



Form MA NRCR Instructions

Note: This form, and all accompanying schedules, must be filed electronically as required by 830 CMR 62.5A.1(11)(f)4.

Who must file

Massachusetts allows a partnership or an S corporation to file an electronic composite return on Form MA NRCR and make estimated tax payments as an agent on behalf of two or more qualified electing nonresident members. (Professional athletic teams who may file a return on behalf of two or more qualified electing nonresident team members must file a composite return on the Form 1 NR/PY, not the Form MA NRCR.)

Eligible members of a composite return must meet the following requirements:

- must be an individual or the estate or trust of a deceased nonresident member;
- 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.

The composite return is filed on Massachusetts Form MA NRCR along with Schedules B, D, and E as needed. The total Massachusetts gross income reported on the composite Form MA NRCR must be the sum of all the qualified electing nonresident members' Massachusetts source income from the filing entity and from any other upper-tier entities that are included in the return.

The filing entity must file an electronic 2K-1, 3K-1, or SK-1 on behalf of each nonresident member electing to participate in this composite return. In a tiered structure, if the filing entity is filing on behalf of members of an upper-tier entity, it should issue the 2K-1, 3K-1, or SK-1 to that upper-tier entity, which will in turn file the appropriate K-1 on behalf of its members reflecting estimated payments made by the lower-tier entity. Each entity in the tiered structure will issue the appropriate K-1 to each of its members showing estimated payments allocated to that member that were made by lower-tier entities in the tiered structure.

A tiered structure is a pass-through entity that has a pass-through entity as a member. As between two entities, the pass-through entity that is a member is the upper-tier entity, and the entity of which it is a member is the lower-tier entity. A tiered pass-through entity arrangement may have two or more tiers; in such cases, a single entity can be both a lower-tier and an upper-tier entity.

Note: Members of a composite return cannot take credit for withholding on Form MA NRCR. In instances where a member needs to claim credit for withholding, a Form 1-NR/PY must be filed. See *The Guide to Pass-Through Entities* for more information.

How much should the filing entity pay in estimated tax payments?

Composite payments of estimated tax must satisfy the estimated payment obligations for each electing non-resident with regard to the Massachusetts-source income of the pass-through entity. The filing agent shall make payments of estimated tax electronically.

When to file your return

Form MA NRCR is due on or before April 18, 2017. All composite returns must be made on a calendar year basis. An automatic extension is granted if 100% of tax due is paid by the tax return due date.

Note: The extension will not be valid if the filing entity fails to pay 80% of the total tax liability of participating members through estimated tax payments, prior year credits, and payments made with extension.

What should I do if I make a mistake or leave something off the return?

If, after filing your income tax return, you receive an additional tax statement or discover that an error was made, you should amend your return with the corrected information and fill in the "Amended return" oval. An amended return can be filed to either increase or decrease your tax. Generally, an amended return must be filed within three years of the date that your original return was filed. Electronic filing requirements apply to amended returns and disputes. See TIR 16-9 for further information.

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

Name and address

Enter the full name, address, and Federal Identification number of the entity filing the return in the spaces provided. Also, enter the name of the filing agent.

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. 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.

Summary information

Amounts entered on each line represent the total for all members electing to be included on the composite return. If any member has any entry, regardless of amount, on Form B, D, or E, the entity should file the relevant form; amounts entered on Forms B, D, or E represent the total for all members.

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



5.1% income

Line 2. Massachusetts state lottery winnings

Enter in line 2 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 the Massachusetts return.

Note: DOR routinely matches the amounts in line 2 with files from the Lottery Commission.

Line 4. Interest from Massachusetts banks

To report interest taxable to a nonresident from banks located in Massachusetts, enter in line 4 all 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) from Schedule B, line 5. Composite filers may not claim an exemption amount for interest from Massachusetts banks.

All other bank interest should be entered on Massachusetts Schedule B, line 38, and included with dividend income on line 6 of this form.

Line 5. Subtotal

Enter in line 5a the sum of lines 1 through 4. If the result is a loss see Schedule C-2 if applicable.

Enter in line 5b the amount in line 5a, but not less than "0."

Line 6. Interest and dividend income

If the filing entity is reporting any interest income (other than interest from deposits in banks located in Massachusetts), any dividend income, certain capital gains or losses, or any adjustments to interest income (other than interest from Massachusetts banks), it must complete Schedule B.

Enter in line 6 the total amount from each member's Schedule B, line 38.

Line 7. Total taxable 5.1% income

Add lines 5b and 6.

Line 8. Tax

Multiply the amount in line 7 by 0.051 (or the optional 0.0585 rate for any members who choose to pay tax at the higher rate) and enter the result in line 8.

12% income and tax

Lines 9 and 10. 12% income and tax from certain capital gains

Enter in line 9 the amount from Schedule B, line 39. Multiply this amount by 0.12 and enter the tax in line 10. To determine if you need to file Schedule B, refer to the Schedule B instructions.

Line 11. Schedule D (long-term capital gains and losses excluding collectibles)

Enter in line 11 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.

Line 15. Prior year overpayment applied to current year estimated tax

Include the exact amount of any overpayment you applied to your estimated taxes. Do not include any prior year refund in this line.

Line 16. 2016 Massachusetts estimated tax payments

Enter in line 16 the total of all Massachusetts estimated tax payments, but do not include the amount entered in line 15. Be sure to include any last quarter (of 2016) payment made on or before January 15, 2016.

Every filer expecting 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 must be made online using WebFile for Income under the feature, "Make an estimated composite payment."

Generally, the first payment must be filed on or before April 15 of the taxable year. The estimated tax may be paid 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 WebFile for Income. You will need to be registered to access your account.

If 80% of the tax listed on the return is not paid throughout the year through estimated payments and prior year credits, a penalty may be imposed.

Line 17. 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 2016 on or before April 15, 2017, enter in line 17 the amount you paid with Form M-4868.

Refund amount

Line 19. Overpayment

If line 13 is smaller than line 17, subtract line 13 from line 17 and enter the amount in line 18. This is the amount of your overpayment. If line 13 is larger than line 17, skip to line 21. If line 13 and line 17 are equal, enter "0" in line 21.

Line 20. Amount of overpayment you want applied to Massachusetts estimated taxes for next year

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

Line 22. Refund amount

Subtract line 20 from line 19. Enter the result in line 21. This is the amount of your refund.

Tax due

Line 21. Tax due

If line 14 is larger than line 18, subtract line 18 from line 14, and enter the result in line 21. This is the amount of tax you owe with your return. Pay in full with your return. Failure to file or failure to pay the proper amount of tax when due will result in an increasing amount of interest and penalties. It is 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 26.

Lines 23 and 24. Interest and penalties 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 or call the Customer Service Bureau at (617) 887-MDOR or toll-free in Massachusetts at 1-800-392-6089.



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.

Line 25. Underpayment of estimated tax; addition for underpayment of estimated taxes

You will generally be subject to this addition to tax if you did not make estimated tax payments equal to 80% of this year's total tax liability or 100% of last year's total tax liability, and the 2013 tax due for all members after credits is greater than \$400. If you failed to meet this requirement, you must use Massachusetts Form M-2210 to calculate the amount you must add to line 25.

Most filers that qualify for an exception had either a tax due of \$400 or less or estimated payments equal to their tax liability for the previous year. If you qualify for an exception, check the box marked "Exception" on line 25.

Sign here

Complete the Form M-8453 CR signature document and retain in your files. Enter your electronic signature as the designated filing agent.

Paid preparer must sign the 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 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 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" box, you 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, 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 generally April 2019.