,450	4,237	77,150	77,200	4,515
53,450	53,500	3,128	58,200	58,250	3,406	62,950	63,000	3,684	67,700	67,750	3,962	72,450	72,500	4,240	77,200	77,250	4,518
53,500	53,550	3,131	58,250	58,300	3,409	63,000	63,050	3,687	67,750	67,800	3,965	72,500	72,550	4,243	77,250	77,300	4,521
53,550	53,600	3,134	58,300	58,350	3,412	63,050	63,100	3,690	67,800	67,850	3,968	72,550	72,600	4,246	77,300	77,350	4,524
53,600	53,650	3,137	58,350	58,400	3,415	63,100	63,150	3,693	67,850	67,900	3,971	72,600	72,650	4,249	77,350	77,400	4,526
53,650	53,700	3,140	58,400	58,450	3,418	63,150	63,200	3,696	67,900	67,950	3,974	72,650	72,700	4,251	77,400	77,450	4,529
53,700	53,750	3,143	58,450	58,500	3,421	63,200	63,250	3,699	67,950	68,000	3,977	72,700	72,750	4,254	77,450	77,500	4,532
53,750	53,800	3,146	58,500	58,550	3,424	63,250	63,300	3,702	68,000	68,050	3,979	72,750	72,800	4,257	77,500	77,550	4,535
53,800	53,850	3,149	58,550	58,600	3,427	63,300	63,350	3,705	68,050	68,100	3,982	72,800	72,850	4,260	77,550	77,600	4,538
53,850	53,900	3,152	58,600	58,650	3,430	63,350	63,400	3,707	68,100	68,150	3,985	72,850	72,900	4,263	77,600	77,650	4,541
53,900	53,950	3,155	58,650	58,700	3,432	63,400	63,450	3,710	68,150	68,200	3,988	72,900	72,950	4,266	77,650	77,700	4,544
53,950	54,000	3,158	58,700	58,750	3,435	63,450	63,500	3,713	68,200	68,250	3,991	72,950	73,000	4,269	77,700	77,750	4,547
54,000	54,050	3,160	58,750	58,800	3,438	63,500	63,550	3,716	68,250	68,300	3,994	73,000	73,050	4,272	77,750	77,800	4,550
54,050	54,100	3,163	58,800	58,850	3,441	63,550	63,600	3,719	68,300	68,350	3,997	73,050	73,100	4,275	77,800	77,850	4,553
54,100	54,150	3,166	58,850	58,900	3,444	63,600	63,650	3,722	68,350	68,400	4,000	73,100	73,150	4,278	77,850	77,900	4,556
54,150	54,200	3,169	58,900	58,950	3,447	63,650	63,700	3,725	68,400	68,450	4,003	73,150	73,200	4,281	77,900	77,950	4,559
54,200	54,250	3,172	58,950	59,000	3,450	63,700	63,750	3,728	68,450	68,500	4,006	73,200	73,250	4,284	77,950	78,000	4,562
54,250	54,300	3,175	59,000	59,050	3,453	63,750	63,800	3,731	68,500	68,550	4,009	73,250	73,300	4,287	78,000	78,050	4,564
54,300	54,350	3,178	59,050	59,100	3,456	63,800	63,850	3,734	68,550	68,600	4,012	73,300	73,350	4,290	78,050	78,100	4,567
54,350	54,400	3,181	59,100	59,150	3,459	63,850	63,900	3,737	68,600	68,650	4,015	73,350	73,400	4,292	78,100	78,150	4,570
54,400	54,450	3,184	59,150	59,200	3,462	63,900	63,950	3,740	68,650	68,700	4,017	73,400	73,450	4,295	78,150	78,200	4,573
54,450	54,500	3,187	59,200	59,250	3,465	63,950	64,000	3,743	68,700	68,750	4,020	73,450	73,500	4,298	78,200	78,250	4,576
54,500	54,550	3,190	59,250	59,300	3,468	64,000	64,050	3,745	68,750	68,800	4,023	73,500	73,550	4,301	78,250	78,300	4,579
54,550	54,600	3,193	59,300	59,350	3,471	64,050	64,100	3,748	68,800	68,850	4,026	73,550	73,600	4,304	78,300	78,350	4,582
54,600	54,650	3,196	59,350	59,400	3,474	64,100	64,150	3,751	68,850	68,900	4,029	73,600	73,650	4,307	78,350	78,400	4,585
54,650	54,700	3,198	59,400	59,450	3,476	64,150	64,200	3,754	68,900	68,950	4,032	73,650	73,700	4,310	78,400	78,450	4,588
54,700	54,750	3,201	59,450	59,500	3,479	64,200	64,250	3,757	68,950	69,000	4,035	73,700	73,750	4,313	78,450	78,500	4,591
54,750	54,800	3,204	59,500	59,550	3,482	64,250	64,300	3,760	69,000	69,050	4,038	73,750	73,800	4,316	78,500	78,550	4,594
54,800	54,850	3,207	59,550	59,600	3,485	64,300	64,350	3,763	69,050	69,100	4,041	73,800	73,850	4,319	78,550	78,600	4,597
54,850	54,900	3,210	59,600	59,650	3,488	64,350	64,400	3,766	69,100	69,150	4,044	73,850	73,900	4,322	78,600	78,650	4,600
54,900	54,950	3,213	59,650	59,700	3,491	64,400	64,450	3,769	69,150	69,200	4,047	73,900	73,950	4,325	78,650	78,700	4,602
54,950	55,000	3,216	59,700	59,750	3,494	64,450	64,500	3,772	69,200	69,250	4,050	73,950	74,000	4,328	78,700	78,750	4,605
55,000	55,050	3,219	59,750	59,800	3,497	64,500	64,550	3,775	69,250	69,300	4,053	74,000	74,050	4,330	78,750	78,800	4,608
55,050	55,100	3,222	59,800	59,850	3,500	64,550	64,600	3,778	69,300	69,350	4,056	74,050	74,100	4,333	78,800	78,850	4,611
55,100	55,150	3,225	59,850	59,900	3,503	64,600	64,650										

Department of Revenue Resources

DOR Locations in Massachusetts

19 Staniford Street
Boston 02204
(617) 887-MDOR

218 South Main Street
Fall River 02721
(508) 678-2844

1019 Iyanough Road
Hyannis 02601
(508) 771-2414

333 East Street
Pittsfield 01201
(413) 499-2206

436 Dwight Street
Springfield 01103
(413) 784-1000

40 Southbridge Street
Worcester 01608
(508) 792-7300

DOR Locations throughout the Country

1355 Peachtree Street NE
Suite 1280
Atlanta, GA 30309
(404) 874-2922

101 South First Street, 4th floor
Burbank, CA 91502
(818) 840-9059

150 North Michigan Avenue
Suite 2035
Chicago, IL 60601
(312) 899-9040

2603 Augusta Drive, Suite 1075
Houston, TX 77057
(713) 784-7225

1440 Broadway, 22nd floor
New York, NY 10018
(212) 768-2750

355 Fifth Avenue, Suite 1400
Pittsburgh, PA 15222
(412) 281-2776

What kind of help is available

The instructions in the Department of Revenue's tax forms should provide answers to most taxpayer questions. If you have questions about completing your Massachusetts tax form, you can call or visit any of the Department of Revenue offices listed on this page Monday through Friday, between 8:45 a.m. and 5:00 p.m. Taxpayers also can call TaxTalk, the Department's automated system of recorded tax help, available during non-business hours, at the main information lines listed below. In addition, DOR issues a number of useful publications on various state tax issues. These publications include: tax-specific guides written in question and answer format such as the *Guide to Filing Your 2000 Massachusetts Income Taxes*; a quarterly newsletter, the *Taxpayer Advisory Bulletin*, with updates on legislative, legal and Departmental decisions; and public written statements, such as Regulations, Technical Information Releases (TIRs), Directives and Letter Rulings.

Where to get forms and publications



During the income tax filing season, you can pick up Massachusetts personal income tax forms in many convenient locations, including post offices, libraries, and major city or town halls; any DOR office listed on this page; or IRS district offices across the state.



To obtain Massachusetts forms and publications by phone, call the Department's main information lines at (617) 887-MDOR or toll-free in Massachusetts at 1-800-392-6089. Please note that many forms and publications are available 24 hours a day by calling the Department's automated forms request system at the numbers listed above.



Many Massachusetts tax forms and publications are also available via the DOR website. The address for the Department's website is www.massdor.com



Certain forms and publications can be obtained through DOR's Fax on Demand system. For a complete Fax on Demand menu, please call (617) 887-1900 using the handset and the keypad on your fax machine.

For general tax information

Please call (617) 887-MDOR or toll-free in Massachusetts 1-800-392-6089 for assistance with the following:

- ▶ abatements
- ▶ bills and payments
- ▶ business registration
- ▶ business taxes
- ▶ corporate excise
- ▶ corporate trusts
- ▶ estate taxes
- ▶ estimated taxes
- ▶ fiduciary taxes
- ▶ nonresident information
- ▶ partnerships
- ▶ personal income taxes
- ▶ refunds
- ▶ withholding

Extended telephone service hours

If you have personal income tax questions or need assistance completing your return, extended telephone service is available at (617) 887-MDOR or toll-free in Massachusetts at 1-800-392-6089. From January 15 through April 17, 2001, these extended hours will be: Monday through Thursday, 5–7 p.m.; Saturday, 9 a.m.–1 p.m.; and Sunday, 10 a.m.–2 p.m.

For help in one of the following specific areas

- ▶ Certificates of Good Standing (617) 887-6550
- ▶ Teletype (TTY) (617) 887-6140
- ▶ Vision-impaired taxpayers can contact any DOR office listed on this page to receive assistance.
- ▶ Upon request, this publication is available in an alternative format. Please send your request to: Office of Affirmative Action, PO Box 9488, Boston, MA 02205-9488 or call (617) 626-3410.
- ▶ Installment sales (617) 887-6950
- ▶ Small Business Workshop (617) 887-6400

Massachusetts

Department of

Revenue

PO Box 7011

Boston, MA 02204

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Dear Taxpayer,

There's no dispute that electronic filing — "E-filing" — is the fastest and most accurate way to file your state personal income tax return. As part of our continuing effort to utilize technology to improve service to taxpayers, the Massachusetts Department of Revenue (DOR) this year is offering four ways to E-file your tax return:

- by touch-tone telephone using Telefile;
- via the web, by preparing and filing your return, at no cost, online at DOR's website, www.massdor.com;
- by using the services provided by a DOR-approved tax professional; and
- by using a DOR-approved commercial tax preparation website or software product.

Each E-file method is designed to be easy to use and convenient, and allows you to deposit your refund check directly into your bank account. In addition, Telefile allows you to use your credit card to pay any tax due. Whether you prepare your own state tax return or have a tax professional complete your return, with E-file you can rely on 24 hours a day, seven days a week availability, instant confirmation that your tax return was received by DOR, and one of the country's fastest refund turnaround times — four days.

In recognition of the importance of protecting the confidentiality of personal information, this year your social security number has been removed from the preprinted tax forms you receive through the mail. Instead, you will find a PIN — a personal identification number — to be used when you Telefile or file via the web at www.massdor.com. If you file using a paper form, please remember to include your social security number on the form. In addition, the tax form now includes a check-box where you can authorize DOR to discuss with your tax practitioner matters that may arise during the processing of your tax return.

For more information about DOR's E-file programs, or to check the status of your refund or quarterly estimated payments, please visit our website, www.massdor.com, a useful resource for all of your state tax needs. I encourage you to use the website's e-mail function if you have any questions, comments or suggestions. You also can call our Customer Service Bureau at (617) 887-MDOR or toll-free in Massachusetts at (800) 392-6089.

Sincerely,

A handwritten signature in cursive script that reads "Frederick A. Laskey".

Frederick A. Laskey
Commissioner of Revenue