



Department of Revenue | Commonwealth of Massachusetts

# 2014 Massachusetts Nonresident or Part-Year Resident Income Tax

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

FOR  
MY  
INR/PY

# Give e-file a try this year!

**C'mon, admit it —  
filing paper tax returns is a hassle!**

**So forget about paper, mistakes,  
stress, and longer refund  
wait times. E-file this year!**

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



## Paid Preparers ...

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

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

## or Commercial Tax Preparation Software

You can also e-file using DOR-approved commercial tax filing products or websites. Visit our website for a complete listing of approved websites and products. Although some of these products offer a paper filing option, you may only use that option if it incorporates a 2D barcode into the right-hand corner of all pages. If you have a 2D printing issue, be sure to contact the software manufacturer for instructions before filing to avoid having your return rejected. Also, be sure to use the correct 2D barcode mailing address: PO Box 7001 for refunds/no payments or PO Box 7002 for payments. See DOR's online tax form instructions for more information.

# Before You Begin

## Who Must File

You must file a Massachusetts Nonresident/Part-Year Resident Income Tax Return, Massachusetts Form 1-NR/PY, if you were not a resident of Massachusetts and you received Massachusetts source income in excess of your personal exemption multiplied by the ratio of your Massachusetts income to your total income, or you were not a resident of Massachusetts for the full year and your gross income was more than \$8,000 — whether received from sources inside or outside of Massachusetts.

Check the following categories to make sure you are a nonresident/part-year resident.

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

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

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

**4. Complete the checklist below to determine if you are required to file Form 1-NR/PY as both a Nonresident and Part-Year Resident.**

*Line 1. Were you a Massachusetts resident for part of the 2014 tax year?  Yes  No.*

*Line 2. While you were not a resident of Massachusetts in tax year 2014, did you receive Massachusetts source income (e.g., from a job in Massachusetts)?  Yes  No.*

If you answered “Yes” to line 1 only, you should file as a **Part-Year Resident**.

If you answered “Yes” to line 2 only, you should file as a **Nonresident**.

If you answered “Yes” to both line 1 and line 2, you must file both as a **Nonresident and Part-Year Resident**. Fill in the “**Filing as both a nonresident and part-year resident**” oval below the address section of the form if this category applies to you. Complete Schedule R/NR, Resident/Nonresident Worksheet, to calculate the portion of income earned while a Nonresident and the portion of income earned while a Part-Year Resident. Schedule R/NR is included in this booklet.

**5. Fill in the “Nonresident composite return” bubble** if this return is being filed as a composite return on behalf of nonresident professional athletic team members. See the instructions on page 8.

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

## Major 2014 Tax Changes

### Filing Due Dates

Form 1-NR/PY is due on or before April 15, 2015.

### Duty to Obtain Health Insurance; Penalty for Failure to Obtain Health Insurance

Most Massachusetts residents age 18 and over are required to have health insurance, if it is affordable to them. Residents who have access to affordable coverage but do not obtain the coverage may face state tax penalties pursuant to G.L. c. 111M, sec. 2. Adults who can afford health insurance are required to have coverage each month of the year, although 63-day gaps in coverage are allowed. The monthly penalties for failing to obtain affordable coverage for taxable year 2014 are set out in TIR 14-3 and are based on half of the minimum monthly insurance premium for which an individual would have qualified through the Connector.

Schedule HC, Health Care Information, must be completed by all full-year residents and certain part-year residents age 18 and over to notify the Department whether or not they had health insurance in each month of 2014. Taxpayers who did not have coverage for all of 2014, or had a gap in coverage of four or more consecutive months will need to determine if they had access to affordable health insurance (through an employer or the government or on their own). Worksheets and tables are available to determine whether the taxpayer had access to affordable health insurance.

If it is determined that a taxpayer could have afforded health insurance, the taxpayer has the right to appeal the application of the penalty due to hardship by requesting an appeal to the Connector on the Schedule HC.

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

### 2014 Personal Income Tax Rates

The personal income tax rates to be applied against different classes of Massachusetts taxable income are established by G.L. c. 62, sec. 4. The tax rate on most classes of income is scheduled to decrease in years where the state achieves revenue growth benchmarks set forth in a formula in G.L. c. 62, sec. 4(b). Effective for tax years beginning on or after January 1, 2014, the tax rate on most classes of taxable income is 5.2% (decreased from 5.25% for tax year 2013). However, the tax rate on short-term gains from the sale or exchange of capital assets and on long-term gains from the sale or exchange of collectibles (after a 50% deduction) remains at 12%.

### Qualifying Small Business Stock; Three-Year Holding Period

Starting with tax year 2014, gains from the sale of qualifying small business stock in certain Massachusetts-based start-up corporations are taxed at a rate of 3% (instead of 5.2%). See G.L. c. 62, sec. 4(c). In order to qualify for the lower rate, investments must have been made within five years of the corporation’s date of incorporation and must be in stock that generally satisfies the definition of “qualified small business stock” under IRC sec. 1202(c), without regard to the requirement that the corporation be a C corporation. In addition, the stock must be held for three years or more and the investments must be in a corporation which:

- a. is domiciled in Massachusetts
- b. is incorporated on or after January 1, 2011, and
- c. has less than \$50 million in assets at the time of investment, and
- d. complies with certain of the “active business requirements” of sec. 1202 of the Code, i.e., sec. 1202(e)(1), (e)(2), (e)(5), and (e)(6).

As a result of the required holding period of “three years or more” for small business stock, tax year 2014 is the first year that the 3% rate is operative. For other requirements pertaining to gain from the sale of qualifying small business stock, see TIR 10-15.

## **Penalty for Failure to Obtain Health Insurance; Interaction of Massachusetts Health Care Penalty with Federal Shared Responsibility Payment**

Most Massachusetts residents age 18 and over are required to have health insurance, if it is affordable to them. Residents who have access to affordable coverage but do not obtain the coverage may face state tax penalties pursuant to G.L. c. 111M, sec. 2. The monthly penalties for failing to obtain affordable coverage for taxable year 2014 are set out in TIR 14-3 and are based on half of the minimum monthly insurance premium for which an individual would have qualified through the Connector.

Beginning January 1, 2014, the federal Affordable Care Act instituted a nation-wide mandate on individuals to obtain health insurance. For tax years beginning on or after January 1, 2014, if a nonexempt individual fails to obtain health insurance meeting federal standards, the person is liable for a penalty termed the "shared responsibility payment" that must be reported on his or her federal income tax return. With respect to penalties, if a taxpayer is subject to both the Massachusetts health care penalty and the federal shared responsibility payment, the taxpayer may reduce his or her Massachusetts health care penalty by the amount of any federal shared responsibility payment, so as to prevent a pyramiding of the penalties. See the Department's regulation, 830 CMR 111.M.2.1, Health Insurance Individual Mandate.

For more information about the Massachusetts health care law, see the Connector's regulation at 956 CMR 6.00, Determining Affordability for the Individual Mandate, the Connector's website at mahealthconnector.org or DOR's website at mass.gov/dor.

## **Circuit Breaker Tax Credit Increased**

A credit is allowed to an owner or renter of residential property located in Massachusetts equal to the amount by which the real estate tax payment or 25% of the rent constituting real estate tax payment exceeds 10% of the taxpayer's total income, not to exceed \$1,050. The amount of the credit is subject to limitations based on the taxpayer's total income and the assessed value of the real estate, which must not exceed \$691,000. For tax year 2014, an eligible taxpayer's total income cannot exceed \$56,000 in the case of a single filer who is not a head of household filer, \$70,000 for a head of household filer, and \$84,000 for joint filers. In order to qualify for the credit, a taxpayer must be age 65 or older and must occupy the property as his or her principal residence. See TIR 14-12 for more information.

## **Community Investment Tax Credit**

Effective for tax years beginning on or after January 1, 2014, a credit is allowed for qualified investments (certain cash contributions made to a community development corporation, community support organization, or a community partnership fund) made on or after January 1, 2014. The credit is equal to 50% of the total qualified investment made by the taxpayer for the taxable year. No credit is allowed to a taxpayer that makes a qualified investment of less than \$1,000. In any one taxable year, the total amount of the credit that may be claimed by a taxpayer that makes qualified investments cannot exceed \$1,000,000. The credit is refundable, or, alternatively, may be carried forward 5 years. The credit is set to expire December 31, 2019. See the Department's regulation 830 CMR 62.6M.1, Community Investment Tax Credit and the regulation issued by the Department of Housing and Community Development, 760 CMR 68.00, Community Investment Grant and Tax Credit Program, for further guidance.

## **Conservation Land Tax Credit**

The amount of the credit that may be claimed by a taxpayer for each qualified donation of certified land to a public or private conservation agency made on or after August 13, 2014 may not exceed \$75,000 (increased from \$50,000 for qualified donations made prior to August 13, 2014). For further guidance, see the Department's regulation 830 CMR 62.6.4, Conservation Land Tax Credit, and the regulation issued by the Executive Office of Energy and Environmental Affairs, 301 CMR 14.00, also entitled Conservation Land Tax Credit.

## **Current Code Provisions**

As a general rule, Massachusetts will not adopt any federal tax law changes incorporated into the Internal Revenue Code ("Code") after January 1, 2005. However, certain specific provisions of the personal income tax automatically adopt the current Code. Provisions of the Code adopted on a current Code basis are (i) Roth IRAs, (ii) IRAs, (iii) the exclusion for gain on the sale of a principal residence, (iv) trade or business expenses, (v) travel expenses, (vi) meals and entertainment expenses, (vii) the maximum deferral amount of government employees' deferred compensation plans, (viii) the deduction for health insurance costs of self-employed, (ix) medical and dental expenses, (x) annuities, (xi) health savings accounts, and (xii) employer-provided health insurance coverage and amounts received by an employee under a health and accident plan. See TIRs 98-8, 02-11, 07-4, and 09-21 for further details on the Massachusetts personal income tax current Code provisions.

## **Parking, Combined Commuter Highway Vehicle Transportation and T-Pass Fringe Benefit — IRC sec. 132(f)**

Massachusetts follows IRC sec. 132(f) as amended and in effect under the January 1, 2005 Code. For tax year 2014, the IRS has calculated, based on inflation adjustments contained in the January 1, 2005 Code, the 2014 exclusion amounts for employer-provided parking and combined transit pass and commuter highway vehicle transportation benefits as \$250 and \$130 per month respectively. Massachusetts adopts these 2014 tax year monthly exclusion amounts because they are based on the January 1, 2005 Code. For further discussion, see TIR 14-2.

## **IRC Sec. 179 Election to Expense Certain Depreciable Business Assets**

As a trade or business deduction, IRC sec. 179 is adopted by Massachusetts on a current Code basis. For property placed in service in tax years beginning after December 31, 2013 and before January 1, 2015, the maximum section 179 expensing allowance is \$500,000.

## **Federal Deduction — Not Allowed**

### **Federal "Bonus" Depreciation — IRC sec. 168(k)**

Under 2002 legislation, Massachusetts decoupled from bonus depreciation allowed under IRC sec. 168(k), as amended and in effect for the current year. Therefore, Massachusetts does not adopt this additional depreciation deduction. See TIRs 02-11 and 03-25 for further details.

## **Federal Deduction — Not Allowed**

### **Domestic Production Activity Deduction — IRC sec. 199**

For federal income tax purposes, a business entity that pays wages to employees and conducts eligible domestic production activities is allowed a deduction for domestic production activities under IRC sec. 199. Generally, in the case of a non-corporate taxpayer, the deduction allows a business with qualified production activities to deduct 9% of its U.S. adjusted gross income. Under 2004 legislation, Massachusetts de-coupled from the production activity deduction allowed under IRC sec. 199, as amended and in effect for the current year. Therefore, Massachusetts does not adopt the federal domestic production activity deduction. See TIR 05-5.

## Federal Tax Provisions That Congress May Extend or Change

It is possible that Congress could make further changes to the Internal Revenue Code after the publication of these form instructions. Certain items such as the federal exclusion for qualified charitable distributions from an Individual Retirement Account ("IRA"), IRC sec. 408(d)(8), have expired for 2014 but may be extended by Congress later this year. The Department will provide guidance on any additional changes to the Code that affect the provisions of the Massachusetts personal income tax for tax year 2014.

## Privacy Act Notice

Under the authority of 42 U.S.C. sec. 405(c)(2)(C)(i), and MGL 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 MGL 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 MGL c. 62C, sec. 21, the Department of Revenue may disclose return information to other taxing authorities and those entities specified in MGL c. 62C, secs. 21, 22 or 23, and as otherwise authorized by law.

## Filing Your Massachusetts Return

As a nonresident, you must file Form 1-NR/PY if your Massachusetts source income for 2014 exceeded the smaller of your apportioned personal exemption, or \$8,000.

## What Is Massachusetts Source Income for Nonresidents?

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

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

- any trade, business, or employment carried on in Massachusetts (see the following section);
- participation in any lottery or wagering transaction in Massachusetts; or

- ownership of any interest in real or tangible personal property located in Massachusetts.

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

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

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

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

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

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

## Are Military Personnel Required to File?

If you enlisted in the service as a Massachusetts resident and have not established a new domicile (legal residence) elsewhere (refer to military guidelines) and if your gross income is more than \$8,000, you are required to file a Massachusetts resident income tax return. This applies even though you may be stationed outside of Massachusetts. The terms "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 from outside military sources.

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

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

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

## How Do I Determine My Legal Residence (Domicile)?

Your legal residence is determined by all the facts and circumstances in your case. If you have two or more residences, your legal residence is the one you regard as your true home or principal residence. You cannot choose to make your home in one place for the general purposes of life and in another for tax purposes. Your legal residence is

usually the place where you maintain your most important family, social, economic, political and religious ties. A change of legal residence will not be accomplished by a temporary or protracted absence from a place; you must not intend to return.

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

## What is Gross Income for a Part-Year Resident?

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

- ▷ all wages, salaries, tips, bonuses, fees and other compensation;
- ▷ taxable pensions and annuities;
- ▷ alimony;
- ▷ income from a business, trade, profession, partnership, S corporation, trust or estate;
- ▷ rental, royalty and REMIC income;
- ▷ unemployment compensation;
- ▷ taxable interest and dividends;
- ▷ gambling winnings;
- ▷ capital gains;
- ▷ forgiveness of debt;
- ▷ mortgage forgiveness;
- ▷ taxable portion of scholarships and fellowships; and
- ▷ any other income not specifically exempt.

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

- ▷ interest from obligations of states and their political subdivisions, other than Massachusetts and its political subdivisions; and
- ▷ income earned by a resident from foreign employment.

**Massachusetts gross income does not include:**

- ▷ interest on obligations of the U.S. and U.S. territories;
- ▷ Pension income received from a contributory annuity, pension, endowment or retirement fund of the U.S. government or the Commonwealth of Massachusetts and its political subdivisions.
- ▷ amounts received as U.S. Social Security, public welfare assistance, Veterans Administration disability payments, G.I. Bill education payments, certain worker's compensation, gifts, accident or life insurance payments, or certain payments received by Holocaust survivors; and
- ▷ compensation earned by members of the armed forces for service in a combat zone (excluded to the same extent as under federal law).

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

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

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

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

### Deductions: Lines 15 through 19

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

Line 17 (the deduction for a dependent under age 12, or dependents age 65 or over as of December 31, 2014, or disabled dependent(s)), Schedule Y, lines 6 (Archer medical savings account (MSA) deduction), 8 (health savings account deduction), 10 (student loan interest deduction), 11 (college tuition deduction), 12 (undergraduate student loan interest deduction) and 15 (commuter deduction) are the only deductions based on the proration of the number of days you were a Massachusetts resident. For example, if you are entitled to claim one dependent under age 12, and if you lived in Massachusetts for only four months, you can claim a deduction equal to \$1,200 (one-third of the \$3,600 to which you are otherwise entitled). See line 2 on Form 1-NR/PY for the proration formula.

Lines 15, 16 and 18 and Schedule Y, lines 1 through 4, lines 5 (moving expenses), 7 (self-employed health insurance deduction), 9 (qualified performing arts-related expenses, jury duty pay given to your employer, reforestation amortization, repayment of supplemental unemployment benefits under the Trade Act of 1974, employee business expenses of fee-basis state or local government officials, business expenses of National

Guard Reserve members, the deduction for attorney's fees and court costs involving certain unlawful discrimination suits and deductible expenses related to income reported on U.S. Form 1040, line 21 and Massachusetts Schedule X, line 4) and line 13 are based on the actual amounts paid or received for the period of time you were in Massachusetts. For example, you may only deduct the amount of alimony paid (Schedule Y, line 3) while you were a Massachusetts resident. Similarly, the deduction for attorney's fees and court costs involving certain unlawful discrimination suits (Schedule Y, line 9) must be directly related to Massachusetts income as reported on Form 1-NR/PY, line 12.

### Exemptions: Lines 4a through 4f

Your total exemptions (line 4f) must be prorated based upon the ratio of days you were a Massachusetts resident. To adjust your exemptions, use the formula in line 2 and see line 22 instructions.

### Federal Health Care Penalty: Line 39c

If you are reducing your Massachusetts health care penalty by the federal shared responsibility payment (federal health care penalty), you must prorate the federal health care penalty amount based upon the number of days you were a Massachusetts resident. To adjust this payment, use the formula in line 2 and see line 39 instructions.

### Earned Income Credit: Line 45

Your earned income credit (line 45) must be prorated based upon the ratio of days you were a Massachusetts resident. To adjust this credit, use the formula in line 2 and see line 45 instructions.

## Should I Make Estimated Tax Payments in 2015?

Every taxpayer (whether a resident or nonresident) who expects to pay more than \$400 in Massachusetts income taxes on income which is not covered by Massachusetts withholding must pay Massachusetts estimated taxes. See line 43 instructions for more information.

## How Do I File a Decedent's Return?

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

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

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

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

## When to File Your Return

Your 2014 Form 1-NR/PY is due on or before April 15, 2015.

### Automatic Extension Granted if 100% of the Tax Due is Paid by the Tax Return Due Date

If line 3 of the following Form 1-NR/PY Extension Worksheet is "0" and 100% of the tax due for 2014 has been paid through:

- withholding;
- timely estimated payments of tax;
- credits from your 2014 return; and
- an overpayment from the prior tax year applied to the next year's estimated tax,

you are no longer required to file Form M-4868, Application for Automatic Extension of Time to File Massachusetts Income Tax Return. However, if you do choose to file Form M-4868 in this instance, you must do so electronically, via DOR's website. See TIR 06-21 for more information.

Also, if you owe no tax or you are making a payment of \$5,000 or more, you are required to file your extension electronically, either through E-File or via the web. Failure to do so will result in a penalty. If you are making a payment of less than \$5,000, you also have the option of filing your extension electronically. If there is a tax due with your extension, payment can be made through Electronic Funds Withdrawal.

Visit [mass.gov/dor](http://mass.gov/dor) to file via the Web.

#### **Form 1-NR/PY Extension Worksheet**

- |  |              |
|--|--------------|
| <b>1. Enter amount from Form 1-NR/PY, line 36. ....</b>                                    | <b>.....</b> |
| <b>2. Enter the total of Form 1-NR/PY, lines 41 through 43 and 45 through 47 . . . . .</b> | <b>.....</b> |
| <b>3. Amount due. Subtract line 2 from line 1, not less than "0" . . . . .</b>             | <b>.....</b> |

**Note:** Your extension will not be valid if you fail to pay 80% of your total tax liability through withholding, estimated tax payments or with your extension. Form M-4868 is available at [mass.gov/dor](http://mass.gov/dor) or by calling (617) 887-MDOR or toll-free in Massachusetts 1-800-392-6089.

### Must I File on a Calendar Year Basis?

No. You may file on a fiscal year basis if you keep your books and records on that fiscal year basis and if you receive permission from the Commissioner of Revenue. If you file on a fiscal year basis, you must file on or before the fifteenth day of the fourth month after the end of your fiscal year. Taxpayers filing on a fiscal year basis must complete and file Form 13, Notice of Designation of Fiscal Year, available at [mass.gov/dor](http://mass.gov/dor) or by calling (617) 887-MDOR or toll-free in Massachusetts 1-800-392-6089.

### Fiscal Year Filers and Short Year Filers

File the 2014 return for calendar year 2014 and fiscal years that began in 2014 and ended in 2015. For a fiscal year return, fill in the tax year space at the top of page 1. Short year filers should file using the tax form for the calendar year within which the short year falls. If the short year spans more than one calendar year, the filer should file using the tax form for the calendar year in which the short year began. If the current form is not available at the time the short year filer must file, the filer should follow the rules explained in TIR 11-12.

### What 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, go to [mass.gov/dor/amend](http://mass.gov/dor/amend) and use DOR's online abatement application.

### 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. You can apply for a small payment agreement by visiting WebFile for Income at [mass.gov/dor](http://mass.gov/dor).

**Note:** Do not mail your request for a payment agreement with your tax return. Requests can be made once a bill is issued through DOR's WebFile for Income application at [mass.gov/dor](http://mass.gov/dor) or by calling the Department at (617) 887-MDOR or toll-free in Massachusetts 1-800-392-6089 using the Department's Interactive Voice Response (IVR) system. Setting up a small payment agreement will allow you to make monthly payments within a set time period to satisfy your unpaid liability.

### Name and Address

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

### Social Security Number(s)

Be sure to enter your Social Security number on your return. Also, enter your Social Security number on pages 2 through 4 of Form 1-NR/PY and on page 2 of Schedules B or C, if filed. Failure to show the correct Social Security number in the space provided will delay the processing of your return. If filing jointly, list your numbers in the order they appear on your federal return. Also, be sure your employer has listed the correct Social Security number on your Form W-2. If you are married, you must list your spouse's Social Security number even if you are filing a separate return.

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

# 8 Line by Line Instructions

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

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

## Veterans Benefits

Fill in the appropriate oval(s) for you, and/or your spouse if married filing a joint return, if you are a veteran who served in the Armed Forces of the United States in active service as part of Operation Enduring Freedom, Operation Iraqi Freedom or Operation Noble Eagle and were discharged under honorable conditions and were domiciled for six months in Massachusetts immediately prior to entry into the Armed Forces. The Department of Revenue will then forward the name and address to the Department of Veterans' Services and the adjutant general of the Massachusetts National Guard to verify eligibility for any benefits you may be entitled to.

## Deceased Taxpayer

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

## Under Age 18

If you are under age 18 as of January 1, 2015, be sure to fill in the oval(s).

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

## Residency Status

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

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

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

## Nonresident Composite Return for Professional Athletic Team Members

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

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

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

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

## Name/Address Change

If you legally changed your name or address in 2014, fill in the oval. If you changed your name, enclose a copy of your Social Security card or driver's license showing your new name. Failure to include this documentation could delay processing of your return. If you move after filing, be sure to leave a forwarding address with your local post office and file a Change of Address Form with the Massachusetts Department of Revenue. This form is available to be filed online at mass.gov/dor, or by calling (617) 887-MDOR or toll-free in Massachusetts 1-800-392-6089.

## Noncustodial Parent

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

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

## Schedule TDS — Inconsistent Filing Position Penalty

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

A taxpayer is deemed to have taken an "inconsistent position" when the taxpayer pays less tax in Massachusetts based upon an interpretation of Massachusetts law that differs from the position taken by the taxpayer in another state where the taxpayer files a return and the governing law in that other state "is the same in all material respects" as the Massachusetts law. The Commissioner may waive or abate the penalty if the inconsistency or failure to disclose was attributable to reasonable cause and not willful neglect.

## Line 1. Filing Status

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

### Single

Fill in the "Single" oval if you were single as of December 31, 2014. This status applies to you if, at the close of the taxable year, you fit into any of the following categories:

- you were unmarried;
- you were a widow or a widower whose spouse died before 2014; 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, 2014, and you elect to file a joint return. A joint return is allowed even if only one spouse had income. Both spouses are responsible for the accuracy of all information entered on a joint return, and both must sign. If your spouse died during 2014, you may still choose to file a joint return.

Please note that a joint Form 1-NR/PY is **not** allowed unless each spouse is reporting income for the same resident or nonresident period. For example, John (a Massachusetts resident) and Jane (a New Hampshire resident) both work in Massachusetts. After they were married in June 2014, John moved to New Hampshire to live with Jane. They cannot file a joint return because their nonresident tax years are different. (Jane lived in New Hampshire during the entire year, but John only lived there for six months.)

### **Married Filing Separate Return**

Fill in the “**Married filing separate return**” oval if you were legally married as of December 31, 2014, but you elect to file separately. 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. This status is for unmarried people who paid over half the cost of keeping up a home for a qualifying person, such as a child who lived with you or your dependent parent. Be sure to include such qualifying person on Schedule DI, Depending Information. Certain married people who lived apart from their spouse for the last six months of 2014 and who meet all of the other federal requirements may also be able to use this status. See IRS Publication 501, Exemptions, Standard Deduction, and Filing Information, for more information.

### **Custodial Parent**

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

## **Line 2. Part-Year Resident Proration Formula**

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

### **Whole Dollar Method Required**

The Department of Revenue requires that the whole dollar method be used for entries made on forms or schedules. For example, amounts between \$1.00 and \$1.49 should be entered as \$1.00 and amounts between \$1.50 and \$2.00 should be entered as \$2.00. However, calculations on worksheets used to reach amounts shown on the return may be made in one of two ways: (1) round amounts before adding them up and enter the resulting total on the form, or (2) add amounts to the penny, and then round to the whole dollar for entry on the form. Either method is acceptable as long as one method is used consistently throughout the return.

## **Line 3. Total U.S. Income**

Enter the amount of your total income before adjustments from your U.S. return — U.S. 1040, line 22; 1040A, line 15; 1040EZ, line 4; 1040NR, line 23; or 1040NR-EZ, line 7. This item is requested for administrative reasons; it is not used in the calculation of your tax.

**Note:** If you are filing Form 1-NR/PY as “married filing separate return” and you filed your U.S. return jointly, the amount entered in line 3 should only be the amount attributable to your portion of total U.S. income.

## **Line 4. Exemptions**

### **Line 4a: Personal Exemptions**

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

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

### **Line 4b: Number of Dependents**

You may claim a \$1,000 exemption for each of your dependents if you claimed them on your U.S. return. Enter in the box in item b the number of dependents you listed on U.S. Form 1040 or 1040A, line 6c or U.S. Form 1040NR, line 7c. Do not include yourself or your spouse. Then, multiply that total by \$1,000 and enter the total amount in line 4b. Be sure to fill out Schedule DI, Dependent Information, if you are claiming a dependent exemption(s). Failure to do so will delay the processing of your return.

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

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

### **Line 4c: Age 65 or Over Before 2015**

You are allowed an additional \$700 exemption if you were age 65 or over before January 1, 2015. If your spouse was age 65 or over and you are filing a joint return, you may also claim a \$700 exemption for your spouse. Fill in the appropriate oval(s) and enter the total number of persons age 65 or over in the small box. Then, multiply that total by \$700 and enter the total amount in line 4c.

### **Line 4d: Blindness Exemption**

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

### **Legal Definition of Blindness**

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

### **Line 4e: Other: Medical and Dental Expenses/Adoption Agency Fee**

You may claim an exemption for medical and dental expenses paid during 2014 only if you itemized these expenses on your U.S. Form 1040, Schedule A. If you are married filing a joint U.S. Form 1040, you must file a joint Massachusetts Form 1-NR/PY to claim this exemption. Enter in line 4e, 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 2014, you are eligible for an exemption of the total amount of the fees paid during the year. Fees paid during 2014 to an agency licensed to place children for adoption on account of the adoption process of a minor child regardless of whether an adoption actually took place during 2014 should also be included for this exemption. Enter this amount in line 4e, item 2.

Enclose a statement showing the name and address of the licensed adoption agency and the agency fees. Add item 1 and item 2 and enter the total in line 4e.

#### **Line 4f: Total Exemptions**

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

#### **Lines 5 through 11**

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

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

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

## **5.2% Income**

DOF 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.

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

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

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

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

In most cases your total wages will be the same amount reported on your U.S. 1040 or 1040A, line 7; U.S. 1040EZ, line 1; U.S. 1040NR, line 8; or U.S. 1040NR-EZ, line 3 unless:

- you or your spouse earned income from employment outside Massachusetts (nonresidents only);
- you were a Massachusetts legal resident working in a foreign country (part-year residents only);
- you were a legal resident of Massachusetts for only a part of 2014; or
- you were a state or local employee and made contributions to a Massachusetts state or local pension plan.

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

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

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

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

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

#### **Line 6. Taxable Pensions and Annuities**

**Nonresidents.** Under Title 4 of the United States Code, section 114, payments to nonresidents from certain qualified pension plans are not subject to tax.

Qualified plans include: a qualified trust under IRC sec. 401(a) exempt from taxation under IRC sec. 501(a); simplified IRC sec. 408(k) plans; IRC sec. 403(a) annuity plans; IRC sec. 403(b) annuity contracts; IRC sec. 7701(a) (37) individual retirement plans; eligible deferred compensation plans of state and local governments and tax exempt organizations as defined by IRC sec. 457; IRC sec. 414(d) government plans; a trust or trusts described in IRC sec. 501(c) (18); and any plan, program or arrangement described in IRC sec. 3121(v)(2)(C) or any plan, program, or arrangement that is in writing, that provides for retirement payments in recognition of prior service to be made to a retired partner, and that is in effect immediately before retirement begins if payments are made at least annually and spread over the actuarial life expectancy of the beneficiaries, or if payments are spread over at least a ten-year period. Such income is also protected from state taxation if the plans are trusts under IRC sec. 401(a), but exceed limits laid down in IRC secs. 401(k), 401(m), 402(g), 403(b), 408(k) or 415 or any other limitation on contributions or benefits which may apply in the Code.

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

Any income from pensions related to a Massachusetts trade, business or employment that is not derived from one of the qualified pension plans listed above is taxable. Enter in line 6 the portion of those pensions reported on your U.S. Form 1040, line 16a or U.S. Form 1040A, line 12a, that are taxable to Massachusetts nonresidents.

**Part-year residents.** Income from most private pensions or annuity plans is taxable in Massachusetts. You must report the taxable pension income you received while a resident of Massachusetts. Certain government pensions, however, are exempt under Massachusetts law. In general, exempt pensions include contributory pensions from the U.S. government or the Commonwealth of Massachusetts and its political subdivisions, and noncontributory military pensions. The following section describes some specific pensions which are exempt. If your pension is not exempt, you should generally enter in line 6 the taxable amount reported on your U.S. Form 1040, line

16b or U.S. Form 1040A, line 12b. In some cases, however, Massachusetts law requires an adjustment to the federal amount. Distributions from annuity, stock bonus, pension, profit-sharing or deferred payment plans or contracts described in secs. 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 were previously taxed by Massachusetts until the total of your taxed contributions is received. If your pension falls into this category, enter the adjusted amount in line 6 and explain briefly (in an enclosed statement) why this amount is different than the amount reported on your U.S. return. If you are receiving distributions from an IRA or Keogh plan, do not report the income here; instead, see to the instructions for Schedule X, line 2.

#### **What pensions are exempt?**

- Pension income received from a contributory annuity, pension, endowment or retirement fund of the U.S. government or the Commonwealth of Massachusetts and its political subdivisions.
- Pensions from other states or its political subdivisions which do not tax such income from Massachusetts or its political subdivisions may be eligible to be deducted from Massachusetts taxable income. This pension income, however, should be reported in line 6. Refer to Schedule Y, line 13 instructions to determine eligibility for this deduction.
- Noncontributory pension income or survivorship benefits received from the U.S. uniformed services (Army, Navy, Marine Corps, Air Force, Coast Guard, commissioned corps of the Public Health Service and National Oceanic and Atmospheric Administration) is exempt from taxation in Massachusetts.
- Massachusetts state court judges who were appointed on or after January 2, 1975 are participants in the Massachusetts contributory retirement system and their pensions are nontaxable. State court judges who were appointed prior to January 2, 1975 receive taxable noncontributory pensions.

If you retired under Chapter 32, Sections 56 through 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 6.

#### **How do I report lump-sum distributions?**

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

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

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

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

#### **Line 7. Interest from Massachusetts Banks**

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

**Part-year residents.** While a resident of Massachusetts, interest received from **any** savings banks, cooperative banks, national banks, trust companies, savings and loan associations or credit unions located in Massachusetts is taxable.

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

To report interest taxable to a nonresident or part-year resident from banks located in Massachusetts, enter in line 7a amounts of interest received or credited to these deposit accounts (term and time deposits, including certificates of deposit, savings accounts, savings shares, and NOW accounts). Combine all accounts at the same bank. Enclose a statement listing names of all savings banks, cooperative banks, national banks, trust companies,

savings and loan associations or credit unions in which you have deposit accounts. In line 7b, enter the exemption amount (\$200 if married filing a joint return; otherwise enter \$100) and subtract this amount from line 7a. Enter the result in line 7, but not less than "0."

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

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

**Lines 8, 9 and 12.** If showing a loss in lines 8, 9 or 12, be sure to mark over the "X" in the box to the left. Do not use parentheses or negative signs to indicate losses.

#### **Line 8. Business/Profession or Farm Income or Loss**

**Nonresidents** engaged in a business or profession in Massachusetts must complete and enclose a Massachusetts Schedule C, Profit or Loss from a Business or Profession, and enter the amount of income or loss in line 8.

**Part-year residents** must report the income or loss from a business or profession received while a resident of Massachusetts, whether derived from sources inside or outside of Massachusetts.

Enter the amount of such income or loss that would be reported on Massachusetts Schedule C, line 31. You must enclose Massachusetts Schedule C with this return. Nonresidents, if your business or profession derived income from both inside and outside Massachusetts, see the Non-resident Apportionment Worksheet instructions in line 13.

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

If you operate a farm as an individual or cooperative, enter the amount of income or loss from operating a farm from U.S. Schedule F, Profit or Loss from Farming, line 34. Enclose a copy of U.S. Schedule F. Complete a pro-forma U.S. Schedule F to report Massachusetts differences, such as bonus depreciation, which is not allowed for Massachusetts purposes.

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

For tax years beginning on or after January 1, 2008, any taxpayer with income or loss reported on a Schedule E must file his or her tax return using computer-generated forms produced by third-party software. The tax return may be generated by the taxpayer or by a tax professional. The taxpayer is encouraged, but not required, to submit the return electronically. Paper forms produced using the third-party software product will contain a two-dimensional (2D) bar code and will also be accepted. If the taxpayer hires an income tax preparer to complete the taxpayer's taxes, the preparer must follow the Commissioner's electronic filing rules. See TIR 08-22 for more information.

If you do not have access to a software package when filing your 2014 income tax return, you may file your Schedule(s) E on paper. Visit our website at mass.gov/dor to download a paper copy of the 2014 Schedule(s) E, E-1, E-2, E-3 (and instructions) to file with your income tax return.

## **Line 10a. Unemployment Compensation**

**Nonresidents.** Enter in line 10a the portion of your unemployment compensation reported in U.S. Form 1040, line 19; 1040A, line 13; or 1040EZ, line 3, related to previous Massachusetts employment. Only unemployment compensation related to previous Massachusetts employment is taxable to nonresidents. If you elected voluntary withholding of Massachusetts state income taxes on your unemployment compensation, be sure to include the amount of Massachusetts state income tax withheld as reported on Form 1099-G on Form 1-NR/PY, line 41 and attach with a single staple, where indicated on the return, Form 1099-G.

**Part-year residents.** Enter in line 10a the portion of unemployment compensation reported in U.S. Form 1040, line 19; 1040A, line 13; or 1040EZ, line 3, received while you were a resident of Massachusetts, whether related to employment inside or outside of Massachusetts. If you elected voluntary withholding of Massachusetts state income taxes on your unemployment compensation, be sure to include the amount of Massachusetts state income tax withheld as reported on Form 1099-G on Form 1-NR/PY, line 41 and attach with a single staple, where indicated on the return, Form 1099-G.

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

**Note:** DOR routinely matches the amounts in line 10a with files from the Division of Unemployment Assistance.

## **Line 10b. Massachusetts State Lottery Winnings**

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

**Note:** DOR routinely matches the amounts in line 10b with files from the Lottery Commission.

## **Line 11. Other Income (from Schedule X)**

### **Alimony Received, Taxable IRA/Keogh and Roth IRA Distributions, Other Gambling Winnings, Fees and Other 5.2% Income**

"Other 5.2% income" includes the items listed above and must be included on Schedule X. Enter the total from Schedule X, line 5. Not less than "0." Be sure to enclose Schedule X with your return. Enclose an additional statement if more space is needed. Failure to enclose this schedule will delay the processing of your return. See Schedule X instructions.

## **Line 12. Total 5.2% Income**

Add lines 5 through 11 and enter the total in line 12. Remember to subtract any losses marked with an "X" when calculating the total.

## **Apportionment — Nonresidents Only**

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

## **Who Cannot Apportion Income?**

If you know the actual amount of your Massachusetts source income, do not apportion. Report your income taxable in Massachusetts on your Massachusetts return. Examples of nonresidents who **cannot** apportion include:

► an employee whose actual Massachusetts income is shown on Form W-2;

► an employee whose Form W-2 does not indicate initially his/her actual Massachusetts income but whose employer issues a corrected Form W-2 or other statement which breaks down this amount. Since your employer is required by law to withhold Massachusetts tax on your Massachusetts wages, this breakdown will be easy to obtain; and

► a self-employed person whose actual Massachusetts income is known, such as a surgeon who comes to Massachusetts to perform a specific operation for a set fee.

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

## **Who Must Use the Nonresident Apportionment Worksheet?**

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

**Note:** If both you and your spouse both qualify to apportion your income or you have more than one job that is eligible for apportionment, you must complete a separate apportionment worksheet for the income that is eligible to be apportioned.

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

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

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

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

## Apportionment Methods

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

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

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

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

## Special Apportionment Methods

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

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

► **Entertainers and professional athletes.** If you are a nonresident entertainer who performed in Massachusetts and you were not paid specifically for the performance in Massachusetts, or if you are a nonresident professional athlete who took part in performances, bouts, meets, matches or games that occurred in Massachusetts and you were not paid for the specific event played in

Massachusetts, you must use the apportionment formula set forth in Massachusetts Regulation 830 CMR 62.5A.1.

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

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

## Line 13. Nonresident Apportionment Worksheet

**13a.** If your income is measured by working days, enter the number of days you worked outside Massachusetts.

**13b.** Enter the number of days you worked inside Massachusetts. (If you spent a working day partly inside and partly outside Massachusetts, treat the day as having been spent a whole day inside the state.)

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

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

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

## Nonresident Deduction and Exemption Ratio

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

## Line 14. Nonresident Deduction and Exemption Ratio

All nonresident taxpayers must complete lines 14a to 14g to arrive at this ratio. The ratio will be used to determine what amounts, if any, you may deduct in lines 16 and 17; Schedule Y, lines 3 (alimony paid deduction), 6 (Archer medical savings account (MSA) deduction), 8 (health care accounts deduction), 10 (student loan interest deduction), 11 (college tuition deduction), 12 (undergraduate student loan interest deduction), 15 (commuter deduction); the amount of your exemptions in line 22a; and the Earned Income Credit in line 45.

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

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

If filing as **both** a nonresident and a part-year resident, be sure to read the instructions for Schedule R/NR before completing line 14. Also, enter in line 14a only the portion of Massachusetts source 5.2% income earned as a nonresident.

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

**14a.** Enter in line 14a total 5.2% income from line 12.

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

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

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

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

**14e.** Enter in line 14e the total income from non-Massachusetts sources you received during the tax year covered by this return. This is the additional income that would have been reported by you if you had been a Massachusetts resident that you received from non-Massachusetts sources. This amount is often not the same as the difference between your total U.S. income reported in line 3 and your Massachusetts source income reported in line 14d, due to the differences between Massachusetts and federal tax laws.

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

To reconcile the two amounts, the following types of income **included** in the U.S. total income (Form 1-NR/PY, line 3), but not taxable in Massachusetts should be **subtracted** from the U.S. total before completing line 14e:

- Social Security and Tier I Railroad Retirement benefits;
- pensions from contributory retirement plans of the U.S., or Massachusetts and its political subdivisions;
- pension income from the U.S. military;
- U.S. bond interest;
- state tax refunds; and
- Keogh and 403(b) distributions related to contributions previously taxed by Massachusetts.

Income from the following categories which is not **included** in U.S. total income (Form 1-NR/PY, line 3) must be **added back to** calculate the total income that would be reported as Massachusetts income had the taxpayer been a Massachusetts resident in line 14e:

- bond interest from other states;
- up to \$80,000 in foreign-earned income;
- contributions to a pension plan by Massachusetts state or local employees; and
- net operating loss carryforward.

**14f.** Add line 14d and line 14e. If your total income in line 3 exceeds the amount reported in line 14f by more than 10%, you should enclose a statement explaining the reasons for the difference.

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

**14g.** Divide line 14d by line 14f. Carry this division out to four decimal places. Failure to do so may delay the processing of your return. Enter the result in line 14g. This is your ratio for deductions and exemptions. It represents the relationship of your Massachusetts source income to your total income.

## Deductions

### Lines 15 through 19

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

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

**Nonresidents**, if as a condition of Massachusetts business or employment, you have paid into any of the retirement systems listed above during 2014, you may deduct those contributions, up to a maximum of \$2,000. **Part-year residents** may deduct contributions attributable to business or employment while a Massachusetts resident, up to a maximum of \$2,000.

Enter in lines 15a and 15b the amount you, and your spouse if filing jointly, paid to Social Security (FICA), Medicare or Railroad Retirement and the U.S. or Massachusetts Retirement Systems during 2014 as shown on your Form W-2 that is directly related to income taxable by Massachusetts included in line 12, but not more than \$2,000 each. Payment amounts may not be combined or transferred from one spouse to the other. Be sure to add any amount of Medicare tax withheld as shown on Form W-2 and any amount of self-employment tax as reported on your U.S. Form 1040 to the amount of Social Security tax withheld, the total not to exceed \$2,000 per person.

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

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

### Lines 16 and 17

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

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

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

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

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

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

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

1. Enter the amount of qualified expenses you incurred and paid in 2014 for a qualifying person(s). This amount may exceed the federal limit of \$3,000 for one qualifying person or \$6,000 for two or more persons. However, do not enter more than \$4,800 for one qualifying person or \$9,600 for two or more persons. Part-year residents, enter amounts paid while a Massachusetts resident . . . . .
2. Enter the amount from U.S. Form 2441, line 4 . . . . .
3. Enter the amount from U.S. Form 2441, line 5 . . . . .

- 4.** Enter the smallest of line 1, 2 or 3 \_\_\_\_\_  
**5.** If you paid 2013 expenses in 2014, enter the amount of the allowed 2013 expenses used to compute the credit on U.S. Form 2441, line 9. Otherwise, enter "0" ... \_\_\_\_\_  
**6.** Add lines 4 and 5. Not to exceed more than \$4,800 for one qualifying person or \$9,600 for two or more persons... \_\_\_\_\_  
**7.** Part-year residents, enter here the amount from line 6 and in Form 1-NR/PY, line 16; nonresidents, multiply line 6 by Form 1-NR/PY, line 14g and enter the result here and in Form 1-NR/PY, line 16. .... .....

### Line 17. Dependent Member(s) of Household Under Age 12, or Dependents Age 65 or Over (not you or your spouse) as of December 31, 2014, or Disabled Dependent

You may deduct \$3,600 for a dependent member of household, or \$7,200 for two or more dependents, under age 12, or dependent age 65 or over (not you or your spouse) as of December 31, 2014, or disabled dependent. Enter the number of qualified dependents in line 17a, not to exceed two, and multiply that amount by \$3,600. Enter the result in line 17. Only if single, head of household or married filing jointly. You cannot claim this deduction if married filing a separate return.

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

► Nonresidents, multiply this amount by line 14g and enter the result in line 17 of Form 1-NR/PY. Part-year residents, multiply this amount by line 2 and enter the result in line 17 of Form 1-NR/PY.

### Line 18. Rental Deduction

**Nonresidents** are allowed a deduction equal to 50% of the rent they pay, up to a maximum of \$3,000, for their principal residence only if it is located in Massachusetts and is their sole residence. (Non-Massachusetts rent is never deductible.) Many nonresidents rent a house or apartment in Massachusetts, but few qualify for this deduction. This is because the house or apartment rented here is not their principal residence. Only those nonresidents who rented a house or apartment in Massachusetts and have no family home or other dwelling to which they normally return (or to which they could return in the future) in any other state or country, can claim this deduction. Complete line 18 only if you filled in the "no" oval below line 18. Enter the total amount of qualified rent paid by you during 2014 in line 18a. Divide line 18a by 2 and enter the result, **or \$3,000** (\$1,500 if married filing a separate return) — **whichever is smaller** — in line 18. **Part-year residents** are entitled to

the rental deduction equal to 50% for the rent they paid during 2014 (up to a maximum of \$3,000 per return) for their principle residence while a resident of Massachusetts. Enter the total amount of qualified rent paid by you during 2014 in line 18a. Divide line 18a by 2 and enter the result, **or \$3,000** (\$1,500 if married filing a separate return) — **whichever is smaller** — in line 18.

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

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

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

### Line 19. Other Deductions (from Schedule Y)

Enter the total from Schedule Y, line 17. Be sure to enclose Schedule Y with your return. Failure to do so will delay the processing of your return.

### Line 22. Exemption Amount

Enter amount from Exemption Section, line 4, item f in line 22a.

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

**Part-year residents.** Prorate your total exemptions claimed on Form 1-NR/PY by multiplying line 22a by line 2 and entering the result in line 22. This amount represents your prorated exemptions as a part-year resident.

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

### Line 23. 5.2% Income After Exemptions

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

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

### Line 24. Interest and Dividend Income

If you have any interest income other than interest from deposits in banks located in Massachusetts, dividend income in excess of \$1,500, certain capital gains or losses, or any adjustments to interest income (other than interest from Massachusetts banks), you must complete Schedule B. Be sure to enclose Massachusetts Schedule B. To determine if you need to file Schedule B, refer to the Schedule B instructions of this booklet.

Enter in line 24 the amount from Schedule B, line 38. If not required to file Schedule B, enter dividend income of \$1,500 or less (from U.S. Form 1040 or 1040A, line 9a) in line 24.

### Line 25. Total Taxable 5.2% Income

Add line 23 and line 24.

## Tax on 5.2% Income

### Line 26. 5.2% Tax (from Tax Table)

If line 25 is less than \$24,000, find the proper tax by using the tax tables found in the back of this booklet. If line 25 is greater than \$24,000 multiply by .052 and enter the result in line 26.

**Note:** Personal income tax forms must provide an election to voluntarily pay tax at a rate of 5.85% on taxable income which would otherwise be taxed at a rate of 5.2%. The election to pay tax at the rate of 5.85% does not apply to items of income taxed at 12% (short-term capital gains and gains on collectibles). If choosing the optional 5.85% tax rate, multiply line 25 and Schedule D, line 21 by .0585 and fill in the oval.

## 12% Income & Tax

### Line 27. 12% Income from Certain Capital Gains

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

# Long-Term Capital Gain Tax

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

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

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

If your total exemptions in Form 1-NR/PY, line 22 are more than the amount of your 5.2% income after deductions in Form 1-NR/PY, line 21, the excess may be applied against any interest and dividend income and income taxed at 12%. Any remaining excess amount may then be applied against any long-term capital gain income. Complete this worksheet only if Form 1-NR/PY, line 21 is less than Form 1-NR/PY, line 22 and you received interest income (other than interest from Massachusetts banks), dividends or capital gain income to determine if you qualify for the excess exemption. Enter all losses as "0."

1. Enter amount from Schedule B, line 35. Not less than "0" ..... \_\_\_\_\_
2. Enter amount from Form 1-NR/PY, line 22 ..... \_\_\_\_\_
3. Enter amount from Form 1-NR/PY, line 21 ..... \_\_\_\_\_
4. Subtract line 3 from line 2. If "0" or less, you do not qualify for this exemption. Omit remainder of worksheet ..... \_\_\_\_\_
5. Excess exemptions applied against interest and dividend income and 12% income. If line 1 is larger than line 4, enter line 4 here and in Schedule B, line 36. If line 4 is equal to or larger than line 1, enter line 1 here and in Schedule B, line 36. Complete lines 6 through 8. ..... \_\_\_\_\_
6. Subtract line 5 from line 4. If "0," omit remainder of worksheet ..... \_\_\_\_\_
7. Enter Schedule D, line 19. Not less than "0" ..... \_\_\_\_\_
8. Excess exemptions applied against long-term capital gain income. If line 7 is larger than line 6, enter line 6 here and in Schedule D, line 20. If line 6 is equal to or larger than line 7, enter line 7 here and in Schedule D, line 20 ..... \_\_\_\_\_

### Excess Exemptions

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

## Line 29. Credit Recapture Amount

If any Brownfields Credit (BC), Economic Opportunity Area Credit (EOA), Low-Income Housing Credit (LIH) or Historic Rehabilitation Credit (HR) property is disposed of or ceases to be in qualified use prior to the end of its useful life, the difference between the credit taken and the total credit allowed for actual use must be added back to your tax on Form 1-NR/PY. Complete and enclose Schedule H-2, Credit Recapture and fill in the appropriate oval(s) on line 29. Schedule H-2 is available at mass.gov/dor or by calling (617) 887-MDOR or toll-free in Massachusetts 1-800-392-6089.

## Line 30. Additional Tax on Installment Sale

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

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

Also include in the total on line 30 an additional tax amount representing an interest charge on the deferred gain from the installment sale of timeshares and residential lots, if the sale meets one of the following criteria: 1) the sale is of a timeshare right for 6 weeks or less; 2) the sale is for the recreational use of specified campgrounds; or 3) the sale is for a residential lot and neither the dealer nor someone related to the dealer is obligated to make any improvements on the lot. For more information see G.L. c. 62C, sec. 32A (b) and I.R.C. sec. 453(l)(2)(B).

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

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

# Massachusetts AGI

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

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

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

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

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

- wages, salaries, tips;
- taxable pensions and annuities;
- pension income from another state or political subdivision before any deduction;
- taxable IRA/Keogh and Roth IRA distributions;
- fees and unemployment compensation;
- income or loss from a business or profession;
- income or loss from partnerships, S corporations and trusts;
- rents, royalties and REMIC income;
- alimony and other 5.2% income;
- interest from Massachusetts banks before exemptions; and
- other interest, dividends, and capital gains.

## Line 31. No Tax Status

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

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

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

If you do not qualify for No Tax Status, but you are single and your Massachusetts AGI is between \$8,000 and \$14,000, or if you are filing as head of household and your Massachusetts AGI is between \$14,400 and \$25,200 plus \$1,750 per dependent, or if you are married filing a joint return and your Massachusetts AGI is between \$16,400

and \$28,700 plus \$1,750 per dependent, you **may** qualify for the Limited Income Credit. This credit is an alternative tax calculation that can result in a significant tax reduction for people whose income is close to the No Tax Status threshold. Be sure to complete Schedule NTS-L-NR/PY to see if you may qualify for this credit.

### **Line 34. Other Credits (from Schedule Z, Part I)**

#### **Lead Paint Credit, Economic Opportunity Area Credit/Economic Development Incentive Program Credit, Septic Credit, Brownfields Credit, Low-Income Housing Credit, Historic Rehabilitation Credit, Film Incentive Credit, Medical Device Credit and Employer Wellness Program**

“Other credits” include the items listed above and must be included on Schedule Z, Part I. Nonresidents and part-year residents, enter the total from Schedule Z, line 10 on Form 1-NR/PY, line 34. Be sure to enclose Schedule Z with your return. Failure to do so will delay the processing of your return.

### **Line 35. Credits for Part-Year Residents Only (from Schedule Z, Part II)**

#### **Credit for Income Tax Paid to Another State or Jurisdiction and Solar and/or Wind and Energy Credit**

“Credits for part-year residents only” include the items listed above and must be included on Schedule Z, Part 2. Part-year residents, enter the total from Schedule Z, line 13 on Form 1-NR/PY, line 35. Be sure to enclose Schedule Z with your return. Failure to do so will delay the processing of your return.

### **Line 37. Voluntary Contributions**

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

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

**b. Organ Transplant Fund:** The Organ Transplant Fund is administered by the Massachusetts Department of Public Health. All contributions received by the Fund assist patients with the costs of medications without which they might lose their transplanted organs. For information on how

to become an organ donor, visit the Registry of Motor Vehicle’s website at mass.gov/rmv.

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

**d. Massachusetts United States Olympic Fund:** Contributions to this fund are used to assist 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 and the United States Paralympic Team participating in the Paralympics.

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

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

Add items a, b, c, d, e and f and enter the total in line 37.

### **Line 38. Massachusetts Use Tax Due On Internet, Mail Order and Other Out-of-State Purchases Made in 2014 (part-year residents only)**

If, while a Massachusetts resident, you purchased taxable tangible personal property out of state, over the Internet or from a catalog and did not pay Massachusetts sales tax at purchase, a Massachusetts use tax is due. If an item is exempt from sales

tax (such as food, or clothing that costs \$175 or less), it would be exempt from use tax.

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

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

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

#### **For example:**

- You purchased several DVDs on the Internet for \$100 and paid no sales tax. Your use tax liability to Massachusetts on these items is \$6.25 (\$100 x .0625 = \$6.25).
- You purchased a computer for \$1,550 from a seller located outside of Massachusetts and paid no sales tax. Your use tax liability to Massachusetts on this item is \$96.88 (\$1,550 x .0625 = \$96.88).
- On a trip to Maine in November you purchased an antique desk for \$4,000 and paid Maine sales tax at the rate of 5.5%. The difference, \$30 (.75% of the purchase price), is due Massachusetts as use tax.

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

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

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

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

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

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

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

1. Total of purchases in 2014, made while a Massachusetts resident, subject to Massachusetts use tax ..... \_\_\_\_\_
2. Use tax. Multiply line 1 by .0625 (6.25%). ..... \_\_\_\_\_
3. Credit for sales/use tax paid to other states or jurisdictions. Add the amount of any sales/use tax paid to another state or jurisdiction, made while a Massachusetts resident, 6.25% of the sales price, whichever is less, on each purchase reported in line 1 ..... \_\_\_\_\_
4. Total amount due. Subtract line 3 from line 2. Not less than "0". Enter here and on Form 1-NR/PY, line 38. ..... \_\_\_\_\_

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

If you are subject to the Health Care Penalty for 2014 and are not appealing the application of the penalty, enter the penalty amount from line 8 of the Health Care Penalty Worksheet in line 39a for you and/or line 39b for your spouse.

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

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

shared responsibility payment is greater than the amount that the taxpayer would owe as the Massachusetts penalty, the Massachusetts penalty is reduced to zero.

**Example:** In 2014, John Taxpayer failed to obtain and maintain health insurance for all 12 months. As a result, John is subject to both a federal shared responsibility payment of \$95 and a Massachusetts penalty (before adjustment) of \$708. After adjustment for the amount of John's liability for the federal shared responsibility payment of \$95, the amount of John's Massachusetts penalty for 2014 is \$613 (\$708 - \$95).

Multiply the amount of the federal shared responsibility payment (federal healthcare penalty) from U.S. Form 1040, line 61; U.S. Form 1040A, line 38; or U.S. Form 1040EZ, line 11 by Form 1-NR/PY, line 2 and enter the result in line 39c.

**Note:** If you filed married filing jointly on your U.S. return and are filing married filing separately on your Massachusetts return, you **must** divide the amount of your federal shared responsibility payment by 2.

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

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

### Line 41. Massachusetts Income Tax Withheld

This represents all income taxes withheld for the Commonwealth of Massachusetts as indicated on your copies of Forms W-2, W-2G, PWH-WA (Promoter Withholding), LOA (Loan Out Affidavit), 2G, K-1, 2K-1, 3K-1 and certain 1099s, if applicable. Enter the total of all Massachusetts withholdings in line 41. Attach, with a single staple, state copies to your return; otherwise, your claim of amounts withheld will not be allowed. If you have lost any state copy, ask the payer for a duplicate. Copies of 1099s need only be attached if they show an amount for Massachusetts tax withheld.

### Line 42. 2013 Overpayment Applied to Your 2014 Estimated Tax

Include the exact amount of any 2013 overpayment you applied to your 2014 estimated taxes. This amount can be found on your 2013 Massachusetts Form 1-NR/PY, line 50 or Form 1, line 45. Do not include any 2013 refund in this line.

### Line 43. 2014 Massachusetts Estimated Tax Payments

If you paid Massachusetts estimated income taxes for 2014, enter in line 43 the total of all Massachusetts estimated tax payments, but do not include the amount entered in line 42. Be sure to include any last quarter (of 2014) payment made on or before January 15, 2015.

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

#### Income which is not subject to withholding includes:

- salaries or wages earned in Massachusetts where the employer is not subject to Massachusetts withholding;
- unemployment compensation (if you did not elect voluntary Massachusetts withholding);
- taxable REMIC income;
- dividends and interest, including interest from Massachusetts banks;
- gains from capital assets;
- income from an individual trade, business or profession;
- income from any estate or trust not taxed directly;
- lottery or gambling winnings;
- certain pensions;
- taxable Keogh or IRA distributions (only if you elected not to have federal withholding);
- rental income and royalty income;
- alimony received (**part-year** residents only);
- illegal income; and
- any other income received taxable in Massachusetts from which Massachusetts tax will **not** be withheld.

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

If you wish to verify estimated tax payments that have already been made, check the Estimated Tax Payment History Application at mass.gov/dor. You will need to know the amount of last year's refund or balance due to access your account.

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

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

## Line 44. Payments Made with Extension

If you filed an Application for Automatic Six-Month Extension of Time to File Massachusetts Income Tax Return, Massachusetts Form M-4868, for 2014 on or before April 15, 2015, enter in line 44 the amount you paid with Form M-4868.

## Line 45. Earned Income Credit

The earned income credit is a tax credit for certain taxpayers who work and/or have earned income under \$52,427. In general, the Massachusetts earned income credit is equal to 15% of the federal earned income credit, with the amount adjusted downward in some cases if the taxpayer is a non-resident or part-year resident. If the credit due the taxpayer exceeds the amount of the total income tax payable for the year by the taxpayer, the excess amount of the credit will be refunded to the taxpayer without interest. Earned income includes all the taxable income and wages you get from working; earned income is obtained by working for someone who pays you, or from working in a business that you own or run. In order to qualify for the Massachusetts earned income credit, a non-resident or part-year resident **must have earned income from Massachusetts sources**. Enter in line 45a the federal earned income credit amount from your U.S. Form 1040, line 66a, 1040A, line 42a; or 1040EZ, line 8a. Multiply this amount by .15 (15%) and enter the result in the line provided. **Nonresidents** with earned income derived from Massachusetts sources, multiply this amount by line 14g; **part-year residents** multiply this amount by line 2. Enter the result in line 45.

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 45. If you have not received your earned income credit amount as computed by the IRS by April 15, 2015, you may file Massachusetts Form M-4868, Application for Automatic Six-Month Extension of Time to File Massachusetts Income Tax Return. See the Form 1-NR/PY Extension Worksheet for information about filing your extension via the Web. For more information about the federal earned income tax credit, see IRS Publication 596, available at [irs.gov](http://irs.gov). Be sure to fill out Schedule DI, Dependent Information, if you are claiming this credit for one or more qualifying childrendependents. Failure to do so will delay the processing of your return.

## Line 46. Senior Circuit Breaker Credit (part-year residents only)

Certain senior citizens in Massachusetts may be eligible to claim a refundable credit on their state income taxes for the real estate taxes paid on the Massachusetts residential property they own or rent and which they occupy as their principal residence. The maximum credit allowed is \$1,050 for the tax year beginning January 1, 2014. If the credit due the taxpayer exceeds the amount of the total income tax payable for the year by the taxpayer, the excess amount of the credit will be refunded to the taxpayer without interest. To determine if you qualify for this credit, refer to Schedule CB, Senior Circuit Breaker Credit and instructions. Schedule CB is available on DOR's website at [mass.gov/dor](http://mass.gov/dor) or by calling (617) 887-MDOR, or toll-free in Massachusetts 1-800-392-6089.

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

## Line 47. Other Refundable Credits

Enter in line 47 the amount from Schedule RF, line 5. Be sure to enclose Schedule Z/RF with your return. Failure to do so will delay the processing of your return.

# Refund Amount

## Line 49. Overpayment

If line 40 is smaller than line 48, subtract line 40 from line 48 and enter the amount in line 49. This is the amount of your overpayment. If line 40 is larger than line 48, skip to line 52. If line 40 and line 48 are equal, enter "0" in line 51.

## Line 50. Amount of Overpayment You Want Applied to Your 2015 Massachusetts Estimated Taxes

Enter the amount of your 2014 overpayment you wish to apply to your 2015 Massachusetts estimated taxes. Once an election is made to apply your overpayment to your 2015 estimated tax, it cannot be refunded after the due date of the return or applied to any additional tax you may owe for 2014. The amount entered in this line can only be claimed as a credit on your 2015 Massachusetts return.

## Line 51. Refund Amount

Subtract line 50 from line 49. Enter the result in line 51. This is the amount of your refund.

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

## D 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.

A sample check stub with the following details:  
 Payee: JANE TAXPAYER  
 JOHN TAXPAYER  
 123 Main Street  
 Anyplace, MA 02000  
 Date: \_\_\_\_\_  
 PAY TO THE  
 ORDER OF: \_\_\_\_\_  
 \$ \_\_\_\_\_  
 DOLLARS  
 YOUR BANK: Anyplace, MA 02000  
 Routing number: \_\_\_\_\_  
 Account number: \_\_\_\_\_  
 I-020250025 | (202020...86)

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

## Tax Due

## Line 52. Tax Due

If line 40 is larger than line 48, subtract line 48 from line 40, and enter the result in line 52. This is the amount of tax you owe with your return. Pay in full with your return. Go to [mass.gov/dor/payonline](http://mass.gov/dor/payonline) for online payment options. If you need to mail your payment, make your check or money order payable to 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 envelope found in the forms booklet. Enclose the check and Form PV with your return. Form PV **must** be included with your check to ensure proper crediting of your account. Be sure to use the light blue mailing label when mailing Form 1-NR/PY with Form PV.

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

If you owe any interest, penalty or addition for the underpayment of estimated taxes, add those amounts to the tax you owe and enter the total amount in line 52.

### **What Are the Interest and Penalties?**

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

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

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

**Penalty for Protested (“Bad”) Payment:** If your payment is not honored by your bank because of insufficient funds or any other reason, a penalty may be added of \$30 or the amount of the payment, whichever is less.

**Addition for Underpayment of Estimated Taxes:** You will generally be subject to this addition to tax if you did not have withholding and/or estimated tax payments equal to 80% of the total tax liability required to be paid and your 2014 tax due after credits and withholding is greater than \$400. If you failed to meet this requirement, you must complete and attach Massachusetts Form M-2210 to calculate the amount you must add to line 52. The 80% requirement is reduced to 66% for individuals who receive two-thirds of their income from fishing or farming.

Most taxpayers who qualify for an exception had either a tax due of \$400 or less or withholding and/or estimated payments equal to their tax liability for the previous year. If you qualify for an exception, fill in the oval marked “EX” under line 52 on Form 1-NR/PY and enclose Massachusetts Form M-2210. You do not have to complete Form M-2210 if the balance due with your return is \$400 or less. Form M-2210 is available by visiting mass.gov/dor or at any Massachusetts Department of Revenue location.

**Penalty for Failure to Report Federal Change:** If the U.S. Internal Revenue Service changes your federal taxable income for a prior year (generally through audit), file an online application for abatement/amended return at mass.gov/dor within one year of the final federal determination to avoid this penalty. This penalty is equal to 10% of the additional tax due. If the change indicates a refund, file an online application for abatement/amended return within one year, including acceptance of an amended federal return by the Internal Revenue

Service. Form CA-6, Application for Abatement, can also be downloaded from DOR’s website at mass.gov/dor.

## **Sign Here**

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

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

Attach to your Form 1-NR/PY, with a single staple, all state copies of your Forms W-2, W-2G, PWH-WA, 2G, K-1 and any Forms 1099 which included Massachusetts withholding. If making a payment, be sure to enclose Form PV with your Form 1-NR/PY. Form PV is attached to the back of the envelope found in the forms booklet. Be sure to use the light blue mailing label when mailing your Form 1-NR/PY with the Form PV. Form PV **must** be included with your check to ensure proper crediting of your account. 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. Be sure to include all four pages of Form 1-NR/PY. Also, enclose all required Massachusetts forms and schedules. Do not staple your forms together.

### **Paid Preparer Must Sign Your Return**

Generally, anyone you pay to prepare your return must sign it in the space provided. Tax return preparers are authorized to sign the return by means of a rubber stamp, mechanical device, or computer software program, which must include either a facsimile or printed name of the preparer. Preparers are personally responsible for affixing their signatures to returns. Preparers must also provide their Social Security Number (SSN) or Preparer Tax Identification Number (PTIN) and Employer Identification Number (EIN) in the spaces provided. 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 2014 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 2015 tax return. This is April 15, 2016 for most people.

### **E-File Opt Out**

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

### **Mailing**

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

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

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

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

# Schedule Instructions

## Schedule NTS-L-NR/PY

### Massachusetts Adjusted Gross Income for No Tax Status Be sure to enclose with Form 1-NR/PY.

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

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

- wages, salaries, tips;
  - taxable pensions and annuities;
  - pension income from another state or jurisdiction before any deductions;
  - taxable IRA/Keogh and Roth IRA distributions;
  - fees and unemployment compensation;
  - income or loss from a business or profession;
  - income or loss from partnerships, S corporations and trusts;
  - rents, royalties and REMIC income;
  - alimony and other 5.2% income;
  - interest from Massachusetts banks before exemption; and
  - interest, dividends, and capital gains.
- The No Tax Status provision applies if your Massachusetts AGI on Schedule NTS-L-NR/PY (line 8) is \$8,000 or less if single; \$14,400 or less plus \$1,000 per dependent if head of household, or \$16,400 or less plus \$1,000 per dependent if married filing a joint return.

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

### Line 6. Long-Term Capital Gain Income

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

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

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

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

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

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

### Line 10. Massachusetts Adjusted Gross Income

Subtract line 9 from line 8. If you are single and the total in line 10 is \$8,000 or less, you qualify for No Tax Status. Fill in the oval in Form 1-NR/PY, line 31, enter "0" in line 32 and omit lines 33 through 35. Also, enter "0" on line 36 and continue on Form 1-NR/PY. However, if there is an amount entered in line 29, Credit Recapture Amount and/or line 30, Additional Tax on Installment Sales, enter that amount in line 32 and complete lines 34 and 35.

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

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 payments, less any scholarships, grants or financial aid received, exceed 25% of line 10. See the Schedule Y, Line 11 Worksheet.

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

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

### Line 12. Limited Income Credit Threshold

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

### Line 17. Limited Income Credit

If line 15 is smaller than line 16, you are not eligible for this credit. If line 15 is larger than line 16, subtract line 16 from line 15, and enter the result here and in line 32 on Form 1-NR/PY.

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

## Schedule DI

### Dependent Information

Be sure to enclose with Form 1-NR/PY.

You must complete this schedule if you are claiming a dependent exemption(s) on Form 1-NR/PY, line 4b or taking a deduction/credit(s) on Form 1-NR/PY, lines 16, 17 or 45 (if applicable). Failure to provide this information will delay the processing of your return. You must complete the information for each dependent.

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

## Schedule X

### Other Income

Be sure to enclose with Form 1-NR/PY.

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

If you received alimony payments, you must report them as income in line 1 of Schedule X. Report the portion of all periodic payments of alimony or separate maintenance received under a court judgment or decree, or for excess alimony amounts recap-

tured, as reported on U.S. Form 1040, line 11, received while you were a Massachusetts resident. If you made alimony payments, you will be allowed to deduct these amounts on Form 1-NR/PY, line 19.

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

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

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

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

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

1. Total IRA/Keogh plan distributions, qualified charitable IRA distributions, Roth IRA conversion distributions received during 2014. ....
2. Total contributions previously taxed by Massachusetts .....
3. Total distributions received in previous years. ....
4. Subtract line 3 from line 2. If line 3 is larger than line 2, enter "0" ....
5. Subtract line 4 from line 1 and enter the result here. Not less than "0" ....
6. Total qualified charitable IRA distributions in 2014 included in line 1 ....
7. Taxable IRA/Keogh distributions or Roth IRA conversion distributions. Subtract line 6 from line 5. Enter the result here and on Schedule X, line 2. Not less than "0" ....

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

## **Line 3. Other Gambling Winnings**

Enter in Schedule X, line 3 all gambling winnings from casinos, raffles, races, beano or other events of chance held in Massachusetts (part-year residents, whether held inside or outside of Massachusetts). Do not enter less than "0." You may only deduct the price of the winning ticket. 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.

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

## **Line 4. Fees and Other 5.2% Income**

"Other 5.2% income" includes the following items. Enter the amounts and sources of each item. **Do not enter less than "0."** Enclose additional statements if more space is needed.

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

► All prizes and awards won by a nonresident in a quiz program, drawing, beauty contest, etc. held in Massachusetts (part-year residents, whether held inside or outside of Massachusetts) are taxable at fair market value. Awards and bonuses received from your employer for performance of services in Massachusetts (part-year residents, whether received from sources inside or outside of Massachusetts) are also taxable.

► Other 5.2% income from Massachusetts sources or received while a part-year resident, reported on U.S. Form 1040, line 21, and not reported elsewhere in "5.2% Income" section on Massachusetts Form 1-NR/PY, must be reported in line 4 of Schedule X.

► Pre-1996 installment sales classified as ordinary income for Massachusetts purposes (from Massachusetts Schedule D, line 10) are taxed as 5.2% income and must be reported on Schedule X, line 4.

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

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

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

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

## **Schedule Y**

### **Other Deductions**

Be sure to enclose with Form 1-NR/PY.

## **Line 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 Schedule Y, Line 1 Worksheet in order to calculate your Massachusetts employee business expense deduction. The expenses must relate to income reported in lines 5 or 11 on Form 1-NR/PY.

**Note:** All expenses must be documented upon request.

Employees may deduct the following:

► unreimbursed travel and transportation expenses including lodging and meals away from home incurred by any 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;

► if you filed a joint U.S. return, you must file a joint Massachusetts return; and

► your unreimbursed business expenses taken together with the other miscellaneous itemized deductions reported on U.S. Form 1040, Schedule A, lines 21, 22 and 23 exceed 2% of your federal adjusted gross income reported on U.S. Form 1040, Schedule A, line 26. See the Schedule Y, Line 1 Worksheet.

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 9 your federally deductible business expenses included on U.S. Form 1040, line 24 and fill in the appropriate oval in Schedule Y, line 9.

### Schedule Y, Line 1. Massachusetts Employee Business Expense Deduction Worksheet

**Note:** If you are married filing a joint return and only one spouse worked in Massachusetts, be sure to list only the expenses related to Massachusetts source income in lines 1 through 4.

1. Enter the amount from U.S. Form 2106, line 10, or 2106-EZ, line 6. . . \_\_\_\_\_
2. If you are an employee other than an outside salesperson, enter the amount of unreimbursed expenses included in U.S. Form 2106 or 2106-EZ, line 4 . . . . .
3. If you are an employee other than an outside salesperson, enter amount of unreimbursed meals and entertainment expenses included in U.S. Form 2106, line 9, col. B or 2106-EZ, line 5, except for meals incurred while away from home . . . . .
4. If you are an individual with a disability, enter the amount of impairment-related expenses included in line 1 and claimed on line 28 of U.S. Schedule A . . . . .
5. Add lines 2 through 4 . . . . .
6. Subtract line 5 from line 1 . . . . .
7. Enter the amount from U.S. Schedule A, line 27 . . . . .
8. Enter the smaller amount of line 6 or line 7 here and on Schedule Y, line 1 \_\_\_\_\_

## Line 2. Penalty on Early Savings Withdrawal

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

## Line 3. Alimony Paid

This deduction includes only amounts paid by you to your former spouse during 2014 for alimony or separate maintenance under court decree, or for excess alimony amounts recaptured. Nonresidents, multiply the amount of alimony paid on your U.S. Form 1040, line 31a, by Form 1-NR/PY, line 14g to determine the amount you may claim against Massachusetts income. Enter the result in line 3. Part-year residents, enter the amount of alimony paid while a Massachusetts resident in line 3.

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

## Line 4. Amounts Excludable Under MGL Ch. 41, Sec. 111F or U.S. Tax Treaty Included Line 5

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

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

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

## Line 5. Moving Expenses

Nonresidents and part-year residents, enter the amount from U.S. Form 1040, line 26 that is related to Massachusetts employment.

## Line 6. Medical Savings Account

**Nonresidents**, multiply the amount of Medical Savings Account included in U.S. Form 1040, line 36 "MSA" by line 14g and enter the result in Schedule Y, line 6. **Part-year residents**, multiply the amount of Medical Savings Account included in U.S. Form 1040, line 36 "MSA" by line 2 and enter the result in Schedule Y, line 6.

## Line 7. Self-Employed Health Insurance

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

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

## Line 8. Health Savings Accounts

**Nonresidents**, multiply the amount from U.S. Form 1040, line 25 by line 14g and enter the result in Schedule Y, line 8. **Part-year residents**, multiply the amount from U.S. Form 1040, line 25 by line 2 and enter the result in Schedule Y, line 8.

## Line 9. Other Qualified Deductions

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

► **Certain Qualified Deductions from U.S. Form 1040:** Do not include any amounts reported on U.S. Form 1040, lines 23 through 35 that are included in Form 1040, line 36 total. Enter only amounts included in U.S. Form 1040, line 36 as a write-in adjustment, except amounts contributed to sec. 501(c)(18) pension plans. For Massachusetts purposes, contributions to sec. 501(c)(18) pension plans are not deductible. Also, the IRC sec. 404 deduction for contributions on behalf of IRC sec. 401(c)(1) employees (sole proprietors and partners) is disallowed. See TIR 02-18 (I)(D) and DOR Directive 01-7 for more information.

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

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

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

► **Business Expenses of National Guard and Reserve Members, Performing Artists and Fee-Based Government Officials:** Nonresidents and part-year residents, enter the amount from U.S. Form 1040, line 24 that is related to Massachusetts employment and fill in the appropriate oval of Schedule Y, line 9. Also, the IRC sec. 404 deduction for contributions on behalf of IRC sec. 401(c)(1) employees (sole proprietors and partners) is disallowed. See TIR 02-18 (I)(D) and DOR Directive 01-7 for more information.

## Line 10. Student Loan Interest Deduction

**Nonresidents**, multiply the amount from U.S. Form 1040, line 33 or 1040A, line 18, not to exceed \$2,500, by line 14g and enter the result in Schedule Y, line 10. **Part-year residents**, multiply the amount from U.S. Form 1040, line 33 or 1040A, line 18, not to exceed \$2,500, by line 2 and enter the result in Schedule Y, line 10. This deduction is only allowed if not claiming the same expenses in line 12 of Schedule Y, Undergraduate Student Loan Interest Deduction.

## Line 11. 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, exceed 25% of Massachusetts AGI. The amount of the college tuition deduction is limited to qualified tuition expenses paid during a taxable year in connection with an academic term beginning during such taxable year or during the first three months of the next taxable year.

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. Also, no deduction is allowed for reimbursements or refunds of qualified tuition and related expenses made by an insurer. Complete the Massachusetts AGI Worksheet and the Schedule Y, line 11 worksheet to see if you may qualify for this deduction. See TIR 97-13 for more information.

### Schedule Y, Line 11 Worksheet. College Tuition Deduction

1. Enter total tuition payments paid by you, for yourself or a dependent, to a qualifying two- or four-year college in 2014. . . . .
2. Enter amount of scholarships, grants or financial aid received in 2014 for amounts shown in line 1. . . . .
3. Enter amount of reimbursements or refunds received in 2014 of amounts shown in line 1 reported by an insurer (from U.S. Form 8383, box 10) . . . . .
4. Subtract lines 2 and 3 from line 1. If "0" or less, you do not qualify for this deduction. . . . .
5. Enter amount from line 10 of Schedule NTS-L-NR/PY . . . . .
6. Multiply line 5 by .25. . . . .
7. If line 4 is smaller than line 6, you are not eligible for this deduction. Enter "0." If line 4 is larger than line 6, subtract line 6 from line 4 and enter the result here . . . . .
8. Nonresidents, multiply line 7 by Form 1-NR/PY, line 14g. Enter the result here and in line 11 on Schedule Y. Part-year residents, multiply line 7 by Form 1-NR/PY, line 2. Enter the result here and on Schedule Y, line 11 . . . . .

## Line 12. Undergraduate Student Loan Interest Deduction

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

**Nonresidents**, multiply the amount of such interest paid by Form 1-NR/PY, line 14g and enter the result in Schedule Y, line 12. **Part-year residents**, multiply the amount of such interest paid by Form 1-NR/PY, line 2 and enter the result in Schedule Y, line 12.

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

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

## Line 14. Claim of Right Deduction

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

- **Stock under claim of ownership.** Gains from sales of stock under a claim of ownership must be included, regardless of whether the taxpayer actually owned it;
- **Employment contracts.** Amounts in settlement of employment contracts must be included notwithstanding the prospect of eventual repayment to the employer of an amount equivalent to or greater than the amount received;
- **Dividends.** Where a taxpayer receives a dividend that must be repaid in a later year (e.g., because it impaired corporate capital), the dividend must be included in the year of receipt;
- **Corporate notes.** Where a taxpayer receives a distribution with respect to holding of notes, the income must be included regardless of whether it could be challenged by senior creditors;
- **Mistake in validity of claim.** The claim of right doctrine applies where a taxpayer merely mistakes the validity of his claim; or
- **Advanced insurance commissions.**

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

## Line 15. Commuter Deduction

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

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

The deduction is allowed where an individual purchases an MBTA pass for a dependent who is claimed on that individual's tax return, provided the dependent does not also claim the deduction. However, the total amount deducted cannot exceed \$750 for each individual taxpayer who is filing a return. In the case of married taxpayers filing a joint return, the total amount deducted cannot exceed \$750 per taxpayer; thus, the maximum deduction for a joint return is \$1,500.

### Schedule Y, Line 15 Worksheet. Commuter Deduction

1. Enter amount paid in 2014 for tolls through an E-ZPass account. ....
2. Enter amount paid in 2014 for weekly or monthly transit commuter passes for MBTA transit or commuter rail. (Do not include amounts reimbursed or otherwise deductible). ....
3. Add lines 1 and 2. If \$150 or less, you do not qualify for this deduction. Omit remainder of this worksheet. Otherwise, complete lines 4 through 6. ....
4. Enter \$150. ....
5. Subtract line 4 from line 3. ....
6. Enter the lesser of line 5 or \$750 ....
7. Nonresidents, multiply line 6 by Form 1-NR/PY, line 14g. Enter the result here and in line 15 on Schedule Y. Part-year residents, multiply line 6 by Form 1-NR/PY, line 2. Enter the result here and in line 15 on Schedule Y ....

## Schedule Z

### Other Credits

Be sure to enclose with Form 1-NR/PY.

### Part 1 Credits

#### Line 1. 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. 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 Schedule LP and enter the amount of credit in line 1. Be sure to enter in line 1a the total number of units indicated in Schedule LP, line(s) 1a and 3a. **Note:** You must enclose Schedule LP with your return. Failure to do so will result in this credit being disallowed on your tax return and an adjustment of your reported tax.

#### Line 2. Economic Opportunity Area/Economic Development Incentive Program

Massachusetts allows a credit equal to 5% of the cost of qualifying property purchased for business use within an **Economic Opportunity Area** (EOA). If you qualify for the credit, fill in the appropriate oval, complete Schedule EOAC and enter the amount of credit in line 2. **Note:** You must enclose Schedule EOAC with your return. Failure to do so will result in this credit being disallowed on your tax return and an adjustment of your reported tax.

The **Economic Development Incentive Program Credit** (EDIPC) is a tax credit under G.L. c. 62, sec. 6(g) and G.L. c. 63, sec. 38N equal to a percentage of the cost of property purchased for business use within a certified project as defined in G.L. c. 23A, sec. 3A.

To be eligible for the EDIP credit, the project must have certified on or after January 1, 2010. As part of the project certification, the Economic Assistance Coordinating Council (EACC) may (but is not required to) award a credit under the program and, when a credit is awarded, the EACC will determine the percentage of the cost of property to be used in determining the credit.

Taxpayers with ongoing projects that were certified prior to January 1, 2010 may be eligible for credits under the prior version of the Economic Development Incentive Program; such taxpayers do not file schedule EDIP (see TIR 10-01 and Schedule EOAC).

The EACC may also, in consultation with the DOR, limit (but not expand) the credit to a specific dollar amount or time duration or in any other manner deemed appropriate by the EACC, St. 2009, c. 166, §18. For example, the EACC may limit the credit available with respect to a particular project to a specific dollar maximum, even if the actual dollar amount of the qualifying purchases would otherwise generate a higher credit amount. Similarly, the EACC may limit the otherwise applicable credit carry forward period provided by G.L. c. 62, sec. 6(g) and G.L. c. 63, sec. 38N (d). See TIRs 10-15, 10-1 and 14-13 for more information. If you qualify for the credit, fill in the appropriate oval, complete Schedule EDIP and enter the amount of the credit in line 2. Also, be sure to enter the EACC-issued certificate number in line 2. **Note:** You must enter the certificate number on Schedule Z. Failure to do so will result in this credit being disallowed on your tax return and an adjustment of your reported tax. Enter the number from left to right.

#### Line 3. Septic

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, administrative consent order, state 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 carry-over of any unused credit is allowed. See TIRs 97-12, 98-8, 99-5, 99-20 and DOR Directive 01-6 for more information. If you qualify for this credit, complete Massachusetts Schedule SC, Septic Credit, and enter the amount of credit in line 3.

**Note:** You must enclose Schedule SC with your return. Failure to do so will result in this credit being disallowed on your tax return and an adjustment of your reported tax.

**Note:** Betterment assessments do not qualify for this credit.

#### Line 4. Brownfields

Recent legislation extends the Brownfields credit to nonprofit organizations, extends the time frame for eligibility for the credit, and permits the credit to be transferred, sold, or assigned. Under prior law, net response and removal costs incurred by a taxpayer between August 1, 1998 and August 5,

2013, were eligible for the credit provided that the environmental response action commenced before August 5, 2013. As a result of the recent legislation, the environmental response action commencement cut-off date is changed from August 5, 2013 to August 5, 2018, and the time for incurring eligible costs that qualify for the credit is extended to January 1, 2019. See TIR 13-15 for more information. If you qualify for this credit, you must have completed Schedule BCA, Brownfields Credit Application, and received a certificate number from DOR. Be sure to enter the DOR issued certificate number in the space provided on line 4. **Note:** You **must** enter the certificate number on Schedule Z. Failure to do so will result in this credit being disallowed on your tax return and an adjustment of your reported tax. Enter the number from left to right. Certificate application forms and additional information are available at [mass.gov/dor](http://mass.gov/dor).

## Line 5. Low-Income Housing

A low-income housing credit is available to individual taxpayers. The Department of Housing and Community Development will allocate the low-income housing credit from a pool of available credits granted under section 42 of the Internal Revenue Code among qualified low-income housing projects. A taxpayer allocated a federal low-income housing credit may also be eligible for a state credit based on the credit amount allocated to a low-income housing project that the taxpayer owns. A five-year carryforward of unused credit is allowed. See TIR 99-19 for more information. If you qualify for the credit, enter the amount in line 5. **Note:** You **must** enter the building identification number on Schedule Z. Failure to do so will result in this credit being disallowed on your tax return and an adjustment of your reported tax. Enter the number from left to right.

## Line 6. Historic Rehabilitation

Effective for tax years beginning on January 1, 2005 and ending on or before December 31, 2022, taxpayers may be eligible for the Historic Rehabilitation Credit (HRC). To claim this credit, a historic rehabilitation project must be complete and have been certified by the Massachusetts Historical Commission. Unused portions of the credit may be carried forward for five years. The credit may be transferred or sold to another taxpayer. The HRC is not subject to the 50% limitation rule for corporate taxpayers. If the taxpayer disposes of the property generating the HRC, a portion of the credit may be subject to recapture. For further information, see TIRs 10-11 and 14-13 and 830 CMR 63.38R.1, Massachusetts Historic Rehabilitation Credit. If you qualify for this credit, enter the amount in line

6. **Note:** You **must** enter the certificate number on Schedule Z. Failure to do so will result in this credit being disallowed on your tax return and an adjustment of your reported tax. Be sure to omit hyphens, spaces, decimals and other special symbols. Also, enter the number from left to right.

## Line 7. Film Incentive

For tax years beginning on or after January 1, 2006 and before January 1, 2023, motion picture production companies may claim (1) a credit equal to 25% of the total qualifying aggregate payroll for employing persons within the Commonwealth in connection with the filming and production of a motion picture and (2) a credit equal to 25% of their Massachusetts production expenses. Each credit has its own qualification requirements and a taxpayer is allowed to qualify for and claim both credits. The credits are also transferable. For more information, see TIR 07-15. If you qualify for this credit, enter the amount of credit in line 7. Also, be sure to enter the DOR-issued certificate number in the space provided on line 7. **Note:** You **must** enter the certificate number on Schedule Z. Failure to do so will result in this credit being disallowed on your tax return and an adjustment of your reported tax. Enter the number from left to right. Certificate application forms and additional information are available at [mass.gov/dor](http://mass.gov/dor).

**Note:** Motion picture production companies qualify to elect a refundable film credit if they have not transferred or carried forward a portion of the film credit for the production/certificate number to be refunded. If you qualify for this election, enter the amount from line 5 of Schedule RFC, Refundable Film Credit, in Schedule RF, line 1.

## Line 8. Medical Device

Medical device companies that develop or manufacture medical devices in Massachusetts can claim a credit equal to 100% of the user fees paid by them when submitting certain medical device applications and supplements to the United States Food and Drug Administration. The credit is also transferable. For more information, see TIR 06-22. If you qualify for this credit, enter the amount of credit in line 8. Also, be sure to enter the DOR-issued certificate number in the space provided on line 8. **Note:** You **must** enter the certificate number on Schedule Z. Failure to do so will result in this credit being disallowed on your tax return and an adjustment of your reported tax. Enter the number from left to right. Certificate application forms and additional information are available at [mass.gov/dor](http://mass.gov/dor).

## Line 9. Employer Wellness Program Tax Credit

Effective for tax years beginning on or after January 1, 2013, a Massachusetts business that employs 200 or fewer workers may qualify for a tax credit for up to 25% of the cost of implementing a "certified wellness program" for its employees. A taxpayer seeking to claim the credit must apply to the Department of Public Health (DPH) for certification of its wellness program. DPH will approve a dollar amount of credit for a qualifying taxpayer and issue a certificate number to be provided in connection with filing a tax return in order to claim the credit. The amount of the credit that may be claimed by a taxpayer cannot exceed \$10,000 in any tax year. DPH has promulgated a regulation, 105 CMR 216.000, entitled Massachusetts Wellness Tax Credit Incentive, which sets forth criteria for authorizing and certifying the credit. The credit is set to expire on December 31, 2017. **Note:** You **must** enter the certificate number on Schedule Z. Failure to do so will result in this credit being disallowed on your tax return and an adjustment on your reported tax. Enter the number from left to right.

## Line 10. Total Part 1 Credits

Add lines 1 through 9 and enter the result in line 10 and on Form 1-NR/PY, line 33. Part-year residents, complete lines 11 through 13.

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

### Line 11. Income Tax Paid to Another State or Jurisdiction

**Income Tax Paid to Another State:** If all or part of the income reported on this return is subject to taxation in another state or specified jurisdiction and you have filed a return and paid taxes in the other state or jurisdiction, complete the Schedule Z, Line 11 Worksheet to calculate the credit. Do not include taxes paid to the U.S. government. (This credit does not apply to city or local taxes or corporate excise tax.) You are allowed to claim a credit for taxes paid to the following jurisdictions: (a) other states in the United States, **including payments made under the Rhode Island Temporary Disability Insurance Act** (see DOR Directive 12-1); (b) any territory or dependency of the United States (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).

**Note:** Canada is the only foreign country for which you may claim a tax credit for income tax paid to another state or jurisdiction on the worksheet.

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

Credit is not given for a property tax due to another jurisdiction on account of capital stock or property. This does not refer to a tax on gain or income from the sale of capital stock or property, as included on Schedule B or 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 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 5.2% income in line 1 of the worksheet. You must also substitute Schedule B, line 7 (interest and dividend income) and Schedule B, line 13 (taxable 12% capital gains) or Schedule D, line 13 (gross long-term capital gains and losses), but not less than "0," for Form 1-NR/PY, line 12 in line 2 of the worksheet, and the total of Form 1-NR/PY, line 24 multiplied by .052 (tax on interest and dividend income) and Form 1-NR/PY, line 27 (12% tax) or line 28 (tax on long-term capital gains) for Form 1-NR/PY, line 23 in line 4 of the worksheet.

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

► If you choose to pay the optional 5.85% tax rate, substitute .0585 for .052 in line 4 of the worksheet.

**Note:** Be sure to enter the two-letter state or jurisdictional postal code for each state or jurisdiction for which you are taking the credit. Taxpayers from a territory or dependency of the U.S., or the Dominion of Canada or any of its provinces, must enter "FC" as the postal code.

**Schedule Z, Part 2, Line 11 Worksheet.  
Income Tax Paid to Another Jurisdiction  
(Part-Year Residents Only)**

1. Enter the total 5.2% income included in Form 1-NR/PY, line 12 on which you paid taxes to another jurisdiction . . . . .
2. Enter the total of Form 1-NR/PY, line 12 and the total Massachusetts bank interest or the interest exemption amount, whichever is smaller, from Form 1-NR/PY, line 7a or line 7b . . . . .
3. Divide line 1 by line 2. Not greater than "1" . . . . .
4. Multiply Form 1-NR/PY, line 23 by .052 . . . . .
5. Enter any Limited Income Credit from Form 1-NR/PY, line 33 . . . . .
6. Subtract line 5 from line 4 . . . . .
7. Multiply line 6 by line 3 . . . . .
8. Enter the total tax liability before credits, W-2 withholding and payments to other jurisdictions on income also reported on this return, including payments made under the Rhode Island Temporary Disability Insurance Act, unless the tax was paid to Canada. If the tax was paid to Canada, the amount reported in this line must be reduced by the amount claimed as a foreign tax credit on U.S. Form 1040, line 47. Credit is only allowable for amount of tax paid . . . . .
9. Enter the smaller of lines 7 or 8 here and on Schedule Z, line 11 . . . . .

### Line 12. Solar and Wind 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. If you qualify for the credit, complete Schedule EC, Residential Energy Credit, and enter the amount of credit in line 12. **Note:** You **must** enclose Schedule EC with your return. Failure to do so will result in this credit being disallowed on your tax return and an adjustment of your reported tax.

### Line 13. Totals

Add lines 11 and 12. Part-year residents, enter the result here and on Form 1-NR/PY, line 34.

## Schedule RF

### Other Refundable Credits

#### Line 1. Refundable Film Credit

Motion picture production companies qualify to elect a refundable film credit if they have not transferred or carried forward a portion of the film credit for the production/certificate number to be refunded. Transferees of the film credit do not qualify for the refundable film credit. Transferees should claim their film credit on Schedule Z, line 7.

If an election to refund the film credit for a production/certificate number is made, the entire film credit remaining after reducing tax liability and other credits will be refunded at 90%. A motion picture production company that elects to claim a refund of the film credit is not permitted to seek a partial refund and a partial transfer or carryover of the credit. However, the refund can be applied as an estimated payment for the subsequent tax year.

Enter in line 1 any amount of refundable film credit from Schedule RFC, Refundable Film Credit, line 5.

**Note:** You **must** enclose Schedule RFC with your return. Failure to do so will result in this credit being disallowed on your tax return and an adjustment of your reported tax.

#### Line 2. Refundable Dairy Credit

The Massachusetts dairy farmer tax credit was established to offset the cyclical downturns in milk prices paid to dairy farmers and is based on the U.S. Federal Milk Marketing Order for the applicable market. A taxpayer who holds a certificate of registration as a dairy farmer pursuant to G.L. c. 94, s. 16A is allowed a refundable tax credit based on the amount of milk produced and sold. The dairy farmer tax credit as originally enacted was 90% refundable. Under recent legislation, the dairy farmer tax credit is now 100% refundable.

Enter the amount of refundable dairy credit from the Department of Agricultural Resources' Dairy Farmer Certified Tax Credit Statement.

Also, be sure to enter the Department of Agricultural Resources-issued certificate number in the space provided on line 2 of Schedule RF. **Note:** You **must** enter the certificate number on Schedule RF. Failure to do so will result in this credit being disallowed on your tax return and an adjustment of your reported tax. Be sure to omit hyphens, spaces, decimals and other special symbols. Also, enter the number from left to right.

### Line 3. Conservation Land Tax Credit

Effective for tax years beginning on or after January 1, 2011, a credit is allowed for qualified donations of certified land to a public or private conservation agency. The credit is equal to 50% of the fair market value of the qualified donation. The amount of the credit that may be claimed by a taxpayer for each qualified donation cannot exceed \$75,000. The credit is refundable but not transferable. The certification process is conducted by the Executive Office of Energy and Environmental Affairs (EEA). EEA has promulgated a regulation, 301 CMR 14.00, entitled Conservation Land Tax Credit, which sets forth criteria for authorizing and certifying the credit. See also, 830 CMR 62.6.4, entitled Conservation Land Tax Credit, promulgated by DOR to explain the calculation of the allowable credit.

Enter in line 3 the amount of the refundable conservation land tax credit. Also, be sure to enter the DOR-issued certificate number in the space provided on line 3 of Schedule RF. **Note:** You **must** enter the certificate number on Schedule RF. Failure to do so will result in this credit being disallowed on your tax return and an adjustment of your reported tax. Enter the number from left to right.

### Line 4. Community Investment Tax Credit

Effective for tax years beginning on or after January 1, 2014, a credit is allowed for qualified investments (certain cash contributions made to a community development corporation, community support organization, or a community partnership fund) made on or after January 1, 2014. The credit is equal to 50% of the total qualified investment made by the taxpayer for the taxable year. No credit is allowed to a taxpayer that makes a qualified investment of less than \$1,000. In any one taxable year, the total amount of the credit that may be claimed by a taxpayer that makes qualified investments cannot exceed \$1,000,000. The credit is refundable, or, alternatively, may be carried forward 5 years. The credit is set to expire December 31, 2019. See the Department's regulation 830 CMR 62.6M.1, Community Investment Tax Credit, for further guidance.

Enter in line 4 the amount of the refundable Community Investment Tax Credit. Also, be sure to enter the DOR-issued certificate number in the space provided on line 4 of Schedule RF. **Note:** You **must** enter the certificate number on Schedule RF. Failure to do so will result in this credit being disallowed on your tax return and an adjustment of your reported tax. Enter the number from left to right.

### Line 5. Total Refundable Credits

Add lines 1 through 4. Enter the result here and on Form 1-NR/PY, line 47.

## Schedule B

**Note:** If showing a loss, be sure to mark over the "X" in the box to the left. Also, be sure to include with Form 1-NR/PY.

### Interest, Dividend and Certain Capital Gains and Losses

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

- dividend income in excess of \$1,500;
- any interest income other than from Massachusetts banks taxed at 5.2%;
- 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.

**Nonresidents**, interest and dividends are from Massachusetts sources if they are directly connected with your trade or business activity in Massachusetts. Also, report on Massachusetts Schedule B, Part 2 the short-term gain or loss realized from the transaction of assets being sold or exchanged which are considered to be from Massachusetts sources. Massachusetts source assets are (1) real or tangible personal property located in Massachusetts and (2) property connected with a Massachusetts trade, business or employment.

Nonresidents need not file Massachusetts Schedule B if:

- all your interest and dividend income and certain capital gains was from non-Massachusetts sources;
- all Massachusetts source interest income you had was from Massachusetts banks and is taxed at 5.2% (reportable on Form 1-NR/PY, line 7a); or

► your Massachusetts source gross dividend income was \$1,500 or less (reportable on Form 1-NR/PY, line 24 and, if applicable, Schedule C, line 32).

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

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

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

► You need not complete Schedule B, Part 2, Part 3 and Part 4 if you do not have any of the following: short-term capital gains or losses; carryover short-term losses from prior years; long-term gains on collectibles and pre-1996 installment sales classified as capital gain income for Massachusetts purposes; gains or losses from the sale, exchange or involuntary conversion of property used in a trade or business and held for one year or less; allowable deductions from your trade or business; net long-term capital gains or losses; or excess exemptions (see line 9 instructions).

## Part 1. Interest and Dividend Income

### Line 1. Total Interest Income

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

### Line 2. Total Ordinary Dividends

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

### Line 3. Other Interest and Dividends

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

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

### Lines 5 and 6

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

### Line 5. Total Interest from Massachusetts Banks

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

### Line 6. Other Interest and Dividends to Be Excluded

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

- Interest on U.S. debt obligations. Enter interest received on U.S. Treasury bills, notes and bonds, savings bonds or other obligations of the United States, including its territories or dependencies. Such interest is tax-exempt in Massachusetts. For further information concerning exempt obligations of the United States, see TIR 89-8;
  - Interest and dividends taxed directly to Massachusetts estates and trusts. Enter the interest and dividends that are taxed directly to a Massachusetts estate or trust (reportable on a Massachusetts Fiduciary Return, Form 2);
  - Any distribution which is a return of capital included in total gross dividends, line 2;
  - Any interest or dividends from obligations of the Commonwealth of Massachusetts or its political subdivisions held by you;
  - Any exempt portion of interest or dividends from a mutual fund included in lines 1, 2 or 3 of this schedule. Enter only the exempt portion of interest or dividends derived from obligations of the U.S. government or the Commonwealth of Massachusetts or its political subdivisions;
  - Any interest on pre-retirement distributions from state and municipal contributory pension plans.
  - **Nonresidents.** Any amounts included in lines 1, 2 and 3 which you received from sources other than Massachusetts; or
  - **Part-year residents.** Any amounts included in lines 1, 2 or 3 which you received while legally domiciled in another state or country.
- Do not enter in line 6 either of the following:
- Dividends from the earnings and profits accumulated prior to January 1, 1971 by any corporate trust which was not taxed directly by Massachusetts in prior years, even though such an entity is taxed directly now (obtain from the entity the taxable status of dividends paid to you); or
  - Dividends from any corporate trust which is not taxed directly by Massachusetts. Such entities include: those not doing business in Massachusetts; regulated investment companies or real estate investment trusts (both as defined under the U.S. Internal Revenue Code, Sections 851 and 856); or holding companies (as defined in Massachusetts General Laws, Chapter 62, section 8).

### Line 8. Allowable Deductions from Your Trade or Business

Enter the appropriate amount from Massachusetts Schedule C-2 if you qualify for an excess trade or business deduction. Generally, taxpayers may not use excess 5.2% 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 5.2% 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.

### Line 9. Subtotal Interest and Dividend Income

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

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

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

- Part-year residents, transactions conducted while you were legally domiciled in another state or country;
- Nonresidents, transactions that were not associated with a trade or business in Massachusetts;
- Short-term capital gains taxed directly to Massachusetts estates and trusts (reportable on a Massachusetts Fiduciary Return, Form 2);
- Upon the sale of stock of an S corporation, the federal basis must be modified according to Massachusetts Income Tax Regulation, 830 CMR 62.17A.1; and

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

### **Line 10. Short-Term Capital Gains**

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

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

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

### **Line 12. Gain on Sale of Business Property**

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

### **Line 14. Allowable Deductions From Your Trade or Business**

Enter the appropriate amount from Massachusetts Schedule C-2 if you qualify for an excess trade or business deduction. Generally, taxpayers may not use excess 5.2% 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 5.2% 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.

### **Line 16. Short-Term Capital Losses**

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

### **Line 17. Loss on Sale of Business Property**

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

### **Line 18. 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 2013 Massachusetts Schedule B, line 40.

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

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

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

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

### **Line 21. Available Short-Term Losses**

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

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

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

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

### **Line 23. Short-Term Losses for Carryover in 2015**

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

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

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

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

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

### **Line 27. Long-Term Gains Deduction**

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

- If there are no losses reported on lines 16, 17, 18 and 25, enter 50% of line 11.
- If the losses reported on lines 16, 17, 18 and 25 do not exceed the total amount of gain on lines 10 and 12, enter 50% of line 11.
- If the losses reported on lines 16, 17, 18 and 25 exceed the total amount of gain on lines 10 and 12, enter 50% of line 11 minus 50% of the excess loss (total of lines 16, 17, 18 and 25 minus the total of lines 10 and 12).

**Example:** Jack has a long-term capital gain on collectibles of \$1,000 entered in line 11 and line 15. 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 16 and a prior year short-term unused loss of \$200 entered in line 18. Jack enters \$350 in line 27: **\$500 (50% of \$1,000) minus \$150 (50% of \$300) = \$350.**

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

#### **Line 31. Subtotal Interest and Dividends**

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

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

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

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

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

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

## Part 4. Taxable Interest, Dividends and Certain Capital Gains

### Line 36. Excess Exemptions

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

## Schedule D

**Note:** If showing a loss, be sure to mark over the X in the box to the left. Also, be sure to enclose with Form 1-NR/PY.

### Long-Term Capital Gains and Losses Excluding Collectibles

**Nonresidents.** The long-term gain or loss realized from the transaction of assets being sold or exchanged which are considered to be from Massachusetts sources must be reported on Massachusetts Schedule D. Long-term capital gains are gains on the sale or exchange of capital assets that have been held for more than one year on the date of sale or exchange. Long-term capital losses are losses on the sale or exchange of capital assets that have been held for more than one year on the date of sale or exchange. Massachusetts source assets are (1) real or tangible personal property located in Massachusetts and (2) property connected with a Massachusetts trade, business or employment.

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

The law defines "capital gain income" as gain from the sale or exchange of a capital asset. The definition of "capital asset" includes: (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). For a detailed explanation of the law, see the Department's Regulation on Capital Gains and Losses at 830 CMR 62.4.1.

### Differences

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

- IRC sec. 1244 losses reported as ordinary losses on your U.S. return must be reported on Massachusetts Schedule D;
- If you made a federal election under sec. 311 of the Tax Relief Act of 1997 to recognize gain on the deemed sale of a capital asset held on January 1, 2001, Massachusetts does not follow the federal rules at sec. 311 for determining the basis of the asset. See TIR 02-3. If you sold a capital asset in 2014 for which you made a federal sec. 311 election, the Massachusetts initial basis will not be the federal basis. The Massachusetts initial basis will be determined as of the date the asset was first acquired;
- Upon the sale of stock of an S corporation, the federal basis must be modified according to Massachusetts Income Tax Regulation, 830 CMR 62.17A.1; and
- Massachusetts has adopted basis adjustment rules to take into account differences between Massachusetts and federal tax laws. For more information regarding basis adjustment rules, see TIR 88-7.
- Net ordinary losses that are itemized deductions on U.S. Schedule A are not allowable.

### Installment Sales

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

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

Gains from pre-1996 installment sales classified as ordinary income and that are included on Massachusetts Schedule D, line 4 should be reported on Massachusetts Schedule D, line 10 ("Differences"). The amount of such gain classified as ordinary income should then be reported on Form 1-NR/PY, line 11 ("Other income") and included on Schedule X, line 4 and identified as "2014 gain from pre-1996 installment sale."

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

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

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

Effective for tax years beginning on or after January 1, 2011, gains derived from the sale of investments which meet certain requirements are taxed at a rate of 3% instead of 5.2%. In order to qualify for the 3% rate, investments must have been made within five years of the corporation's date of incorporation and must be in stock that generally satisfies the definition of "qualified small business stock" under IRC § 1202 (c), other than the requirement that the stock be stock of a C corporation. In addition, the stock must be held for three years or more and the investments must be in a corporation which (a) is domiciled in Massachusetts, (b) is incorporated on or after January 1, 2011, (c) has less than \$50 million in assets at the time of investment, and (d) complies with certain of the "active business" requirements of § 1202 of the Internal Revenue Code, i.e., § 1202 (e)(1), (e)(2), (e)(5), and (e)(6).

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

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

### **Long-Term Capital Gains and Losses, Excluding Collectibles**

#### **Line 1. Long-Term Capital Gains and Losses**

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

#### **Line 2. Long-Term Capital Gains and Losses**

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

#### **Line 3. Long-Term Capital Gains and Losses**

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

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

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

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

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

### **Line 6. Capital Gain Distributions**

If you did not file U.S. Schedule D, enter the capital gain distributions reported to you by a mutual fund or real estate investment trust included in the amount from U.S. Form 1040, line 13 or 1040A, line 10.

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

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

Enter amounts included in U.S. Form 4797, Part II treated as capital gains or losses for Massachusetts purposes (not included in lines 1 through 6 above). These include ordinary gains from the sale of 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.

### **Line 8. Carryover Losses from Previous Years**

If you have a carryover loss from a prior year, enter in line 8 the total amount of carryover losses from your 2013 Massachusetts Schedule D, line 23.

### **Line 10. Differences**

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

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

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

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

### **Line 11. Adjusted Capital Gains and Losses**

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

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

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

\*denotes loss

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

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

Enter in line 12 the amount of long-term gains on collectibles and pre-1996 installment sales classified as capital gain income for Massachusetts purposes that are included in line 11.

Long-term gains on collectibles and pre-1996 installment sales classified as capital gain income for Massachusetts purposes are taxed at the 12% rate and should be entered on Schedule B, line 11.

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

### **Line 13. Subtotal**

Subtract line 12 from line 11 and enter the result in line 13.

If Schedule D, line 13 is a loss and Schedule B, line 21 is less than "0," omit Schedule D, lines 14 through 16, enter the amount from Schedule D, line 13 in Schedule D, line 17, omit Schedule D, lines 18 through 22 and enter the amount from Schedule D, line 17 in Schedule D, line 23, and enter "0" on Form 1-NR/PY, line 28.

If Schedule D, line 13 is a gain and Schedule B, line 21 is a loss, go to Schedule D, line 14.

If Schedule D, line 13 is a loss and Schedule B, line 24 is "0" or greater, go to Schedule D, line 14.

If Schedule D, line 13 is a gain, and Schedule B, line 24 is "0" or greater, omit Schedule D, lines 14 through 16 and enter the amount from Schedule D, line 13 in Schedule D, line 17.

### **Line 14. Capital Losses Applied Against Capital Gains**

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

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

### **Line 15. Subtotal**

If line 13 is greater than "0," subtract line 14 from line 13. If line 13 is less than "0," combine lines 13 and 14.

If Schedule D, line 15 is a loss and Schedule B, line 24 is "0" or greater and Schedule B, line 31 is a positive amount, go to Schedule D, line 16.

If Schedule D, line 15 is a loss, and Schedule B, line 21 is "0" or less, omit Schedule D, line 16, enter the amount from Schedule D, line 15 in Schedule D, line 17, omit Schedule D, lines 18 through 22 and enter the amount from Schedule D, line 17 in Schedule D, line 23, and enter "0" on Form 1-NR/PY, line 28.

### **Line 16. Long-Term Capital Losses Applied Against Interest and Dividends**

If Schedule D, line 15 is a loss, and Schedule B, line 24 is "0" or greater and Schedule B, line 31 is a positive amount, complete the Long-Term Capital Losses Applied Against Interest and Dividends Worksheet for Schedule B, Line 32 and Schedule D, Line 16.

### **Line 17. Subtotal**

Combine line 15 and line 16. If Schedule D, line 17 is "0," enter "0" in lines 18 through 21 and omit lines 22 and 23. If Schedule D, line 17 is a loss, omit lines 18 through 22 and enter the amount from line 17 in line 23.

### **Line 18. Allowable Deductions From Your Trade or Business**

Enter the appropriate amount from Massachusetts Schedule C-2 if you qualify for an excess trade or business deduction. Generally, taxpayers may not use excess 5.2% 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 5.2% 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.

### **Line 20. Excess Exemptions**

Enter in line 20 the amount from line 8 of the Schedule B, Line 36 and Schedule D, Line 20 Worksheet.

### **Line 22. Tax On Long-Term Capital Gains**

Multiply line 21 by .052 and enter the result here and in Form 1-NR/PY, line 28.

**Note:** If choosing the optional 5.85% tax rate, multiply line 21 by .0585 and enter the result here and in Form 1-NR/PY, line 28.

### **Line 23. Available Losses for Carryover**

Enter the amount from Schedule D, line 17, 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. Also, be sure to enclose with Form 1-NR/PY.

### **Substituting U.S. Schedules C or C-EZ**

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

### **Profit or Loss from Business or Profession**

Massachusetts Schedule C is provided to report income and deductions from each business or profession operated as a sole proprietorship.

### **Registration Information**

In the space provided, describe the business or professional activity that provided your principal source of income reported on line 1. If you owned more than one business, you must complete a separate Schedule C for each business. Give the general field or activity and the type of product or service.

### **Employer Identification Number**

You need an employer identification number (EIN) only if you had a Keogh plan or were required to file an employment, excise, estate, trust, or alcohol, tobacco and firearms tax return or employ contract labor. If you do not have an EIN, leave the line blank. Do not enter your SSN.

### **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 2014, 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 a taxpayer requesting permission to change an accounting method for Massachusetts purposes is eligible for an automatic change of accounting method federally, and has correctly followed the most recently issued federal revenue procedure for requesting an automatic change, then the taxpayer should file his/her annual return using the new method and write at the top, "Automatic Change of Accounting Method — Filed in compliance with DOR Directive 02-13." The taxpayer should enclose a copy of federal Form 3115, together with any required statements. See DOR Directive 02-13 for further information.

## Material Participation

Indicate if you materially participated in the operation of this business during 2014. If you did not materially participate and have a loss from this business, see line 33 for further instructions.

## Line 1a. Gross Receipts or Sales

In the boxes provided, enter gross receipts or sales from your business. Be sure to include on this line amounts you received in your trade or business as shown on Form 1099-MISC, Miscellaneous Income. If the nature of your business is such that you have gross or other income that interest (other than from Massachusetts banks) and dividend, exclude this income from lines 1 and 4 on Massachusetts Schedule C and include it in line 32 and in Schedule B, line 3. **Note:** If not required to file Schedule B (see Schedule B instructions), enter this income on Form 1-NR/PY, line 24. Examples of interest (other than from Massachusetts banks) and dividend income are interest received on loans, notes receivable or charge accounts that you accept in the ordinary course of business, and dividends on stocks received in payment for goods and services. Capital gains from the sale or exchange of assets used in your business are not reported on Schedule C. Use U.S. Form 4797 and report the amount in Form 1-NR/PY, Schedule B and/or Schedule D. You must also exclude from Schedule C any income and expenses that pertain to activities for yourself as distinguished from those performed for your customers. Such income must be reported by class of income in Schedules B and D. Personal expenses are not deductible.

If you received Form W-2 and the "Statutory employee" box in item 13 of that form was checked, report your income and expenses related to that income on Schedule C. Enter your statutory employee income from box 1 of Form W-2 on line 1 of Schedule C and fill in the oval. Statutory employees include full-time life insurance agents, certain agent or commission drivers and traveling salespersons and certain homeworkers. If you had both self-employment income and statutory employee income, do not combine these amounts on a single Schedule C. In this case, you must file two separate Schedule Cs.

## Line 7. Bad Debts From Sales or Services

Include debts and partial debts from sales or services that were included in income and are definitely known to be worthless. If you later collect a debt that you deducted as a bad debt, include it as income in the year collected.

**Note:** Cash method taxpayers cannot take a bad debt deduction unless the amount was previously included in income.

## Line 11. Depreciation and Section 179 Deduction

Massachusetts adopts the current federal rules at section 179 for expensing certain depreciable business assets. For property placed in service in tax years beginning after December 31, 2013 and before January 1, 2015, the maximum section 179 expensing allowance is \$500,000.

## Line 17. Pension and Profit-Sharing Plans

Enter your deduction for contributions to a pension, profit-sharing or annuity plan, or plans for the benefit of your employees. If the plan includes you as a self-employed person, do not include contributions made as an employer on your behalf. See DOR Directive 08-3 for more information.

## Line 22. Travel

Enter your expenses for lodging and transportation connected with overnight travel for business while away from your tax home. Generally, your tax home is your main place of business regardless of where you maintain your family home. You cannot deduct expenses paid or incurred in connection with employment away from home if that period of employment exceeds one year. Spouse's and other family members' travel expenses are generally disallowed as a business deduction.

Do not include expenses for meals and entertainment on this line. Instead, see the instructions for lines 23a and 23b.

## Line 23. Meals and Entertainment

**Line 23a.** Enter your total business meal and entertainment expenses. Include meals while traveling away from home for business. Instead of the actual cost of your meals while traveling away from home, you may use the standard meal allowance. Business meal expenses are deductible only if they are (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 includable in the gross income of that person and reported on Form 1099-MISC. Figure how much of the amount on line 23a is subject to the 50%

limit. Then, enter 50% of that amount on line 23b. This amount should be subtracted from the amount in line 23a. Enter the result in line 23 of Massachusetts Schedule C.

## Line 30. Abandoned Building Renovation Deduction

Massachusetts allows businesses to deduct 10% of the costs incurred in renovating certain buildings located in an Economic Opportunity Area (EOA). The buildings must be designated as abandoned by the Economic Assistance Coordinating Council. The renovation deduction may be taken in addition to any other deduction for which the renovation costs may qualify.

For more information, contact the Mass. Office of Business Development by calling (617) 973-8600.

In line 30 enter 10% of the costs of renovating a qualifying abandoned building.

## Line 32. Interest (other than from Massachusetts banks) and Dividend Income

If you have interest (other than from Massachusetts banks) and dividend income reported on U.S. Schedule C, lines 1 and/or 6 or Schedule C-EZ, line 1, enter that amount in line 32 and in Massachusetts Schedule B, line 3. If you are not required to file Schedule B (see Schedule B instructions), enter that amount on Form 1-NR/PY, line 24. Do not include such amounts on Massachusetts Schedule C, lines 1 and/or 4.

## Line 33. If You Have a Loss

Fill in the oval in line 33a if all of your investment is at risk. Enter your loss from line 31 on Form 1-NR/PY, line 8 **unless** you answered "no" to the question on material participation on the front of Schedule C. If you answered "no" to this question, complete a pro forma copy of U.S. Form 8582 that reflects only income being reported on your Massachusetts return. Enter in Massachusetts Schedule C, line 31 your allowable loss calculated on Form 8582.

Fill in the oval in line 33b if only some of your investment is at risk. To determine the amount of your allowable loss, complete a pro forma copy of U.S. Form 6198 that reflects only income being reported on your Massachusetts return. Enter the amount calculated on U.S. Form 6198 in line 31 unless you answered "no" to the question on material participation on the front of Schedule C. In this case, your loss is further limited. Use the amounts calculated on your pro forma U.S. Form 6198 to complete a pro forma U.S. Form 8582. If your at-risk amount is "0" or less, enter "0" in line 31.

# Schedule R/NR

Be sure to enclose with Form 1-NR/PY.

## Part 1. Income Adjustments

### Column A

Enter the amount of income reported on your federal return as modified as if it were received by a full-year Massachusetts resident. Refer to each specific line instruction for Form 1-NR/PY to determine income that should be added to or subtracted from the federal total.

### Column B

Enter the amount of income from column A that you received while a Massachusetts resident.

### Column C

Enter the amount of income from column A from both Massachusetts and non-Massachusetts sources that you received while a nonresident.

### Column D

Enter the amount of income from column C from Massachusetts sources that you received while a nonresident.

See the instructions for a definition of Massachusetts source income.

Refer to each specific line instruction for Form 1-NR/PY to determine the income from Massachusetts sources received during your nonresident period. Also see Form 1-NR/PY, line 13 instruction for those nonresidents eligible to apportion income.

If you received income from a business/profession reported on a Schedule C, while a Massachusetts resident and from Massachusetts sources while a nonresident, you must complete a separate Massachusetts Schedule C for each period.

### Column E

Add column B and column D. This is your total income received while a Massachusetts resident and received from Massachusetts sources while a nonresident. Enter the amount from column E in each applicable line on Form 1-NR/PY (see separate instruction for Schedule D). Subtract the total of column D from column C and enter the result in line 14e of Form 1-NR/PY. This is the additional income that you received from non-Massachusetts sources that would have been reported by you if you had been a Massachusetts resident.

Add Form 1-NR/PY lines 5 through 12 and complete Form 1-NR/PY line 14 before completing the rest of this worksheet.

### Schedule D

Enter in column A the amount from Schedule D, line 9. Enter in column B the amount of income from column A that you received while a Massachusetts resident. Enter in column C the amount of income from column A from both Massachusetts and non-Massachusetts sources that you received while a nonresident. Enter the amount of income from column C from Massachusetts sources that you received while nonresident. Subtract column D from column C and enter the result (plus any other applicable adjustments) in Schedule D, line 10. Complete Schedule D as otherwise instructed.

## Part 2. Deduction and Exemption Adjustments

Schedule Y, line 9 is adjusted both in Sections A and B. See Schedule R/NR to determine which amounts are adjusted in Section A and Section B.

### Section A

#### Lines 15a and 15b

The amounts reported in column A must be related to income reported in Part 1, column B. The amounts reported in column B must be related to income reported in Part 1, column D. The column C total cannot exceed \$2,000.

#### Schedule Y, line 1

The amounts reported in column A must be related to income reported in Part 1, column B. The amounts reported in column B must be related to income reported in Part 1, column D. Complete separate worksheets for columns A and B.

#### Schedule Y, line 2

The amounts reported in column A must be related to income reported in Part 1, column B or on a previous Massachusetts return. The amounts reported in column B must be related to income reported in Part 1, column D or on a previous Massachusetts return.

#### Schedule Y, line 4

The amounts reported in column A must be related to income reported in Part 1, line 5, column B. The amounts reported in column B must be related to income reported in Part 1, line 5, column D.

#### Schedule Y, line 5

The amounts reported in column A must be related to income reported in Part 1, line 5, column B. The amounts reported in column B must be related to income reported in Part 1, line 5, column D.

### Schedule Y, line 7

The amounts reported in column A must be related to income reported in Part 1, line 8, column B. The amounts reported in column B must be related to income reported in Part 1, line 8, column D.

### Schedule Y, line 9

The amounts reported in column A must be related to income reported in Part 1, column B. The amounts reported in column B must be related to income reported in Part 1, column D.

**Note:** If you are claiming a deduction for attorney's fees and court costs involving certain unlawful discrimination suits (Schedule Y, line 9), the part-year resident portion of the deduction must be directly related to Massachusetts income as reported on Form 1-NR/PY, line 12 and should be included on Section A of Schedule R/NR. For the nonresident portion of the deduction, taxpayers must use Section B of Schedule R/NR to determine the amount of the deduction, only if it is directly related to Massachusetts income as reported on Form 1-NR/PY, line 12. If it is not directly related to income reported on Form 1-NR/PY, you are not allowed any deduction for the nonresident period.

### Schedule Y, line 13

The amounts reported in column A must be related to income reported in Part 1, line 6, column B. The amounts reported in column B must be related to income reported in Part 1, line 6, column D.

### Schedule Y, line 14

The amounts reported in columns A and B must be related to income previously reported on Form 1 or Form 1-NR/PY.

### Column C

Add column A and column B and enter the total in each applicable line of Form 1-NR/PY or Schedule Y.

### Section B

You may claim only a deduction for either line 16 or line 17. Refer to the Form 1-NR/PY instructions to determine which deduction is better for you.

### Line 16

Complete the Form 1-NR/PY, Line 16 Worksheet through number 4 and enter that amount in column A. In column B enter the amount from column A that is related to your Massachusetts resident period. Subtract column B from column A and enter the result in column C. Multiply the amount from column C by Form 1-NR/PY, line 14g and enter the result in column D. Add columns B and D and enter the result in column E and Form 1-NR/PY, line 16.

**Line 17**

If you have a dependent member(s) of household under age 12, or dependents age 65 or over as of December 31, 2014, or disabled dependents and you are not claiming an amount in line 16, enter \$3,600, or \$7,200 for two or more such dependents, in column A. Multiply the column A amount by Form 1-NR/PY, line 2 and enter the result in column B. Subtract the amount in column B from column A and enter the result in column C. Multiply the column C amount by Form 1-NR/PY, line 14g and enter the result in column D. Add column B and column D and enter the result in column E and in Form 1-NR/PY, line 17.

**Line 22**

In column A enter the amount from Form 1-NR/PY, line 4f. Multiply the column A amount by Form 1-NR/PY, line 2 and enter the result in column B. Subtract the amount in column B from column A and enter the result in column C. Multiply the column C amount by Form 1-NR/PY, line 14g and enter the result in column D. Add column B and column D and enter the result in column E and in Form 1-NR/PY, line 22.

**Line 45**

Multiply the earned income credit amount from your U.S. Form 1040, line 66a; Form 1040A, line 42a; or Form 1040EZ, line 8a by .15 (15%). Enter the result in column A. If you choose to have the IRS compute your federal earned income credit, wait until the IRS notifies you of your federal earned income credit amount before entering an amount in column A. If you have not received your earned income credit amount as computed by the IRS by April 15, 2015, you may file Massachusetts Form M-4868, Application for Automatic Six-Month Extension of Time to File Massachusetts Income Tax Return. Multiply the amount in column A by Form 1-NR/PY, line 2 and enter the result in column B. Subtract the amount in column B from column A and enter the result in column C. Multiply the amount in column C by Form 1-NR/PY, line 14g and enter the result in column D. Add column B and column D and enter the result in column E and in Form 1-NR/PY, line 45.

**Schedule Y, line 3**

In column A enter the total alimony paid from U.S. Form 1040, line 31a. In column B enter the amount from column A paid while you were a Massachusetts resident. Subtract the column B amount from the column A amount and enter the result in column C. Multiply the column C amount by Form 1-NR/PY, line 14g and enter the result in column D. Add column B and column D and enter the total in column E and in Form 1-NR/PY, Schedule Y, line 3.

**Schedule Y, line 6**

In column A enter the total medical savings account deduction included in U.S. Form 1040, line 36. Multiply the column A amount by Form 1-NR/PY, line 2 and enter the result in column B. Subtract the column B amount from the column A amount and enter the result in column C. Multiply the column C amount by Form 1-NR/PY, line 14g and enter the result in column D. Add column B and D and enter the total in column E and in Form 1-NR/PY, Schedule Y, line 6.

**Schedule Y, line 8**

In column A enter the total health savings account deduction from U.S. Form 1040, line 25. Multiply the column A amount by Form 1-NR/PY, line 2 and enter the result in column B. Subtract the column B amount from the column A amount and enter the result in column C. Multiply the column C amount by Form 1-NR/PY, line 14g and enter the result in column D. Add column B and D and enter the total in column E and in Form 1-NR/PY, Schedule Y, line 8.

**Schedule Y, line 9**

In column A enter any amount included in U.S. Form 1040, line 36 for attorney's fees and court costs involving certain unlawful discrimination claims (part-year residents and nonresidents, see note). Multiply the column A amount by Form 1-NR/PY, line 2. Subtract the column B amount from the column A amount and enter the result in column C. Multiply the column C amount by Form 1-NR/PY, line 14g and enter the result in column D. Add column B and column D and enter the total in column E and in Form 1-NR/PY, Schedule Y, line 9.

**Note:** If you are claiming a deduction for attorney's fees and court costs involving certain unlawful discrimination suits (Schedule Y, line 9), the part-year resident portion of the deduction must be directly related to Massachusetts income as reported on Form 1-NR/PY, line 12 and should be included on Section A of Schedule R/NR. For the nonresident portion of the deduction, taxpayers must use Section B of Schedule R/NR to determine the amount of the deduction, only if it is directly related to Massachusetts income as reported on Form 1-NR/PY, line 12. If it is not directly related to income reported on Form 1-NR/PY, you are not allowed any deduction for the nonresident period.

**Schedule Y, line 10**

In column A enter the total student loan interest deduction from U.S. Form 1040, line 33 or 1040A, line 18. Multiply the column A amount by Form 1-NR/PY, line 2. Subtract the column B amount from the column A amount and enter the result in column C. Multiply the column C amount by Form

1-NR/PY, line 14g and enter the result in column D. Add column B and D and enter the total in column E and in Form 1-NR/PY, Schedule Y, line 10.

**Schedule Y, line 11**

Complete the Schedule Y, Line 11 Worksheet through item 6 and enter that amount in column A. Multiply the amount in column A by Form 1-NR/PY, line 2 and enter the result in column B. Subtract the amount in column B from column A and enter the result in column C. Multiply the column C amount by Form 1-NR/PY, line 14g and enter the result in column D. Add column B and column D and enter the result in column E and in Schedule Y, line 11.

**Schedule Y, Line 12**

In column A enter the amount of interest paid on an undergraduate student loan(s) (see Schedule Y, line 12 instructions). Multiply the amount in column A by Form 1-NR/PY, line 2 and enter the result in column B. Subtract the amount in column B from column A and enter the result in column C. Multiply the column C amount by Form 1-NR/PY, line 14g and enter the result in column D. Add column B and column D and enter the result in column E and in Schedule Y, line 12.

**Schedule Y, Line 15**

Complete the Schedule Y, Line 15 Worksheet through item 6 and enter that amount in column A (see Schedule Y, line 15 instructions). Multiply the amount in column A by Form 1-NR/PY, line 2 and enter the result in column B. Subtract the amount in column B from column A and enter the result in column C. Multiply the column C amount by Form 1-NR/PY, line 14g and enter the result in column D. Add column B and column D and enter the result in column E and in Schedule Y, line 15.

**Completing Form 1-NR/PY**

After entering the amounts from this worksheet in the applicable lines of Form 1-NR/PY, complete Form 1-NR/PY, lines 28 through 52.

**Note:** In Form 1-NR/PY, line 41, only enter amounts listed as Massachusetts withholding.

**Credit for Income Taxes Paid to Another State or Jurisdictions**

You may only claim a Credit for Income Taxes Paid to Another State or Jurisdictions on income received while a Massachusetts resident. Complete the Schedule Z, Line 11 Worksheet based on income received during your Massachusetts resident period only.

# 2014 Massachusetts Income Tax Table at the 5.2% Rate

Use this table to calculate tax for taxable 5.2% income (line 25) of not more than \$24,000.

**Line 26 instructions:** To find your **tax on 5.2% Income** (line 26), read down the tax table income column to the line containing the amount you entered in line 25. Then read across to the **TAX** column and enter this amount in line 26. If your taxable 5.2% income in line 25 is greater than \$24,000, multiply the amount by .052. Enter the result in line 26.

**Note:** If choosing the optional 5.85% tax rate, multiply line 25 and the amount in Schedule D, line 21 by .0585.

<b>INCOME</b>			<b>INCOME</b>			<b>INCOME</b>			<b>INCOME</b>			<b>INCOME</b>			<b>INCOME</b>		
More than	But not more than	<b>TAX</b>	More than	But not more than	<b>TAX</b>	More than	But not more than	<b>TAX</b>	More than	But not more than	<b>TAX</b>	More than	But not more than	<b>TAX</b>	More than	But not more than	<b>TAX</b>
\$ 1 – \$ 50	\$ 50	1	\$ 4,000 – \$ 4,050	\$ 4,050	209	\$ 8,000 – \$ 8,050	\$ 8,050	417	\$12,000 – \$12,050	\$ 12,050	625	\$16,000 – \$16,050	\$ 16,050	833	\$20,000 – \$20,050	\$ 20,050	1,041
50 – 100	100	4	4,050 – 4,100	4,100	212	8,050 – 8,100	8,100	420	12,050 – 12,100	12,100	628	16,050 – 16,100	16,100	836	20,050 – 20,100	20,100	1,044
100 – 150	150	7	4,100 – 4,150	4,150	215	8,100 – 8,150	8,150	423	12,100 – 12,150	12,150	631	16,100 – 16,150	16,150	839	20,100 – 20,150	20,150	1,047
150 – 200	200	9	4,150 – 4,200	4,200	217	8,150 – 8,200	8,200	425	12,150 – 12,200	12,200	633	16,150 – 16,200	16,200	841	20,150 – 20,200	20,200	1,049
200 – 250	250	12	4,200 – 4,250	4,250	220	8,200 – 8,250	8,250	428	12,200 – 12,250	12,250	636	16,200 – 16,250	16,250	844	20,200 – 20,250	20,250	1,052
250 – 300	300	14	4,250 – 4,300	4,300	222	8,250 – 8,300	8,300	430	12,250 – 12,300	12,300	638	16,250 – 16,300	16,300	846	20,250 – 20,300	20,300	1,054
300 – 350	350	17	4,300 – 4,350	4,350	225	8,300 – 8,350	8,350	433	12,300 – 12,350	12,350	641	16,300 – 16,350	16,350	849	20,300 – 20,350	20,350	1,057
350 – 400	400	20	4,350 – 4,400	4,400	228	8,350 – 8,400	8,400	436	12,350 – 12,400	12,400	644	16,350 – 16,400	16,400	852	20,350 – 20,400	20,400	1,060
400 – 450	450	22	4,400 – 4,450	4,450	230	8,400 – 8,450	8,450	438	12,400 – 12,450	12,450	646	16,400 – 16,450	16,450	854	20,400 – 20,450	20,450	1,062
450 – 500	500	25	4,450 – 4,500	4,500	233	8,450 – 8,500	8,500	441	12,450 – 12,500	12,500	649	16,450 – 16,500	16,500	857	20,450 – 20,500	20,500	1,065
500 – 550	550	27	4,500 – 4,550	4,550	235	8,500 – 8,550	8,550	443	12,500 – 12,550	12,550	651	16,500 – 16,550	16,550	859	20,500 – 20,550	20,550	1,067
550 – 600	600	30	4,550 – 4,600	4,600	238	8,550 – 8,600	8,600	446	12,550 – 12,600	12,600	654	16,550 – 16,600	16,600	862	20,550 – 20,600	20,600	1,070
600 – 650	650	33	4,600 – 4,650	4,650	241	8,600 – 8,650	8,650	449	12,600 – 12,650	12,650	657	16,600 – 16,650	16,650	865	20,600 – 20,650	20,650	1,073
650 – 700	700	35	4,650 – 4,700	4,700	243	8,650 – 8,700	8,700	451	12,650 – 12,700	12,700	659	16,650 – 16,700	16,700	867	20,650 – 20,700	20,700	1,075
700 – 750	750	38	4,700 – 4,750	4,750	246	8,700 – 8,750	8,750	454	12,700 – 12,750	12,750	662	16,700 – 16,750	16,750	870	20,700 – 20,750	20,750	1,078
750 – 800	800	40	4,750 – 4,800	4,800	248	8,750 – 8,800	8,800	456	12,750 – 12,800	12,800	664	16,750 – 16,800	16,800	872	20,750 – 20,800	20,800	1,080
800 – 850	850	43	4,800 – 4,850	4,850	251	8,800 – 8,850	8,850	459	12,800 – 12,850	12,850	667	16,800 – 16,850	16,850	875	20,800 – 20,850	20,850	1,083
850 – 900	900	46	4,850 – 4,900	4,900	254	8,850 – 8,900	8,900	462	12,850 – 12,900	12,900	670	16,850 – 16,900	16,900	878	20,850 – 20,900	20,900	1,086
900 – 950	950	48	4,900 – 4,950	4,950	256	8,900 – 8,950	8,950	464	12,900 – 12,950	12,950	672	16,900 – 16,950	16,950	880	20,900 – 20,950	20,950	1,088
950 – 1,000	1,000	51	4,950 – 5,000	5,000	259	8,950 – 9,000	9,000	467	12,950 – 13,000	13,000	675	16,950 – 17,000	17,000	883	20,950 – 21,000	21,000	1,091
1,000 – 1,050	1,050	53	5,000 – 5,050	5,050	261	9,000 – 9,050	9,050	469	13,000 – 13,050	13,050	677	17,000 – 17,050	17,050	885	21,000 – 21,050	21,050	1,093
1,050 – 1,100	1,100	56	5,050 – 5,100	5,100	264	9,050 – 9,100	9,100	472	13,050 – 13,100	13,100	680	17,050 – 17,100	17,100	888	21,050 – 21,100	21,100	1,096
1,100 – 1,150	1,150	59	5,100 – 5,150	5,150	267	9,100 – 9,150	9,150	475	13,100 – 13,150	13,150	683	17,100 – 17,150	17,150	891	21,100 – 21,150	21,150	1,099
1,150 – 1,200	1,200	61	5,150 – 5,200	5,200	269	9,150 – 9,200	9,200	477	13,150 – 13,200	13,200	685	17,150 – 17,200	17,200	893	21,150 – 21,200	21,200	1,101
1,200 – 1,250	1,250	64	5,200 – 5,250	5,250	272	9,200 – 9,250	9,250	480	13,200 – 13,250	13,250	688	17,200 – 17,250	17,250	896	21,200 – 21,250	21,250	1,104
1,250 – 1,300	1,300	66	5,250 – 5,300	5,300	274	9,250 – 9,300	9,300	482	13,250 – 13,300	13,300	690	17,250 – 17,300	17,300	898	21,250 – 21,300	21,300	1,106
1,300 – 1,350	1,350	69	5,300 – 5,350	5,350	277	9,300 – 9,350	9,350	485	13,300 – 13,350	13,350	693	17,300 – 17,350	17,350	901	21,300 – 21,350	21,350	1,109
1,350 – 1,400	1,400	72	5,350 – 5,400	5,400	280	9,350 – 9,400	9,400	488	13,350 – 13,400	13,400	696	17,350 – 17,400	17,400	904	21,350 – 21,400	21,400	1,112
1,400 – 1,450	1,450	74	5,400 – 5,450	5,450	282	9,400 – 9,450	9,450	490	13,400 – 13,450	13,450	698	17,400 – 17,450	17,450	906	21,400 – 21,450	21,450	1,114
1,450 – 1,500	1,500	77	5,450 – 5,500	5,500	285	9,450 – 9,500	9,500	493	13,450 – 13,500	13,500	701	17,450 – 17,500	17,500	909	21,450 – 21,500	21,500	1,117
1,500 – 1,550	1,550	79	5,500 – 5,550	5,550	287	9,500 – 9,550	9,550	495	13,500 – 13,550	13,550	703	17,500 – 17,550	17,550	911	21,500 – 21,550	21,550	1,119
1,550 – 1,600	1,600	82	5,550 – 5,600	5,600	290	9,550 – 9,600	9,600	498	13,550 – 13,600	13,600	706	17,550 – 17,600	17,600	914	21,550 – 21,600	21,600	1,122
1,600 – 1,650	1,650	85	5,600 – 5,650	5,650	293	9,600 – 9,650	9,650	501	13,600 – 13,650	13,650	709	17,600 – 17,650	17,650	917	21,600 – 21,650	21,650	1,125
1,650 – 1,700	1,700	87	5,650 – 5,700	5,700	295	9,650 – 9,700	9,700	503	13,650 – 13,700	13,700	711	17,650 – 17,700	17,700	919	21,650 – 21,700	21,700	1,127
1,700 – 1,750	1,750	90	5,700 – 5,750	5,750	298	9,700 – 9,750	9,750	506	13,700 – 13,750	13,750	714	17,700 – 17,750	17,750	922	21,700 – 21,750	21,750	1,130
1,750 – 1,800	1,800	92	5,750 – 5,800	5,800	300	9,750 – 9,800	9,800	508	13,750 – 13,800	13,800	716	17,750 – 17,800	17,800	924	21,750 – 21,800	21,800	1,132
1,800 – 1,850	1,850	95	5,800 – 5,850	5,850	303	9,800 – 9,850	9,850	511	13,800 – 13,850	13,850	719	17,800 – 17,850	17,850	927	21,800 – 21,850	21,850	1,135
1,850 – 1,900	1,900	98	5,850 – 5,900	5,900	306	9,850 – 9,900	9,900	514	13,850 – 13,900	13,900	722	17,850 – 17,900	17,900	930	21,850 – 21,900	21,900	1,138
1,900 – 1,950	1,950	100	5,900 – 5,950	5,950	308	9,900 – 9,950	9,950	516	13,900 – 13,950	13,950	724	17,900 – 17,950	17,950	932	21,900 – 21,950	21,950	1,140
1,950 – 2,000	2,000	103	5,950 – 6,000	6,000	311	9,950 – 10,000	10,000	519	13,950 – 14,000	14,000	727	17,950 – 18,000	18,000	935	21,950 – 22,000	21,950	1,143
2,000 – 2,050	2,050	105	6,000 – 6,050	6,050	313	10,000 – 10,050	10,050	521	14,000 – 14,100	14,100	732	18,000 – 18,050	18,050	937	22,000 – 22,050	22,050	1,145
2,050 – 2,100	2,100	108	6,050 – 6,100	6,100	316	10,050 – 10,100	10,100	524	14,100 – 14,150	14,150	735	18,050 – 18,100	18,100	940	22,050 – 22,100	22,100	1,148
2,100 – 2,150	2,150	111	6,100 – 6,150	6,150	319	10,100 – 10,150	10,150	527	14,150 – 14,200	14,200	737	18,100 – 18,150	18,150	943	22,100 – 22,150	22,150	1,151
2,150 – 2,200	2,200	113	6,150 – 6,200	6,200	321	10,150 – 10,200	10,200	529	14,200 – 14,250	14,250	740	18,150 – 18,200	18,200	945	22,150 – 22,200	22,200	1,153
2,200 – 2,250	2,250	116	6,200 – 6,250	6,250	324	10,200 – 10,300	10,300	534	14,250 – 14,350	14,350	745	18,200 – 18,300	18,300	950	22,200 – 22,300	22,300	1,158
2,250 – 2,300	2,300	118	6,250 – 6,300	6,300	326	10,300 – 10,350	10,350	537	14,300 – 14,400	14,400	748	18,300 – 18,350	18,350	953	22,300 – 22,350	22,350	1,161
2,300 – 2,3																	

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# Department of Revenue Resources

## DOR Locations in Massachusetts

### Boston

19 Staniford St.  
Boston, MA 02114  
(617) 887-MDOR

### Fall River

218 South Main St.  
Fall River, MA 02721  
(508) 678-2844

### Hyannis

60 Perseverance Way  
Hyannis, MA 02601  
(508) 771-2414

### Pittsfield

333 East St.  
Pittsfield, MA 01201  
(413) 499-2206

### Springfield

436 Dwight St.  
Springfield, MA 01103  
(413) 784-1000

### Worcester

67 Millbrook St.  
Worcester, MA 01606  
(508) 792-7300

## What kind of help is available

DOR's website at [mass.gov/dor](http://mass.gov/dor) is a valuable resource for tax information 24 hours a day. Thousands of taxpayers use DOR's website to e-mail and receive prompt answers to their general tax inquiries. Taxpayers can also check the status of their refunds, make estimated tax payments and review their estimated tax payment histories through the WebFile for Income section of our website.

Public libraries and DOR district offices (listed on this page) also offer access to DOR's website for those taxpayers who don't otherwise have computer access.

## Where to get forms and publications



Most Massachusetts tax forms and publications are available via the DOR website. The address for the Department's website is [mass.gov/dor](http://mass.gov/dor).



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.



During the income tax filing season, you can pick up Massachusetts personal income tax forms at your local library or at IRS district offices across the state.

**Note:** To obtain federal tax information and forms via the Internet, go to [irs.gov](http://irs.gov) or call the IRS toll-free at 1-800-829-3676.

## For help in one of the following specific areas

- Certificates of Good Standing 617-887-MDOR
- Installment Sales 617-887-6950
- Teletype (TTY) 617-887-6140
- Small Business Workshop 617-887-5660
- Vision-impaired taxpayers can contact DOR by calling one of the phone numbers listed above to receive assistance.
- Upon request, this publication is available in an alternative format. Please send your request to: Office of Diversity and Equal Opportunity, PO Box 9557, Boston, MA 02114-9557.

To report allegations of suspected misconduct or impropriety involving Department of Revenue employees, call the Inspectional Services Division's Integrity Hot Line at 1-800-568-0085 or write to PO Box 9568, Boston, MA 02114-9568.

## Volunteer in Your Community

Be sure to visit the Commonwealth's new Connect and Serve website to learn about the wide variety of volunteering opportunities available to Massachusetts residents. The site may be found at [mass.gov/connectandservice](http://mass.gov/connectandservice).

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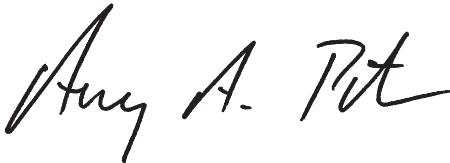
## Dear Taxpayer,

This filing season, we've made it our top priority to provide you with the easiest, quickest and most fool-proof options for filing your Massachusetts income tax return. Most taxpayers favor electronic filing by either using approved commercial software or a tax preparer who files electronically. Last year, all but 5% of Massachusetts 3.6 million tax filers enjoyed the advantages of electronic filing versus using the paper forms you are holding in your hand. They got their refunds quicker and their returns were more accurate because the software program won't let you make a mistake like forgetting to sign your name or attach a schedule. Most important, electronic filing is one of the most secure ways to file your taxes, providing confirmation that your tax return has been received by the Department of Revenue.

Our goal is to make it unnecessary to mail paper forms and cut the cost of manually processing paper returns by next year's filing season so the Department of Revenue can continue to increase efficiencies and better serve you.

Go to [mass.gov/dor/thefilingzone](http://mass.gov/dor/thefilingzone) to learn more about the electronic filing options available to you and join the e-file crowd!

Sincerely,



Commissioner Amy A. Pitter