



Department of Revenue | Commonwealth of Massachusetts

2015 Massachusetts Nonresident or Part-Year Resident Income Tax

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

FORM 1-NR/PY

Give e-file a try this year!

**C'mon, admit it —
filing paper tax returns is 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.

2015 Massachusetts **Schedule HC** Health Care

Special Section on Minimum Creditable Coverage

What is “Minimum Creditable Coverage” (MCC)?

It's the minimum level of health insurance benefits that adult tax filers need to be considered insured and avoid tax penalties in Massachusetts.

Note: MCC is not the same as Minimum Essential Coverage, which is the type of coverage adult tax filers and their dependents need to be considered insured and avoid tax penalties from the Federal government. Visit irs.gov for more information about the federal requirement to have insurance coverage.

How do I know if my plan met MCC?

Massachusetts-licensed health insurance companies must put an MCC-compliance notice on their plans to indicate if it does or does not meet MCC. Most do meet the MCC standards. If you received a Form MA 1099-HC from your insurer, that form will indicate whether your insurance met MCC requirements. For a list of plans that automatically meet MCC, please refer to the plans listed on this page.

What if I did not receive a Form MA 1099-HC from my insurer?

You can call your insurer or your employer's human resources department or benefits administrator for help, if you get health coverage through your job. If your insurer or your employer is unable to assist you, please refer to the “Benefits Required Under MCC” section on this page to see if your policy meets these requirements. If your plan meets all of the requirements, you may certify in line 3 of the Schedule HC that you were enrolled in a plan that met the MCC requirements during that time period.

What if my plan did not meet MCC for all of 2015?

If you were enrolled in a plan that did not meet the MCC requirements for all of 2015, you must fill in the “No MCC/None” oval in line 3 of the Schedule HC and follow the instructions on the Schedule HC. You will not be subject to a penalty if it is determined that you did not have access to affordable insurance that met MCC. If you had access to affordable insurance that met MCC but did not purchase it, you are subject to a penalty. However, if you are subject to a penalty, you may appeal and claim that the penalty should not apply to you. For more information about the grounds and procedure for appeals, go to page HC-4. No penalty will be imposed pending the outcome of your appeal.

What if I was enrolled in an MCC plan for only part of the year?

If you were enrolled in an MCC plan for only part of the year, you should fill in the “Part-Year MCC” oval in line 3 of the Schedule HC and go to line 4. In line 4, only provide the health insurance information for the MCC plan(s) you were enrolled in. Do not provide health insurance information in line 4 for a plan that did not meet the MCC standards.

Benefits Required Under MCC

For most plans, the 2015 “Minimum Creditable Coverage” standards include:

- Coverage for a comprehensive set of services (for example: doctor visits, hospital admissions, day surgery, emergency services, mental health and substance abuse, and prescription drug coverage);

- Doctor visits for preventive care, without a deductible;
- A cap on annual deductibles of \$2,000 for an individual and \$4,000 for a family;
- For plans with up-front deductibles or co-insurance on core services, an annual maximum on out-of-pocket spending of no more than \$6,600 for an individual and \$13,200 for a family;
- No caps on total benefits for a particular illness or for a single year;
- No policy that covers only a fixed dollar amount per day or stay in the hospital, with the patient responsible for all other charges;
- For policies that have a separate prescription drug deductible, it cannot exceed \$250 for an individual or \$500 for a family;
- All services must be provided to all of those covered (for example, a plan that covers dependents must extend maternity services to them); and
- No cap on prescription drug benefits.

Other ways of meeting MCC:

You automatically meet MCC if you are enrolled in:

- Medicare Part A or B;
- Any Commonwealth Care plan;
- Any Qualified Health Plan purchased through the Massachusetts Health Connector or directly through a carrier, including ConnectorCare plans and catastrophic plans;
- MassHealth (including temporary coverage);
- A Student Health Insurance Plan (SHIP) offered in Massachusetts or another state;
- A tribal or Indian Health Service plan;
- TRICARE;
- The U.S. Veterans Administration Health System;
- A health insurance plan offered by the federal government to federal employees or retirees;
- Peace Corps, VISTA or AmeriCorps or National Civilian Community Corps coverage; or
- A Pre-Existing Condition Insurance Plan (PCIP).

Note: A federally-qualified High Deductible Health Plan (HDHP) offered with a Health Savings Account (HSA) or Health Reimbursement Arrangement (HRA) may meet MCC if it complies with most of the benefits described above.

For more information on MCC requirements, visit the Health Connector's website at MAhealthconnector.org.

Schedule HC Instructions

Health Care Information

The Massachusetts health care reform law requires most residents 18 and over with access to affordable health insurance to obtain it. More information about the health care reform law and how to purchase affordable health insurance is available at the Commonwealth Health Insurance Connector Authority's website at mahealthconnector.org.

Note: The Affordable Care Act requires most individuals nationally with access to affordable health insurance to obtain it. This requirement is separate from the Massachusetts reform law requirements. Visit irs.gov for more information on the federal requirement.

Special Circumstances During 2015

Read this section if, during 2015, you turned 18, moved into or out of Massachusetts or if you are filing a tax return on behalf of a deceased taxpayer to determine the period of time that the mandate to have health insurance applied to you.

Note: Schedule HC must be completed and filed if you fall into a "special circumstances" category.

Turning 18. If you turned 18 during 2015, the mandate to obtain and maintain health insurance applies to you beginning on the first day of the third month following the month of your birthday. For example, if your birthday is June 15, the mandate applies on September 1.

Part-year residents. If you moved into Massachusetts during 2015, the mandate to obtain and maintain health insurance applies to you beginning on the first day of third month following the month you became a resident of Massachusetts. For example, if you moved into Massachusetts on May 14, the mandate applies on August 1.

If you moved out of Massachusetts during 2015, the requirement to obtain and maintain health insurance applies to you up until the last day of the last full month you were a resident. For example, if you moved out of Massachusetts on July 10, the mandate applies up to June 30. And, if you moved out of Massachusetts on September 30, the mandate applies up to September 30.

Note: Part-year residents are **not** required to file Schedule HC if they were residents of Massachusetts for less than three full months.

Deceased taxpayer. If a taxpayer dies during 2015, the mandate to obtain and maintain health insurance applies to the deceased taxpayer up until the last day of the last full month the taxpayer was alive. For example, if a taxpayer dies on August 4, the mandate applies up to July 31.

Lines 1a and 1b. Date of Birth

Enter your date of birth and the date of birth for your spouse (if married filing jointly).

Taxpayers turning 18 during 2015. Taxpayers with a date of birth on or after October 1, 1997 should only complete line 1 of Schedule HC because they are not subject to a penalty.

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

Line 1c. Family Size

Enter your family size, including yourself, your spouse (if living in the same household at any point during the year) and any dependents as claimed on Form 1, line 2b or Form 1-NR/PY, line 4b. If married filing separately **and** living in the same household at any point during the year, also be sure to include in line 1c any dependents claimed on your tax return and any dependents claimed by your spouse on your spouse's tax return.

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

Line 2. Federal Adjusted Gross Income

Enter your federal adjusted gross income (from U.S. Form 1040, line 37; Form 1040A, line 21; or Form 1040EZ, line 4). If married filing separately **and** living in the same household, each spouse must combine their income figures from their separate U.S. returns when completing this section. If you did not have a requirement to file a U.S. return, you must enter "0" in this section.

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

Line 3. Your Health Insurance Status in 2015

If you had health insurance in 2015, you must first determine if the insurance you had met the Minimum Creditable Coverage requirements. Your Form MA 1099-HC sent to you by your insurer will give you this information. Almost all state and government sponsored insurance plans, such as MassHealth, Commonwealth Care and other Health Connector plans, Medicare, and health coverage for U.S. Military, including Veterans Administration and Tri-Care, meet these requirements.

Important information: The Health Safety Net is not health insurance, and thus it does not meet MCC requirements. If this is the only way in which your health care needs were paid for in 2015, you must fill in the No MCC/None oval in line 3 and go to line 6.

If you did not receive Form MA 1099-HC from your insurer, see the special section on MCC requirements. Once you have determined whether your coverage met the MCC requirements in 2015, enter the period of time that you were covered by the plan(s).

Explanation of time periods for line 3 of Schedule HC

► **Full-year MCC.** Fill in this oval if you had health insurance that met MCC requirements for the entire year of 2015 and go to line 4.

► **Part-year MCC.** Fill in this oval if you had health insurance that met MCC requirements for only part of 2015 and go to line 4. This means for the other parts of 2015, you had no health insurance at all, health insurance that did not meet MCC requirements or a combination of both.

► **No MCC/None.** Fill in this oval if you did not, at any point in 2015, have health insurance that met MCC requirements, for example, either you did not have any health insurance at all in 2015, or you only had health insurance that did not meet MCC requirements and then go to line 6.

If married filing jointly, you must respond for yourself and your spouse. If you (or your spouse, if married filing jointly) had **Full-Year** or **Part-Year MCC**, go to line 4. If you (or your spouse, if married filing jointly) had **No MCC/None**, go to line 6. If married filing jointly, and only one spouse had **Full-Year** or **Part-Year MCC**, you must complete line 4 with information regarding the spouse who had **Full-Year** or **Part-Year MCC**, and must go to line 6 for the spouse who had **No MCC/None**. If married filing separately, you only have to respond for yourself, not your spouse.

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

Special Circumstances — Important Information: If, during 2015, you turned 18, moved into or out of Massachusetts or if you are filing a tax return on behalf of a deceased taxpayer, you must first determine the period of time that the mandate applied to you. See the Special Circumstances section on this page for additional information. If you had health insurance that met the Minimum Creditable Coverage requirements for the entire period that the mandate applied to you, fill in the **Full-Year MCC** oval in line 3. If you met the requirements for only part of the time that the mandate applied to you, fill in the **Part-Year MCC** oval. If you had no insurance or insurance that did not meet the MCC requirements for the period of time that the mandate applied to you, fill in the **No MCC/None** oval.

Line 4. Your Health Insurance Plan Information

If you indicated in line 3 that you were enrolled in a health insurance plan that met the Minimum Creditable Coverage requirements for all or part of 2015, you must now fill in the oval that matches your plan. If you had more than one plan in 2015, fill in all of the ovals that apply for you and your spouse, if married filing jointly, and follow the instructions.

Line 4a. If you (and/or your spouse if married filing jointly) were enrolled in private health insurance, including ConnectorCare, fill in the oval(s) in line 4a and complete line 4f (for you) and/or 4g (your spouse) using Form(s) MA 1099-HC. This form will be issued to you by your health insurance carrier or administrator, no later than January 31, 2016. **Note:** If you received Form(s) MA 1099-HC, be sure to attach to Schedule HC. If you did not receive Form(s) MA 1099-HC, fill in the oval(s) in lines 4f (for you) and/or 4g (your spouse), and enter the name of your insurance carrier or administrator and your subscriber number in line 4f and/or 4g and go to line 5. This information should be on your insurance card. If you do not know this information, contact your insurer or your Human Resources Department if your insurance is through your employer.

Note: Generally, employees or retirees of the federal, state or local governments have private health insurance and should fill in the oval(s) in line 4a and complete line 4f (for you) and/or line 4g (your spouse) and then go to line 5.

If you and your spouse were enrolled in the same health insurance, you must complete both line 4f (for you) and 4g (your spouse).

Line 4b. If you (and/or your spouse if married filing jointly) were enrolled in MassHealth or Commonwealth Care fill in the Yes oval(s) in line 4b and go to line 5.

Line 4c. If you (and/or your spouse if married filing jointly) were enrolled in Medicare (including a replacement or supplemental plan), fill in the oval(s) in line 4c and then go to line 5.

Note: Fill in the Medicare oval(s) even if you have a supplemental or replacement plan that you may have purchased on your own.

Line 4d. If you (and/or your spouse if married filing jointly) were enrolled in a U.S. Military, plan (including Veterans Administration and Tri-Care) fill in the oval(s) in line 4d and then go to line 5.

Line 4e. If you (and/or your spouse if married filing jointly) were enrolled in Other government health coverage fill in the oval(s) in line 4e and complete line 4f (for you) and/or 4g (your spouse) by entering the program name(s) only.

“Other government health coverage” includes comprehensive government-subsidized plans such as care provided at a correctional facility. Taxpayers who receive MassHealth or Commonwealth Care should fill in the oval on line 4b. Taxpayers who receive ConnectorCare should fill in the oval on line 4a. Taxpayers who receive health care through the Health Safety Net (formerly known as the Uncompensated Care Pool) should not fill in any oval in line 4 because the Health Safety Net is not health

insurance, and thus it does not meet Minimum Creditable Coverage requirements.

Lines 4f and 4g. Complete only if you filled in oval(s) in line(s) 4a or 4e. Enter information in lines 4f and 4g on up to two insurance carriers each, if you (and/or your spouse if married filing jointly) were covered by multiple insurers in 2015. **Note:** If you filled in the oval(s) in line 4e, only enter the name of the program. After completing lines 4f and 4g, go to line 5.

If you (and/or your spouse if married filing jointly) had health insurance from more than two insurance carriers, fill out Schedule HC-CS, Health Care Continuation Sheet. If you file Schedule HC-CS, report your two most recent insurance carriers first on Schedule HC and use Schedule HC-CS to report the additional insurance carriers for yourself (and/or your spouse if married filing jointly). Schedule HC-CS is available on DOR’s website at mass.gov/dor.

Line 5. Instructions After Completing Lines 3 and 4

If your health insurance met the Minimum Creditable Coverage requirements for all of 2015, you are not subject to a penalty. Skip the remainder of this schedule and continue completing your tax return. If you were enrolled in Medicare, U.S. Military (including Veterans Administration and Tri-Care), or other government insurance, not including MassHealth or Commonwealth Care, at any point during 2015, you are not subject to a penalty. Skip the remainder of this schedule and continue completing your tax return. Be sure to enclose page 1 of Schedule HC with your return.

If you had health insurance that met the MCC requirements for only part of the year in 2015 or if you had no insurance in 2015, go to line 6.

Line 6. Federal Poverty Level

Individuals with income at or below 150% of the Federal Poverty Level (FPL) are not subject to a penalty for failure to purchase health insurance. Complete the Line 6, Federal Poverty Worksheet to determine if your income in 2015 was at or below 150% of the Federal Poverty Level.

Note for MassHealth or Commonwealth Care enrollees: If you did not receive a Form MA 1099-HC and you answered No to line 6, please call MassHealth at 1-866-682-6745 or Commonwealth Care at 1-877-623-6765 for a copy. Taxpayers who receive ConnectorCare should call their health plan for a copy of Form MA 1099-HC. If you answered Yes to line 6, you do not need to complete this section and you do not need a Form MA 1099-HC. If you answered Yes to line 6, you are not subject to a penalty. Skip the remainder of Schedule HC

and continue completing your return. Be sure to enclose pages 1 and 2 of Schedule HC with your return.

Line 7. Months Covered by Minimum Creditable Coverage Health Insurance

Complete this section only if you (and/or your spouse if married filing jointly) were enrolled in a health insurance plan(s) that met Minimum Creditable Coverage requirements for part, but not all, of 2015. You are considered to have coverage for part of 2015 if you had coverage for at least 1 but less than 12 months.

If you were enrolled in a private health insurance plan that met MCC requirements (such as coverage provided by your employer or purchased on your own) or government-sponsored health insurance (examples of which include MassHealth or Commonwealth Care), fill in the oval(s) for the months you were covered in 2015, using the information from Form(s) MA 1099-HC.

If you did not receive a Form MA 1099-HC from your insurer, fill in the oval(s) for each month in which you had coverage that met MCC requirements for 15 days or more. If you had coverage in any month for 14 days or less, you must leave the oval(s) blank.

If you have four or more consecutive months either with no insurance or insurance that did not meet MCC requirements (four or more blank ovals in a row), go to line 8a. Otherwise, you are not subject to a penalty. Skip the remainder of Schedule HC and continue completing your return. Be sure to enclose pages 1 and 2 of Schedule HC with your return.

If you are filing a joint return and one spouse has three or fewer blank ovals in a row, and the other spouse has four or more blank ovals in a row, the spouse with three or fewer blank ovals in a row is not subject to a penalty and should skip the remainder of Schedule HC. The spouse with four or more blank ovals in a row must go to line 8a.

Special Circumstances During 2015

Note: Schedule HC must be completed and filed even if you fall into a “Special Circumstances” category. Also, do not count the months that the mandate did not apply when determining if you have four or more consecutive months without health insurance.

Turning 18. If you turned 18 during 2015, the mandate to maintain and obtain health insurance applies to you beginning on the first day of the third month following the month of your birthday. For example, if your birthday is June 15, the mandate applies on September 1. In this example, do

not count the months of January through August because the mandate did not apply.

Part-year residents. If you moved into Massachusetts during 2015, the mandate to obtain and maintain health insurance applies to you beginning on the first day of the third month following the month you became domiciled in (a resident of) Massachusetts. For example, if you moved into Massachusetts on May 14, the mandate applies on August 1. In this example, do not count the months of January through July because the mandate did not apply.

If you moved out of Massachusetts during 2015, the mandate to obtain and maintain health insurance applies to you up until the last day of the last full month you were a resident. For example, if you moved out of Massachusetts on July 10, the mandate applies up to June 30. In this example, do not count the months of July through December because the mandate did not apply.

Deceased taxpayer. If a taxpayer died during 2015, the mandate to obtain and maintain health insurance applies to the deceased taxpayer up until the last day of the last full month the taxpayer was alive. For example, if a taxpayer died on August 4, the mandate applies up to July 31. In this example, do not count the months of August through December because the mandate did not apply.

Line 8. Religious Exemption

Line 8a. A religious exemption is available for anyone who has a sincere religious belief that is the basis of refusal to obtain and maintain health insurance coverage. Fill in the Yes oval(s) if you are claiming a religious exemption from the requirement to purchase health insurance based on your sincerely held religious beliefs that cause you to object to substantially all forms of treatment covered by health insurance.

If you (and your spouse if married filing jointly) answer **Yes** to line 8a, go to line 8b.

If you (and your spouse if married filing jointly) answer **No** to line 8a, go to line 9.

If you are filing a joint return and one spouse answers **No** to line 8a but the other spouse answers **Yes**, the spouse who answered **Yes** must go to line 8b and the spouse who answered **No** must go to line 9.

Line 8b. If you are claiming a religious exemption but you received medical health care during tax year 2015, such as treatment during an emergency room visit, you may be subject to a penalty if it is determined that you could have afforded health insurance.

Medical health care excludes certain treatments such as preventative dental care, certain eye exam-

inations and vaccinations. It also excludes a physical examination when required by a third party, such as a prospective employer. For additional information, see Department of Revenue regulation 830 CMR 111M.2.1, Health Insurance Individual Mandate; Personal Income Tax Return Requirements, available on the department's website at mass.gov/dor.

If you (and your spouse if married filing jointly) answer **Yes** on line 8a and **No** on line 8b, the penalty does not apply to you. Skip the remainder of Schedule HC and continue completing your tax return. Be sure to enclose pages 1 and 2 of Schedule HC with your return.

If you (and your spouse if married filing jointly) answered **Yes** on both lines 8a and 8b, go to line 9.

If you are filing a joint return and one spouse answers **No** to line 8b but the other spouse answers **Yes** to line 8b, the spouse who answered **No** is not subject to a penalty and should skip the remainder of Schedule HC. The spouse who answered **Yes** must go to line 9.

Line 9. Certificate of Exemption

The Massachusetts Health Connector provided certificates of exemption to qualified taxpayers who applied in 2015.

► If you have a “**Certificate of Exemption**” issued by the Massachusetts Health Connector for the 2015 tax year, a penalty does not apply to you. Fill in the **Yes** oval(s) in line 9 of Schedule HC and enter the certificate number in the space provided.

Note: Only enter the **numbers** of the Certificate of Exemption. Do **not** enter letters, spaces or dashes. For example, if the certificate number on your Certificate of Exemption is AML123456-78, enter in the spaces provided 12345678. If married filing jointly and both spouses have a certificate, each spouse must enter their certificate number in the space provided. Skip the remainder of Schedule HC and continue completing your tax return. Be sure to enclose pages 1 and 2 of Schedule HC with your return.

► If you answered **No** to line 9, go to line 10.

► If you are filing a joint return and one spouse answers **Yes** to line 9 but the other spouse answers **No** to line 9, the spouse who answered **Yes** must enter the certificate number and skip the remainder of Schedule HC and the spouse who answered **No** must go to line 10.

For more information about Certificates of Exemption, visit the Massachusetts Health Connector's website at MAhealthconnector.org.

Note: If you received a Certificate of Exemption from the Federal shared responsibility requirement

in 2015, issued by the Federal Health Insurance Marketplace, do not enter that information in line 9.

Lines 10, 11 and 12. Affordability As Determined By State Guidelines

Taxpayers who had four or more consecutive months without health insurance that met Minimum Creditable Coverage in 2015 may be subject to a penalty if they had access to affordable health insurance that met MCC requirements.

If you answered Yes in line 6 of Schedule HC indicating that your income was at or below 150% of the Federal Poverty Level, or

If you had three or fewer blank ovals in a row as shown in line 7,

you are not subject to a penalty and should skip the remainder of Schedule HC and continue completing your tax return. Be sure to enclose pages 1 and 2 of Schedule HC with your return.

You must complete the Schedule HC Worksheets for Lines 10, 11 and 12 if you were uninsured for all of 2015 or if you had four or more consecutive months without health insurance (four or more blank ovals in a row in the Months Covered by Health Insurance That Met Minimum Creditable Coverage section of line 7).

To complete these worksheets, you will need to have your completed 2015 U.S. Form 1040, 1040A or 1040EZ. You also will need to know how much it would have cost you to enroll in any health insurance plan offered by an employer in 2015. An employer's Human Resources Department should be able to provide this amount to you. Be sure to enclose pages 1 to 3 of Schedule HC with your return.

Filing an Appeal

If you are subject to a state penalty for not obtaining health insurance in 2015, you have the right to appeal. The appeal will be heard by the Massachusetts Health Connector, an independent state body.

Note: You may also be subject to a separate federal penalty if you were uninsured. Visit irs.gov for more information on the federal requirements. If you are subject to a federal penalty, you must enter that amount on Form 1, line 34c or Form 1-NR/PY, line 39c.

In your appeal, you may claim that the penalty should not apply to you. You may claim that you could not afford insurance in 2015 because you experienced a hardship. To establish a hardship, you must be able to show that, during 2015:

(a) You were homeless, more than 30 days in arrears in rent or mortgage payments, or received an eviction or foreclosure notice;

(b) You received a shut-off notice, were shut off, or were refused the delivery of essential utilities (gas, electric, oil, water, or telephone);

(c) You incurred a significant, unexpected increase in essential expenses resulting directly from the consequences of: (i) domestic violence; (ii) the death of a spouse, family member, or partner with primary responsibility for child care, where that spouse, family member, or partner shared household expenses with you; (iii) the sudden responsibility for providing full care for yourself, an aging parent or other family member, including a major, extended illness of a child that required a working parent to hire a full-time caretaker for the child; or (iv) a fire, flood, natural disaster, or other unexpected natural or human-caused event causing substantial household or personal damage for the individual filing the appeal.

(d) Your financial circumstances were such that the expense of purchasing health insurance would have caused you to experience a serious deprivation of food, shelter, clothing or other necessities.

(e) Your family size was so large that reliance on the affordability schedule (see Table 3: Affordability) to determine how much you could afford to pay for health insurance is inequitable.

(f) During 2015 you purchased health insurance that did not meet Minimum Creditable Coverage requirements, but which was close to or substantially met those requirements, and you felt that your circumstances prevented you from buying other insurance that met the requirements.

(g) During 2015 you purchased health insurance that did not meet Minimum Creditable Coverage requirements because that is all that your employer offered, and you felt that your circumstances prevented you from buying other insurance that met the requirements.

You may also base your appeal on other circumstances, such as the application of the affordability tables in Schedule HC to you is inequitable (for example, due to fluctuations in income or other changes in life circumstances that affect financial status during the year), you were unable to obtain government-subsidized insurance despite your income (including as a result of difficulties with the online application for coverage), or other circumstances that made you unable to purchase insurance despite your income.

If you file an appeal, you will be required to state your grounds for appealing, and provide further information and supporting documentation. Any statements and claims you make will be under pains and penalties of perjury.

How to Appeal

To appeal, you must fill in the oval for you (and your spouse, if applicable) on Schedule HC, Appeals Section that authorizes DOR to share information in your tax return, including Schedule HC, with the Massachusetts Health Connector, the independent state body that will hear the appeal. No penalty will be assessed by DOR pending the outcome of your appeal. Be sure to enclose pages 1 to 3 of Schedule HC with your return.

Note: If you are filing an appeal, make sure you have calculated the penalty amount that you are appealing, but do not assess yourself or enter a penalty amount on your income tax return.

If you (and/or your spouse, if married filing jointly) fill in that oval on your return, you will receive a follow-up letter from the Massachusetts Health Connector asking you to state your grounds for appeal in writing, and submit supporting documentation. **Failure to respond to that form within the time specified will lead to dismissal of your appeal. Also, you (and/or your spouse, if married filing jointly) are allowed only one opportunity to appeal.** The Massachusetts Health Connector will then review the information you provided. You may be required to participate in a hearing on your case. You will be required to state your claims under pains and penalties of perjury.

Note: Do not include any hardship documentation with your original return. You will be required to submit supporting hardship documentation at a later date during the appeal process.

Schedule HC Worksheets and Tables

Following are the necessary worksheets you may need to complete your 2015 Schedule HC. Retain these worksheets for your records. Do *not* submit these with your tax return.

Schedule HC Worksheet for Line 6: Federal Poverty Level

1.

Enter your federal adjusted gross income from Schedule HC, line 2

1
2.

Enter the income amount that corresponds to your family size (as entered on Schedule HC, line 1c) from the 150% FPL column from Table 1

2

If line 1 is less than or equal to line 2, your income in 2015 was at or below 150% of the Federal Poverty Level and the penalty does not apply to you in 2015. Fill in the Yes oval in line 6 of Schedule HC, skip the remainder of Schedule HC and continue completing your tax return.

If line 1 is greater than line 2, your income in 2015 was above 150% of the Federal Poverty Level. Fill in the No oval in line 6 of Schedule HC and go to line 7 of Schedule HC.

Table 1: Federal Poverty Level, Annual Income Standards	
Family size*	150% FPL
1	\$17,505
2	\$23,595
3	\$29,685
4	\$35,775
5	\$41,865
6	\$47,955
7	\$54,045
8	\$60,135
additional	+\$ 6,090

*Include only yourself, your spouse (if living in the same household at any point during the year), and any dependents as claimed on Form 1, line 2b or Form 1-NR/PY, line 4b. If married filing separately and living in the same household at any point during the year, include all dependents claimed by you and your spouse.

Schedule HC Worksheet for Line 10: Eligibility for Employer-Sponsored Insurance That Met Minimum Creditable Coverage

The following worksheet will determine if you could have afforded employer-sponsored health insurance that met Minimum Creditable Coverage in 2015 (the employer's Human Resources Department should be able to provide this information to you). Complete only if you (and/or your spouse if married filing jointly) were eligible for insurance that met Minimum Creditable Coverage offered by an employer for the entire period you were uninsured in 2015 that covered you, and your spouse and dependent children, if any. If an employer did not offer health insurance that met Minimum Creditable Coverage that covered you, and your spouse and dependent children, if any, or if you were not eligible for insurance that met Minimum Creditable Coverage offered by an employer, you were self-employed or you were unemployed, fill in the No oval(s) in line 10 of Schedule HC and complete the Schedule HC Worksheet for Line 11 on page HC-8.

Note: If you answered Yes in line 6 of Schedule HC indicating that your income was at or below 150% of the Federal Poverty Level or you had three or fewer blank ovals in a row during the period that the mandate applied on line 7 of Schedule HC, the penalty does not apply to you. Do not complete this worksheet. Skip the remainder of Schedule HC and continue completing your return. Be sure to enclose Schedule HC with your return. If an employer offered you free health insurance coverage in 2015 that met Minimum Creditable Coverage (the employer's Human Resources Department should be able to provide this information to you), you are deemed able to afford health insurance and are subject to a penalty. Fill in the Yes oval(s) in line 10 of Schedule HC and go to the Health Care Penalty Worksheet on page HC-11.

1. Enter your federal adjusted gross income from U.S. Form 1040, line 37; Form 1040A, line 21; or 1040EZ, line 4 1

If line 1 is less than or equal to: \$17,505 if single or married filing separately with no dependents; \$23,595 if married filing jointly with no dependents or head of household/married filing separately with one dependent; or \$29,685 if married filing jointly with one or more dependents or head of household/married filing separately with two or more dependents, you are deemed unable to afford employer-sponsored health insurance that met Minimum Creditable Coverage requiring an employee contribution. Fill in the No oval(s) in line 10 of Schedule HC. Skip the remainder of this worksheet and go to the Schedule HC Worksheet for Line 11 on page HC-8.

If line 1 is more than: \$17,505 if single or married filing separately with no dependents; \$23,595 if married filing jointly with no dependents or head of household/married filing separately with one dependent; or \$29,685 if married filing jointly with one or more dependents or head of household/married filing separately with two or more dependents, **go to line 2.**

2. Enter the lowest monthly premium cost of health insurance that would cover you, and your spouse and dependent children, if any, offered to you during your uninsured period in 2015 through an employer. The employer's Human Resources Department should be able to provide this amount to you. 2

3. Enter the affordable premium as a percentage of income that corresponds with your income range (from line 1 of worksheet) and filing status from Table 3: Affordability on page HC-10. To find this amount, look at the row for your income range in col. a of the appropriate table based on your filing status and go to col. b to find the percentage 3

4. Multiply 1 by line 3. 4

Note: When you multiply by a percentage, move the decimal point two places to the left first. For example, if your percentage is 7.20%, multiply your income by 0.0720.

5. Divide line 4 by 12 to calculate the monthly premium considered affordable to you 5

If line 2 is less than or equal to line 5: you are deemed able to afford employer-sponsored health insurance that met Minimum Creditable Coverage during your uninsured period(s), which you did not obtain, and you are subject to a penalty. Fill in the Yes oval(s) in line 10 of Schedule HC, and go to the Health Care Penalty Worksheet on page HC-11.

If line 2 is greater than line 5: you could not afford health insurance that met Minimum Creditable Coverage offered to you by your employer, fill in the No oval(s) in line 10 of Schedule HC, and complete the following Schedule HC Worksheet for Line 11 on page HC-8.

Schedule HC Worksheet for Line 11: Eligibility for Government-Subsidized Health Insurance

The following worksheet will determine if you were eligible for government-subsidized health insurance in 2015. Complete the following worksheet only if an employer did not offer you affordable health insurance that met Minimum Creditable Coverage requirements, as determined in the Schedule HC Worksheet for Line 10.

Note: If you answered Yes in line 6 of Schedule HC indicating that your income was at or below 150% of the Federal Poverty Level or you had three or fewer blank ovals in a row during the period that the mandate applied on line 7 of Schedule HC, the penalty does not apply to you. Do not complete this worksheet. Skip the remainder of Schedule HC and continue completing your return.

If married filing separately and living in the same household, each spouse must combine their income figures from their separate U.S. returns when completing this worksheet.

1. Enter your federal adjusted gross income (from U.S. Form 1040, line 37, Form 1040A, line 21 or Form 1040EZ, line 4)

1
2. Enter the amount from the Income column, based on your family size

2

If line 1 is greater than line 2: you were ineligible for government-subsidized health insurance in 2015 and must fill in the No oval(s) in line 11 of Schedule HC, and go to Schedule HC Worksheet for Line 12 to determine if you were deemed able to afford private health insurance.

If line 1 is less than or equal to line 2, and at any point during the period when you were uninsured: you were not a citizen or a non-citizen legally residing in the U.S., or an employer offered an individual plan that cost less than 9.56% of your household income and met minimum value standards (the employer’s Human Resources Department should be able to provide this information to you), or you applied for MassHealth or subsidized coverage through the Health Connector and were denied because you were ineligible for services, **you are deemed ineligible for government-subsidized health insurance in 2015.** Fill in the No oval(s) in line 11 of Schedule HC, and go to Schedule HC Worksheet for Line 12 to determine if you were able to afford private health insurance.

If line 1 is less than or equal to line 2, and none of the above conditions apply, you would have been deemed eligible for government-subsidized health insurance in 2015, which you did not obtain and you are subject to a penalty. Fill in the Yes oval(s) in line 11 of Schedule HC and go to the Health Care Penalty Worksheet on page HC-11. **Note:** If you believe that, during the period when you were uninsured, your income was actually too high to qualify for government-subsidized insurance, you may have grounds to appeal the penalty. Fill in the Yes oval(s) in line 11 of Schedule HC and go to the instructions for the Appeals section.

Table 2: Income at 300% of the Federal Poverty Level

Family size*	Income
1	\$ 35,010
2	\$ 47,190
3	\$ 59,370
4	\$ 71,550
5	\$ 83,730
6	\$ 95,910
7	\$108,090
8	\$120,270

*Include only yourself, your spouse (if married filing a joint return) and any dependent children you claim on your federal tax return in your family size. For family size over 8, add \$12,180 for each additional family member.

Schedule HC Worksheet for Line 12: Ability to Purchase Affordable Private Health Insurance That Met Minimum Creditable Coverage

The following worksheet will determine if you could have purchased affordable private health insurance that met Minimum Creditable Coverage in 2015. Complete the following worksheet only if you (and/or your spouse if married filing jointly) were deemed ineligible for government-subsidized health insurance, as determined in the Schedule HC Worksheet for line 11.

Note: If you answered Yes in line 6 of Schedule HC indicating that your income was at or below 150% of the Federal Poverty Level or you had three or fewer blank ovals in a row during the period that the mandate applied in line 7 of Schedule HC, the penalty does not apply to you. Do not complete this worksheet. Skip the remainder of Schedule HC and continue completing your return. Be sure to enclose Schedule HC with your return.

1. Enter your federal adjusted gross income from U.S. Form 1040, line 37; Form 1040A, line 21; or 1040EZ, line 4 **1**

2. Enter the monthly premium that corresponds with your county of residency, age (if married filing a joint return, use the age of the older spouse) and filing status from Table 4: Premiums on page HC-10 **2**

Go to the table that corresponds to your county of residency and go to the row for your age range and then go to the column based on your filing status to find the monthly premium amount.

3. Enter the affordable premium as a percentage of income that corresponds with your income range (from line 1 of worksheet) and filing status from Table 3: Affordability on page HC-10. To find this amount, look at the row for your income range in col. a of the appropriate table based on your filing status and go to col. b to find the percentage. **3**

4. Multiply line 1 by line 3 **4**

Note: When you multiply by a percentage, move the decimal point two places to the left first. For example, if your percentage is 7.20%, multiply your income by 0.0720.

5. Divide line 4 by 12 to calculate the monthly premium considered affordable to you **5**

If line 2 is greater than line 5: you are deemed unable to afford health insurance that met Minimum Creditable Coverage and not subject to a penalty, and you must fill in the No oval(s) in line 12 of Schedule HC and skip the remainder of Schedule HC and continue completing your tax return.

If line 2 is less than or equal to line 5: you are deemed able to afford private health insurance that met Minimum Creditable Coverage, which you did not obtain; you are subject to a penalty and you must fill in the Yes oval(s) in line 12 of Schedule HC and go to the Health Care Penalty Worksheet on page HC-11.

Table 3: Affordability

Individual or Married Filing Separately (no dependents)		
a. Federal adjusted gross income		b. Affordable premium as a percentage of income
From	To	
\$ 0	\$17,505	0.00%
\$17,506	\$23,340	2.75%
\$23,341	\$29,175	4.00%
\$29,176	\$35,010	4.85%
\$35,011	\$40,845	7.20%
\$40,846	\$46,680	7.40%
\$46,681	—	8.05%

Married Filing Jointly with no dependents or Head of Household/ Married Filing Separately with one dependent		
a. Federal adjusted gross income		b. Affordable premium as a percentage of income
From	To	
\$ 0	\$23,595	0.00%
\$23,596	\$31,460	4.05%
\$31,461	\$39,325	5.95%
\$39,326	\$47,190	7.20%
\$47,191	\$55,055	7.20%
\$55,056	\$62,920	7.40%
\$62,921	—	8.05%

Married Filing Jointly with one or more dependents or Head of Household/ Married Filing Separately with two or more dependents		
a. Federal adjusted gross income		b. Affordable premium as a percentage of income
From	To	
\$ 0	\$29,685	0.00%
\$29,686	\$39,580	3.25%
\$39,581	\$49,475	4.75%
\$49,476	\$59,370	5.75%
\$59,371	\$69,265	7.20%
\$69,266	\$79,160	7.40%
\$79,161	—	8.05%

Table 4: Premiums

Region 1. Berkshire, Franklin and Hampshire Counties			
Age	Individual¹	Married couple (no dependents)	Family²
0–30	\$192	\$384	\$495
31–34	\$201	\$401	\$513
35–39	\$206	\$412	\$523
40–44	\$221	\$441	\$552
45–49	\$252	\$503	\$615
50–54	\$293	\$585	\$696
55+	\$301	\$602	\$714

Region 2. Bristol, Essex, Hampden, Middlesex, Norfolk, Suffolk and Worcester Counties			
Age	Individual¹	Married couple (no dependents)	Family²
0–30	\$144	\$287	\$372
31–34	\$204	\$407	\$521
35–39	\$209	\$418	\$531
40–44	\$224	\$447	\$560
45–49	\$256	\$511	\$624
50–54	\$297	\$593	\$707
55+	\$306	\$611	\$724

Region 3. Barnstable, Dukes, Nantucket and Plymouth Counties			
Age	Individual¹	Married couple (no dependents)	Family²
0–30	\$208	\$416	\$539
31–34	\$238	\$475	\$607
35–39	\$244	\$487	\$619
40–44	\$261	\$521	\$654
45–49	\$298	\$595	\$728
50–54	\$346	\$692	\$824
55+	\$356	\$712	\$844

1. Includes married filing separately (no dependents).

2. Head of household or married couple with dependent(s).

Health Care Penalty Worksheet

Complete the following worksheet to calculate the penalty. If married filing a joint return and both you and your spouse are subject to a penalty, separate worksheets must be filled out to calculate the separate penalty amounts for you and your spouse, using your married filing jointly income. Each separate penalty amount must then be entered on Form 1, line 34a and line 34b or Form 1-NR/PY, line 39a and line 39b.

Note: If you answered Yes in line 6 of Schedule HC indicating that your income was at or below 150% of the Federal Poverty Level, the penalty does not apply to you. Do not complete this worksheet. Skip the remainder of Schedule HC and continue completing your tax return.

1. Enter your federal adjusted gross income from Schedule HC, line 2	1	<input type="text"/>
2. Look at Table 5, Annual Income Standards, and enter col. A, B, C or D, based on your family size (from line 1c of Schedule HC) and income (from line 1 above)	2	<input type="text"/>
3. Based on the column entered in line 2, go to Table 6, Penalties for 2015, to determine the monthly penalty amount. Enter that amount here. If you entered col. D, enter the penalty amount that corresponds to your age	3	<input type="text"/>
4. Enter the number of gap(s) in coverage of four or more consecutive months in which you were uninsured, as shown in Schedule HC, line 7. (Turning 18, Part-Year Residents or a Taxpayer Was Deceased: When completing line 4, do not include the number of unfilled ovals for months that the mandate did not apply, as determined in Schedule HC, line 7.) If you were uninsured for all of 2015 or for the period that the mandate applied, enter "0".	4	<input type="text"/>
5. Enter the total number of months for the gap(s) in coverage in which you were uninsured from line 4. If you were uninsured for all of 2015, enter "12"	5	<input type="text"/>
6. Multiply line 4 by the number "3"	6	<input type="text"/>
7. Subtract line 6 from line 5.	7	<input type="text"/>
8. Multiply line 3 by line 7. This is your penalty amount.	8	<input type="text"/>

If you are subject to a penalty because you are deemed able to afford insurance in 2015 but did not obtain it, you may appeal the application of the penalty to you. Instructions for filing an appeal can be found online at mass.gov/dor. If you are filing an appeal, do not enter a penalty amount on Form 1, line 34a or line 34b or Form 1-NR/PY, line 39a or line 39b. If you are not appealing the penalty, enter the penalty amount from line 8 on Form 1, line 34a or line 34b or Form 1-NR/PY, line 39a or line 39b.

Table 5: Annual Income Standards

Family size	Col. A		Col. B		Col. C		Col. D
	From	To	From	To	From	To	Above
1	\$17,506	– \$23,340	\$23,341	– \$29,175	\$29,176	– \$35,010	\$35,010
2	23,596	– 31,460	31,461	– 39,325	39,326	– 47,190	47,190
3	29,686	– 39,580	39,581	– 49,475	49,476	– 59,370	59,370
4	35,776	– 47,700	47,701	– 59,625	59,626	– 71,550	71,550
5	41,866	– 55,820	55,821	– 69,775	69,776	– 83,730	83,730
6	47,956	– 63,940	63,941	– 79,925	79,926	– 95,910	95,910
7	54,046	– 72,060	72,061	– 90,075	90,076	– 108,090	108,090
8	60,136	– 80,180	80,181	– 100,225	100,226	– 120,270	120,270
additional	+ \$ 6,090	+ \$ 8,120	+ \$ 8,120	+ \$10,150	+ \$10,150	+ \$12,180	+ \$12,180

Table 6: Penalties for 2015

Col.	Monthly penalty amount
A	\$20.00
B	\$39.00
C	\$59.00
D-1 (age 18–30)*	\$60.00
D-2 (age 31+)**	\$91.00

*If you turned 30 during 2015, use col. D-1 (age 18–30) amount in line 3 of the Health Care Penalty Worksheet.

**If you turned 31 during 2015, use col. D-2 amount in line 3 of the Health Care Penalty Worksheet.

Municipality	County	Municipality	County	Municipality	County	Municipality	County
Abington	Plymouth	Edgartown	Dukes	Medway	Norfolk	Seekonk	Bristol
Acton	Middlesex	Egremont	Berkshire	Melrose	Middlesex	Sharon	Norfolk
Acushnet	Bristol	Erving	Franklin	Mendon	Worcester	Sheffield	Berkshire
Adams	Berkshire	Essex	Essex	Merrimac	Essex	Shelburne	Franklin
Agawam	Hampden	Everett	Middlesex	Methuen	Essex	Sherborn	Middlesex
Alford	Berkshire	Fairhaven	Bristol	Middleborough	Plymouth	Shirley	Middlesex
Amesbury	Essex	Fall River	Bristol	Middlefield	Hampshire	Shrewsbury	Worcester
Amherst	Hampshire	Falmouth	Barnstable	Middleton	Essex	Shutesbury	Franklin
Andover	Essex	Fitchburg	Worcester	Milford	Worcester	Somerset	Bristol
Arlington	Middlesex	Florida	Berkshire	Millbury	Worcester	Somerville	Middlesex
Ashburnham	Worcester	Foxborough	Norfolk	Millis	Norfolk	South Hadley	Hampshire
Ashby	Middlesex	Framingham	Middlesex	Millville	Worcester	Southampton	Hampshire
Ashfield	Franklin	Franklin	Norfolk	Milton	Norfolk	Southborough	Worcester
Ashland	Middlesex	Freetown	Bristol	Monroe	Franklin	Southbridge	Worcester
Athol	Worcester	Gardner	Worcester	Monson	Hampden	Southwick	Hampden
Attleboro	Bristol	Gay Head	Dukes	Montague	Franklin	Spencer	Worcester
Auburn	Worcester	Georgetown	Essex	Monterey	Berkshire	Springfield	Hampden
Avon	Norfolk	Gill	Franklin	Montgomery	Hampden	Sterling	Worcester
Ayer	Middlesex	Gloucester	Essex	Mount Washington	Berkshire	Stockbridge	Berkshire
Barnstable	Barnstable	Goshen	Hampshire	Nahant	Essex	Stoneham	Middlesex
Barre	Worcester	Gosnold	Dukes	Nantucket	Nantucket	Stoughton	Norfolk
Becket	Berkshire	Grafton	Worcester	Natick	Middlesex	Stow	Middlesex
Bedford	Middlesex	Granby	Hampshire	Needham	Norfolk	Sturbridge	Worcester
Belchertown	Hampshire	Granville	Hampden	New Ashford	Berkshire	Sudbury	Middlesex
Bellingham	Norfolk	Great Barrington	Berkshire	New Bedford	Bristol	Sunderland	Franklin
Belmont	Middlesex	Greenfield	Franklin	New Braintree	Worcester	Sutton	Worcester
Berkley	Bristol	Groton	Middlesex	New Marlborough	Berkshire	Swampscott	Essex
Berlin	Worcester	Groveland	Essex	New Salem	Franklin	Swansea	Bristol
Bernardston	Franklin	Hadley	Hampshire	Newbury	Essex	Taunton	Bristol
Beverly	Essex	Halifax	Plymouth	Newburyport	Essex	Templeton	Worcester
Billerica	Middlesex	Hamilton	Essex	Newton	Middlesex	Tewksbury	Middlesex
Blackstone	Worcester	Hampden	Hampden	Norfolk	Norfolk	Tisbury	Dukes
Blandford	Hampden	Hancock	Berkshire	North Adams	Berkshire	Tolland	Hampden
Bolton	Worcester	Hanover	Plymouth	North Andover	Essex	Topsheld	Essex
Boston	Suffolk	Hanson	Plymouth	North Attleborough	Bristol	Townsend	Middlesex
Bourne	Barnstable	Hardwick	Worcester	North Brookfield	Worcester	Truro	Barnstable
Boxborough	Middlesex	Harvard	Worcester	North Reading	Middlesex	Tyngsborough	Middlesex
Boxford	Essex	Harwich	Barnstable	Northampton	Hampshire	Tyringham	Berkshire
Boylston	Worcester	Hatfield	Hampshire	Northborough	Worcester	Upton	Worcester
Braintree	Norfolk	Haverhill	Essex	Northbridge	Worcester	Uxbridge	Worcester
Brewster	Barnstable	Hawley	Franklin	Northfield	Franklin	Wakefield	Middlesex
Bridgewater	Plymouth	Heath	Franklin	Norton	Bristol	Wales	Hampden
Brimfield	Hampden	Hingham	Plymouth	Norwell	Plymouth	Walpole	Norfolk
Brockton	Plymouth	Hinsdale	Berkshire	Norwood	Norfolk	Waltham	Middlesex
Brookfield	Worcester	Holbrook	Norfolk	Oak Bluffs	Dukes	Ware	Hampshire
Brookline	Norfolk	Holden	Worcester	Oakham	Worcester	Wareham	Plymouth
Buckland	Franklin	Holland	Hampden	Orange	Franklin	Warren	Worcester
Burlington	Middlesex	Holliston	Middlesex	Orleans	Barnstable	Warwick	Franklin
Cambridge	Middlesex	Holyoke	Hampden	Otis	Berkshire	Washington	Berkshire
Canton	Norfolk	Hopedale	Worcester	Oxford	Worcester	Watertown	Middlesex
Carlisle	Middlesex	Hopkinton	Middlesex	Palmer	Hampden	Wayland	Middlesex
Carver	Plymouth	Hubbardston	Worcester	Paxton	Worcester	Webster	Worcester
Charlemont	Franklin	Hudson	Middlesex	Peabody	Essex	Wellesley	Norfolk
Charlton	Worcester	Hull	Plymouth	Pelham	Hampshire	Wellfleet	Barnstable
Chatham	Barnstable	Huntington	Hampshire	Pembroke	Plymouth	Wendell	Franklin
Chelmsford	Middlesex	Ipswich	Essex	Pepperell	Middlesex	Wenham	Essex
Chelsea	Suffolk	Kingston	Plymouth	Peru	Berkshire	West Boylston	Worcester
Cheshire	Berkshire	Lakeville	Plymouth	Petersham	Worcester	West Bridgewater	Plymouth
Chester	Hampden	Lancaster	Worcester	Phillipston	Worcester	West Brookfield	Worcester
Chesterfield	Hampshire	Lanesborough	Berkshire	Pittsfield	Berkshire	West Newbury	Essex
Chicopee	Hampden	Lawrence	Essex	Plainfield	Hampshire	West Springfield	Hampden
Chilmark	Dukes	Lee	Berkshire	Plainville	Norfolk	West Stockbridge	Berkshire
Clarksburg	Berkshire	Leicester	Worcester	Plymouth	Plymouth	West Tisbury	Dukes
Clinton	Worcester	Lenox	Berkshire	Plympton	Plymouth	Westborough	Worcester
Cohasset	Norfolk	Leominster	Worcester	Princeton	Worcester	Westfield	Hampden
Colrain	Franklin	Leverett	Franklin	Provincetown	Barnstable	Westford	Middlesex
Concord	Middlesex	Lexington	Middlesex	Quincy	Norfolk	Westhampton	Hampshire
Conway	Franklin	Leyden	Franklin	Randolph	Norfolk	Westminster	Worcester
Cummington	Hampshire	Lincoln	Middlesex	Raynham	Bristol	Weston	Middlesex
Dalton	Berkshire	Littleton	Middlesex	Reading	Middlesex	Westport	Bristol
Danvers	Essex	Longmeadow	Hampden	Rehoboth	Bristol	Westwood	Norfolk
Dartmouth	Bristol	Lowell	Middlesex	Revere	Suffolk	Weymouth	Norfolk
Dedham	Norfolk	Ludlow	Hampden	Richmond	Berkshire	Whately	Franklin
Deerfield	Franklin	Lunenburg	Worcester	Rochester	Plymouth	Whitman	Plymouth
Dennis	Barnstable	Lynn	Essex	Rockland	Plymouth	Wilbraham	Hampden
Dighton	Bristol	Lynnfield	Essex	Rockport	Essex	Williamsburg	Hampshire
Douglas	Worcester	Malden	Middlesex	Rowe	Franklin	Williamstown	Berkshire
Dover	Norfolk	Manchester	Essex	Rowley	Essex	Wilmingtion	Middlesex
Dracut	Middlesex	Mansfield	Bristol	Royalston	Worcester	Winchendon	Worcester
Dudley	Worcester	Marblehead	Essex	Russell	Hampden	Winchester	Middlesex
Dunstable	Middlesex	Marion	Plymouth	Rutland	Worcester	Windsor	Berkshire
Duxbury	Plymouth	Marlborough	Middlesex	Salem	Essex	Winthrop	Suffolk
East Bridgewater	Plymouth	Marshfield	Plymouth	Salisbury	Essex	Woburn	Middlesex
East Brookfield	Worcester	Mashpee	Barnstable	Sandisfield	Berkshire	Worcester	Worcester
East Longmeadow	Hampden	Mattapoisett	Plymouth	Sandwich	Barnstable	Worthington	Hampshire
Eastham	Barnstable	Maynard	Middlesex	Saugus	Essex	Wrentham	Norfolk
Easthampton	Hampshire	Medfield	Norfolk	Savoy	Berkshire	Yarmouth	Barnstable
Easton	Bristol	Medford	Middlesex	Scituate	Plymouth		

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 2015 tax year? ☐ Yes ☐ No.

Line 2. While you were not a resident of Massachusetts in tax year 2015, 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 non-**

resident 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 2015 Tax Changes

Filing Due Dates

Form 1-NR/PY is due on or before April 19, 2016.

Filing and Payment Deadline

Form 1-NR/PY is due on or before Tuesday, April 19, 2016. Because of the observance of Emancipation Day in Washington, D.C. on Friday, April 15, 2016, federal returns otherwise due on April 15 will generally be treated as timely filed if they are filed by Monday, April 18, 2016. However, in Massachusetts, Monday, April 18, 2016 is Patriot’s Day, a legal holiday in the Commonwealth. Therefore, the IRS has announced in Rev. Rul. 2015-13 that, because April 18, 2016 is a legal holiday in Massachusetts, Massachusetts residents federal tax returns and estimated tax payments that would normally be due on April 15, 2016 will be treated as timely if filed on or before Tuesday, April 19, 2016. Likewise, for Massachusetts tax purposes, the Department of Revenue has announced that it will treat all Massachusetts returns and payments normally due on April 15, 2016 as timely if they are filed on or before April 19, 2016.

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 2015 are set out in TIR 15-1 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 2015. Taxpayers who did not have coverage for all of 2015, 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 mahealthconnector.org or DOR’s website at mass.gov/dor.

2015 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, 2015, the tax rate on most classes of taxable income is 5.15% (decreased from 5.2% for tax year 2014). 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%.

Farming and Fisheries Personal Income Tax Credit

A new credit applies to personal income taxpayers who are primarily engaged in agriculture, farming or commercial fishing. G.L. c. 62, § 6(s). The credit is 3% of the cost or other basis for federal income tax purposes of qualifying property acquired, constructed or erected during the tax year. Qualifying property is defined as tangible personal property and other tangible property including buildings and structural components that are located in Massachusetts, used solely for farming, agriculture or fishing, and are depreciable with a useful life of at least four years. The credit applies to lessees calculated as follows: 3% of a lessor’s adjusted basis in qualifying property for federal income tax purposes at the beginning of the lease term, mul-

multiplied by a fraction, the numerator of which is the number of days of the tax year during which the lessee leases the qualifying property and the denominator of which is the number of days in the useful life of the property. Where the lessee is eligible for the credit, the lessor is generally not eligible, with the exception of “equine-based businesses where care and boarding of horses is a function of the agricultural activity.”

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 \$1,070. 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 \$693,000. For tax year 2015, an eligible taxpayer's total income cannot exceed \$57,000 in the case of a single filer who is not a head of household filer, \$71,000 for a head of household filer, and \$85,000 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 15-11.

New Gambling Loss Deduction

For tax years beginning on or after January 1, 2015 a deduction is allowed from Part B income for gambling losses incurred at certain licensed gaming establishments or “racing meeting licensee or simulcasting licensee” establishments but only to the extent of winnings from such establishments included in gross income for the calendar year. See TIR 15-14 and Schedule Y, line 17 for more information.

The new gambling loss deduction is the only deduction for gambling losses allowed a Massachusetts taxpayer, unless the gambling activities constitute a trade or business. See DD 03-3. Massachusetts does not adopt the federal deduction under IRC § 165(d) for gambling losses.

Expansion of Economic Development Incentive Program (“EDIP”) Provisions to Include Certified Job Creation Project

For tax years beginning on or after January 1, 2015, The EDIP credit provisions were expanded to include “certified job creation projects” as defined in section 3A and 3F of chapter 23A. The amount of the credit awarded may be up to \$1,000 per job created (up to \$5,000 in a Gateway Municipality as defined in section 3A of chapter 23A or within a city or town whose average seasonally adjusted unemployment rate, as reported by the Executive Office of Labor and Workforce Development, is higher than the average seasonally adjusted unemployment rate of the Commonwealth). The total

award per project may not exceed \$1,000,000. The credit for a certified job creation project is allowed only for the year subsequent to that in which the jobs are created. See TIR 14-13.

Changes to the Certified Housing Development Tax Credit Cap

Effective January 1, 2015, the \$5 million annual cap on the amount of credit that may be awarded for certain qualified rehabilitation expenditures with respect to a certified housing development project has been increased from \$5 million to \$10 million. The annual cap for the certified housing development tax credit is part of an over-all cap imposed on the Economic Development Incentive Program credit authorized pursuant to G.L. c. 62, 6(g). The annual cap is reduced from \$10 million back to \$5 million effective January 1, 2019. See TIR 14-13.

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.

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

For tax year 2015, the IRS has calculated, based on the January 1, 2005 Code, a monthly exclusion amount of \$250 for employer-provided parking and \$130 for combined transit pass and commuter highway vehicle transportation benefits. Massachusetts adopts these monthly exclusion amounts given that these calculations are based upon the January 1, 2005 Code. See TIR 14-15.

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 2015 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 2015.

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 2015 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 non-

resident 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, 2015, 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), line 13 and line 17 (certain gambling losses) 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 2016?

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.

Line by Line Instructions

7

When to File Your Return

Your 2015 Form 1-NR/PY is due on or before April 19, 2016.

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 2015 has been paid through:

- ▶ withholding;
- ▶ timely estimated payments of tax;
- ▶ credits from your 2015 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 to file via the Web.

Form 1-NR/PY Extension Worksheet

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

Note: Your extension will not be valid if you fail to pay 80% of your total tax liability through withholding, estimated tax payments or with your extension. Form M-4868 is available at mass.gov/dor or by calling (617) 887-6367 or toll-free in Massachusetts 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 or by calling (617) 887-6367 or toll-free in Massachusetts 1-800-392-6089.

Fiscal Year Filers and Short Year Filers

File the 2015 return for calendar year 2015 and fiscal years that began in 2015 and ended in 2016. 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 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.

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 or by calling the Department at (617) 887-6367 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.

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, 2016, 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 2015, fill in the oval. If you changed your name, enclose a copy of your Social Security card or driver’s license showing your new name. Failure to include this documentation could delay processing of your return. If you move after filing, be sure to leave a forwarding address with your local post office and file a Change of Address Form with the Massachusetts Department of Revenue. This form is available to be filed online at mass.gov/dor, or by calling (617) 887-6367 or toll-free in Massachusetts 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, 2015. 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 2015; 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, 2015, 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 2015, 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 2015, 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, 2015, 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 2015 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 2016

You are allowed an additional \$700 exemption if you were age 65 or over before January 1, 2016. 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 2015 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 2015, you are eligible for an exemption of the total amount of the fees paid during the year. Fees paid during 2015 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 2015 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.

5.15% Income

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

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 2015; 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 Nonresident 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

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

If you do not have access to a software package when filing your 2015 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 2015 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 5.15% Income

“Other 5.15% 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 5.15% 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), 13 and 17 must be matched to specific items of income taxed on Form 1-NR/PY. Other deductions and all exemptions must be prorated by the ratio of a taxpayer's Massachusetts source income to his/her total income.

Line 14. Nonresident Deduction and Exemption Ratio

All nonresident taxpayers must complete lines 14a to 14g to arrive at this ratio. The ratio will be used to determine what amounts, if any, you may deduct in lines 16 and 17; Schedule Y, 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 5.15% 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 5.15% 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 2015, 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 2015 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 2015 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 2014 expenses in 2015, enter the amount of the allowed 2014 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, 2015, 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, 2015, 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 2015 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 2015 (up to a maximum of \$3,000 per return) for their principal residence while a resident of Massachusetts. Enter the total amount of qualified rent paid by you during 2015 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 18. 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. 5.15% 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 5.15% Income

Add line 23 and line 24.

Tax on 5.15% Income**Line 26. 5.15% 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 .0515 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 5.15%. 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 5.15% 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,

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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) 887-6367 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 5.15% 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, Employer Wellness Program and Farming and Fisheries

"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 11 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 14 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 2015 (part-year residents only)

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

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

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

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

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 \times .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 \times .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.

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

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

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

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

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

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

1. Total of purchases in 2015, 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 2015 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 2015 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 \$325 and a Massachusetts penalty (before adjustment) of \$708. After adjustment for the amount of John's liability for the federal shared responsibility payment of \$325, the amount of John's Massachusetts penalty for 2015 is \$383 (\$708 – \$325).

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. 2014 Overpayment Applied to Your 2015 Estimated Tax

Include the exact amount of any 2014 overpayment you applied to your 2015 estimated taxes. This amount can be found on your 2014 Massachusetts Form 1-NR/PY, line 50 or Form 1, line 45. Do not include any 2014 refund in this line.

Line 43. 2015 Massachusetts Estimated Tax Payments

If you paid Massachusetts estimated income taxes for 2015, 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 2015) payment made on or before January 15, 2016.

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 2015 on or before April 19, 2016, 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 \$53,267. 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 18, 2016, you may file Massachusetts Form M-4868, Application for Automatic Six-Month Extension of Time to File Massachusetts Income Tax Return. See the Form 1-NR/PY Extension Worksheet for information about filing your extension via the Web. For more information about the federal earned income tax credit, see IRS Publication 596, available at irs.gov. Be sure to fill out Schedule DI, Dependent Information, if you are claiming this credit for one or more qualifying children/dependents. Failure to do so will delay the processing of your return.

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 \$1,070 for the tax year beginning January 1, 2015. If the credit due the taxpayer exceeds the amount of the total income tax payable for the year by the taxpayer, the excess amount of the credit will be refunded to the taxpayer without interest. To determine if you qualify for this credit, refer to Schedule CB, Senior Circuit Breaker Credit and instructions. Schedule CB is available on DOR's website at mass.gov/dor or by calling (617) 887-6367, or toll-free in Massachusetts 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 2016 Massachusetts Estimated Taxes

Enter the amount of your 2015 overpayment you wish to apply to your 2016 Massachusetts estimated taxes. Once an election is made to apply your overpayment to your 2016 estimated tax, it cannot be refunded after the due date of the return or applied to any additional tax you may owe for 2015. The amount entered in this line can only be claimed as a credit on your 2016 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.

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 direct deposit form for Jane Taxpayer, John Taxpayer, 123 Main Street, Anyplace, MA 02000. The form includes fields for the taxpayer's name, address, and city/state/zip. It also includes a section for the bank's name, address, and city/state/zip. The routing number is 1020250025 and the account number is 020202086. The form is marked with a large 'SAMPLE' watermark.

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 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 2015 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 66⅔% 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 2015 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 2016 tax return. This is April 15, 2017 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 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 5.15% 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 con-

tinue 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 33 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 recaptured, 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 2015.
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 2015 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. Certain gambling losses are now deductible under Massachusetts law. See Schedule Y, line 17 and TIR 15-14 for more information.

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

Line 4. Fees and Other 5.15% Income

"Other 5.15% 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 5.15% income from Massachusetts sources or received while a part-year resident, reported on U.S. Form 1040, line 21, and not reported elsewhere in "5.15% 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 5.15% 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. If any portion of the expenses included in U.S. Form 2106 do not directly relate to the amount of Massachusetts taxable income reported, be sure to complete a pro-forma U.S. Form 2106 for lines 1 through 4. **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 an employee; and
- all federally deductible unreimbursed employee business expenses, if the employee is a salesperson who solicits business for an employer away from the employer's place of business.

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

- you itemize deductions;
- 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 2015 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 Excludible 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 excludible amount of income received while you were a firefighter or police officer incapacitated in the line of duty in line 4 of Schedule Y that was included in Form 1-NR/PY, line 5, and fill in the appropriate oval.

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

Line 5. Moving Expenses

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 2015.
2. Enter amount of scholarships, grants or financial aid received in 2015 for amounts shown in line 1.
3. Enter amount of reimbursements or refunds received in 2015 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 2015 for tolls through an E-ZPass account.
2. Enter amount paid in 2015 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

Line 17. Certain Gambling Losses

Massachusetts has adopted a new deduction from 5.15% income, allowing a deduction for losses from wagering transactions, that were incurred at a gaming establishment licensed in accordance with chapter 23K or a racing meeting licensee or simulcasting licensee, only to the extent of the gains from such transactions.

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

Because Massachusetts does not adopt the deductions under IRC § 165(d), the deduction for gambling losses set forth in G.L. c. 62, § 3(B)(a)(18) is the only deduction for gambling losses allowed a Massachusetts taxpayer, unless the gambling activities of the taxpayer constitute a trade or business.

Example 1:

For calendar year 2015, taxpayer, while a Massachusetts resident, has:

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

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

Example 2:

For calendar year 2015, nonresident taxpayer has:

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

For Massachusetts income tax purposes, the nonresident taxpayer must include \$500 of their gambling winnings on Form 1-NR/PY, line 10b (Massachusetts state lottery) and the \$800 of their gambling winnings from a casino licensed under chapter 23K on Schedule X, line 13. The taxpayer may claim a deduction for gambling losses from a casino licensed under chapter 23K but only to the extent of winnings from a casino licensed under chapter 23K. No deduction is available for the taxpayer's gambling losses from other sources. The taxpayer had winnings of \$800 and losses of \$1,000 from a casino licensed under chapter 23K. Thus, the taxpayer may claim a deduction of \$800. The remaining \$200 of loss from the casino licensed under chapter 23K may not be deducted.

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

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.

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.

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.

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. Farming and Fisheries

A new credit applies to personal income taxpayers who are primarily engaged in agriculture, farming or commercial fishing. The credit is 3% of the cost or other basis for federal income tax purposes of qualifying property acquired, constructed or erected during the tax year. Qualifying property is defined as tangible personal property and other tangible property including buildings and structural components that are located in Massachusetts, used solely for farming, agriculture or fishing, and are depreciable with a useful life of at least four years. The credit applies to lessees calculated as follows: 3% of a lessor's adjusted basis in qualifying property for federal income tax purposes at the beginning of the lease term, multiplied by a fraction, the numerator of which is the number of days of the tax year during which the lessee leases the qualifying property and the denominator of which is the number of days in the useful life of the property. Where the lessee is eligible for the credit, the lessor is generally not eligible, with the exception of "equine-based businesses where care and boarding of horses is a function of the agricultural activity. If you qualify for this credit, complete Massachusetts Schedule FAF, Farming and Fisheries Credit, and enter the amount of the credit in line 10. **Note:** You must enclose Schedule FAF 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 11. Total Part 1 Credits

Add lines 1 through 10 and enter the result in line 10 and on Form 1-NR/PY, line 33. Part-year residents, complete lines 12 through 14.

Part 2 Credits for Residents and Part-Year Residents Only**Line 12. 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 12 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 5.15% 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 .0515 (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 .0515 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 12 Worksheet.
Income Tax Paid to Another Jurisdiction
(Part-Year Residents Only)**

1. Enter the total 5.15% 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 .0515 _____
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 12 _____

Line 13. 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 13. **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 14. Totals

Add lines 12 and 13. 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 con-

servation 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 5.15%;
- ▶ 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 5.15% (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 5.15% 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 5.15% deduc-

tions 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 5.15% 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 5.15% 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 2014 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 2016

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 2015 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 “2015 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

Gains derived from the sale of investments which meet certain requirements are taxed at a rate of 3% instead of 5.15%. 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 2014 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:

Schedule D				
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 5.15% 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 5.15% 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 .0515 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 2015, 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 2015. 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 includible in the gross income of that person and reported on Form 1099-MISC. Figure how much of the amount on line 23a is subject to the 50%

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

Line 30. Abandoned Building Renovation Deduction

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

For more information, contact the 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.

Schedule Y, line 17

The amounts reported in column A must be related to income reported in Part 1, line 11, column B. The amounts reported in column B must be related to income reported in Part 1, line 11, column D.

Column C

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

Section B

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

Line 16

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

Line 17

If you have a dependent member(s) of household under age 12, or dependents age 65 or over as of December 31, 2015, 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 18, 2016, 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.

2015 Massachusetts Income Tax Table at the 5.15% Rate

Use this table to calculate tax for taxable 5.15% income (line 25) of not more than \$24,000.

Line 22 instructions: To find your **tax on 5.15% 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 5.15% income in line 25 is greater than \$24,000, multiply the amount by .0515. 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.

INCOME				INCOME				INCOME				INCOME				INCOME				INCOME							
More than		But not more than		TAX	More than		But not more than		TAX	More than		But not more than		TAX	More than		But not more than		TAX	More than		But not more than		TAX			
\$	1 – \$	\$	50	\$	1	\$	4,000 – \$	\$	4,050	\$	207	\$	8,000 – \$	\$	8,050	\$	413	\$12,000 – \$12,050	\$	619	\$16,000 – \$16,050	\$	825	20,000 – \$20,050	\$1,031		
	50 –		100		4		4,050 –		4,100		210		8,050 –		8,100		416		12,050 –		622		16,050 –		16,100		1,034
	100 –		150		6		4,100 –		4,150		212		8,100 –		8,150		418		12,100 –		624		16,100 –		16,150		1,036
	150 –		200		9		4,150 –		4,200		215		8,150 –		8,200		421		12,150 –		627		16,150 –		16,200		1,039
	200 –		250		12		4,200 –		4,250		218		8,200 –		8,250		424		12,200 –		630		16,200 –		16,250		1,042
	250 –		300		14		4,250 –		4,300		220		8,250 –		8,300		426		12,250 –		632		16,250 –		16,300		1,044
	300 –		350		17		4,300 –		4,350		223		8,300 –		8,350		429		12,300 –		635		16,300 –		16,350		1,047
	350 –		400		19		4,350 –		4,400		225		8,350 –		8,400		431		12,350 –		637		16,350 –		16,400		1,049
	400 –		450		22		4,400 –		4,450		228		8,400 –		8,450		434		12,400 –		640		16,400 –		16,450		1,052
	450 –		500		24		4,450 –		4,500		230		8,450 –		8,500		436		12,450 –		642		16,450 –		16,500		1,054
	500 –		550		27		4,500 –		4,550		233		8,500 –		8,550		439		12,500 –		645		16,500 –		16,550		1,057
	550 –		600		30		4,550 –		4,600		236		8,550 –		8,600		442		12,550 –		648		16,550 –		16,600		1,060
	600 –		650		32		4,600 –		4,650		238		8,600 –		8,650		444		12,600 –		650		16,600 –		16,650		1,062
	650 –		700		35		4,650 –		4,700		241		8,650 –		8,700		447		12,650 –		653		16,650 –		16,700		1,065
	700 –		750		37		4,700 –		4,750		243		8,700 –		8,750		449		12,700 –		655		16,700 –		16,750		1,067
	750 –		800		40		4,750 –		4,800		246		8,750 –		8,800		452		12,750 –		658		16,750 –		16,800		1,070
	800 –		850		42		4,800 –		4,850		248		8,800 –		8,850		454		12,800 –		660		16,800 –		16,850		1,072
	850 –		900		45		4,850 –		4,900		251		8,850 –		8,900		457		12,850 –		663		16,850 –		16,900		1,075
	900 –		950		48		4,900 –		4,950		254		8,900 –		8,950		460		12,900 –		666		16,900 –		16,950		1,078
	950 –		1,000		50		4,950 –		5,000		256		8,950 –		9,000		462		12,950 –		668		16,950 –		17,000		1,080
	1,000 –		1,050		53		5,000 –		5,050		259		9,000 –		9,050		465		13,000 –		671		17,000 –		17,050		1,083
	1,050 –		1,100		55		5,050 –		5,100		261		9,050 –		9,100		467		13,050 –		673		17,050 –		17,100		1,085
	1,100 –		1,150		58		5,100 –		5,150		264		9,100 –		9,150		470		13,100 –		676		17,100 –		17,150		1,088
	1,150 –		1,200		61		5,150 –		5,200		267		9,150 –		9,200		473		13,150 –		679		17,150 –		17,200		1,091
	1,200 –		1,250		63		5,200 –		5,250		269		9,200 –		9,250		475		13,200 –		681		17,200 –		17,250		1,093
	1,250 –		1,300		66		5,250 –		5,300		272		9,250 –		9,300		478		13,250 –		684		17,250 –		17,300		1,096
	1,300 –		1,350		68		5,300 –		5,350		274		9,300 –		9,350		480		13,300 –		686		17,300 –		17,350		1,098
	1,350 –		1,400		71		5,350 –		5,400		277		9,350 –		9,400		483		13,350 –		689		17,350 –		17,400		1,101
	1,400 –		1,450		73		5,400 –		5,450		279		9,400 –		9,450		485		13,400 –		691		17,400 –		17,450		1,103
	1,450 –		1,500		76		5,450 –		5,500		282		9,450 –		9,500		488		13,450 –		694		17,450 –		17,500		1,106
	1,500 –		1,550		79		5,500 –		5,550		285		9,500 –		9,550		491		13,500 –		697		17,500 –		17,550		1,109
	1,550 –		1,600		81		5,550 –		5,600		287		9,550 –		9,600		493		13,550 –		699		17,550 –		17,600		1,111
	1,600 –		1,650		84		5,600 –		5,650		290		9,600 –		9,650		496		13,600 –		702		17,600 –		17,650		1,114
	1,650 –		1,700		86		5,650 –		5,700		292		9,650 –		9,700		498		13,650 –		704		17,650 –		17,700		1,116
	1,700 –		1,750		89		5,700 –		5,750		295		9,700 –		9,750		501		13,700 –		707		17,700 –		17,750		1,119
	1,750 –		1,800		91		5,750 –		5,800		297		9,750 –		9,800		503		13,750 –		709		17,750 –		17,800		1,121
	1,800 –		1,850		94		5,800 –		5,850		300		9,800 –		9,850		506		13,800 –		712		17,800 –		17,850		1,124
	1,850 –		1,900		97		5,850 –		5,900		303		9,850 –		9,900		509		13,850 –		715		17,850 –		17,900		1,127
	1,900 –		1,950		99		5,900 –		5,950		305		9,900 –		9,950		511		13,900 –		717		17,900 –		17,950		1,129
	1,950 –		2,000		102		5,950 –		6,000		308		9,950 –		10,000		514		13,950 –		720		17,950 –		18,000		1,132
	2,000 –		2,050		104		6,000 –		6,050		310		10,000 –		10,050		516		14,000 –		722		18,000 –		18,050		1,134
	2,050 –		2,100		107		6,050 –		6,100		313		10,050 –		10,100		519		14,050 –		725		18,050 –		18,100		1,137
	2,100 –		2,150		109		6,100 –		6,150		315		10,100 –		10,150		521		14,100 –		727		18,100 –		18,150		1,139
	2,150 –		2,200		112		6,150 –		6,200		318		10,150 –		10,200		524		14,150 –		730		18,150 –		18,200		1,142
	2,200 –		2,250		115		6,200 –		6,250		321		10,200 –		10,250		527		14,200 –		733		18,200 –		18,250		1,145
	2,250 –		2,300		117		6,250 –		6,300		323		10,250 –		10,300		529		14,250 –		735		18,250 –		18,300		1,147
	2,300 –		2,350		120		6,300 –		6,350		326		10,300 –		10,350		532		14,300 –		738		18,300 –		18,350		1,150
	2,350 –		2,400		122		6,350 –		6,400		328		10,350 –		10,400		534		14,350 –		740		18,350 –		18,400		1,152
	2,400 –		2,450		125		6,400 –		6,450		331		10,400 –		10,450		537		14,400 –		743		18,400 –		18,450		1,155
	2,450 –		2,500		127		6,450 –		6,500		333		10,450 –		10,500		539		14,450 –		745		18,450 –		18,500		1,157
	2,500 –		2,550		130		6,500 –		6,550		336		10,500 –		1												

Department of Revenue Resources

DOR Locations in Massachusetts

Boston

19 Staniford St.
Boston, MA 02114
(617) 887-6367

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 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.



To obtain Massachusetts forms and publications by phone, call the Department's main information lines at 617-887-6367 or toll-free in Massachusetts at 1-800-392-6089.



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 or call the IRS toll-free at 1-800-829-3676.

For help in one of the following specific areas

- ▶ Certificates of Good Standing 617-887-6367
- ▶ Teletype (TTY) 617-887-6140
- ▶ 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.
- ▶ Installment Sales 617-887-6950
- ▶ Small Business Workshop 617-887-5660

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/connectandserve.

Massachusetts

Department of

Revenue

PO Box 7011

Boston, MA 02204

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Contents

Health Care Information	HC-1
Minimum Creditable Coverage	HC-1
Schedule HC Instructions	HC-2
Schedule HC Worksheets & Tables	HC-6
Before You Begin	3
Major Tax Changes for 2015	3
Filing Your Massachusetts Return	5
When to File Your Return	7
Line by Line Instructions	7
Name and Address	7
Filing Status	8
Exemptions	9
5.15% Income	10
Apportionment (nonresidents only)	12
Nonresident Deduction & Exemption Ratio	13
Deductions	14
5.15% Tax	15
12% Income & Tax	15
Tax on Long-Term Capital Gains	15
Massachusetts Adjusted Gross Income	16
Amount of Your Refund	19
Amount of Tax Due	19
Sign Here	20
Schedule Instructions	20
Schedule NTS-L-NR/PY	20
Schedule DI. Dependent Information	21
Schedule X. Other Income	21
Schedule Y. Other Deductions	22
Schedule Z. Credits	25
Schedule RF. Refundable Credits	28
Schedule B. Interest, Dividends & Certain Capital Gains	29
Schedule D. Capital Gains and Losses	31
Schedule C. Profit or Loss from Business	34
Schedule R/NR. Resident/Nonresident Worksheet	35
Tax Table at 5.15% Rate (\$0–\$24,000)	38
Resources	inside back cover

A Special Message from Revenue Commissioner Mark Nunnelly

We're in an electronic world and I know not all will choose to file their taxes electronically. But if you do decide to E-file and have access to the internet, please do. A very large majority of Massachusetts taxpayers are doing just that.

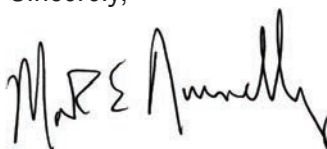
At DOR, we are committed to providing you, safe and secure ways to file electronically. We want you to experience faster processing, saving you both time and money. Not only that, we'll protect our precious natural resources from overuse. This year, consider taking advantage of the benefits of electronic filing:

- access to our secure E-Filing portal
- no more stamp purchases and trips to the post office
- built-in, real time assistance
- automatic math corrections

There are many options for E-Filing. Try WebFile for Income, E-Filing with a tax preparer, or doing it yourself from home using approved commercial software. Your local library provides an option to E-File from their computers.

Try something new in 2016, give technology a try and use a secure and easy E-filing option.

Sincerely,



Commissioner Mark E. Nunnelly