

1999



Massachusetts Resident Income Tax Form 1

Full-Year Residents Only
All Schedules and Instructions



File your Form 1 online.
See instructions

Are you eligible to Telefile?
See instructions

PC File your Form 1

Direct Deposit available

Visit our website for more
help: www.state.ma.us/dor



CALL OR CLICK. GET IT QUICK!

Department of Revenue
Commonwealth of Massachusetts

Completing Your Form 1

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

PRINT IN BLACK INK
 Ovals must be filled in completely. Example: For the year January 1–December 31, 1999 or other taxable year beginning 1999, ending 1999.

Form 1 Massachusetts Resident Income Tax Return 1999

FIRST NAME: THOMAS M.I.: P LAST NAME: TAXPAYER 1. YOUR SOCIAL SECURITY NUMBER: 012345678
 SPOUSE'S FIRST NAME: MARY M.I.: R LAST NAME: TAXPAYER 2. SPOUSE'S SOCIAL SECURITY NUMBER: 987654321
 ADDRESS: 123 MAIN STREET CITY/TOWN/POST OFFICE: ANYTOWN STATE: MA ZIP + 4: 012349876
 YOUR DAYTIME PHONE: 6175551234 SPOUSE'S DAYTIME PHONE: 7815559876 If name/address has changed since 1998, fill in appropriate oval(s) (see instr.): 1. 2.

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

LINE 2 Exemptions: Fill in if noncustodial parent
 a. Personal exemptions. If single or married filing separately, enter \$4,400. If head of household, enter \$6,800. If married filing jointly, enter \$8,800. a 880000
 b. Number of dependents. (Do not include yourself or your spouse.) Enter number 2 × \$1,000 b 200000
 Enter dependents' Social Security numbers. See instructions if born in 1999. 111-22-3333 444-55-6666
 c. Age 65 or over before 2000: You + Spouse = × \$700 c
 d. Blindness: You + Spouse = × \$2,200 d
 e. Other: 1. Medical/Dental (from U.S. Sch. A, line 4) 2. Adoption (from worksheet) 1 + 2 = e
 f. Total exemptions. Add items a, b, c, d and e. Enter here and on line 18 2f 1080000

LINE 3 Wages, salaries, tips and other employee compensation (from all Forms W-2) 3 600000

LINE 4 Taxable pensions and annuities (see instructions) 4

LINE 5 Mass. bank interest: a. 18000 - b. exemption 20000 = 5
 Exemption: if married filing jointly, subtract \$200 from Total; otherwise subtract \$100 & enter result Not less than "0."

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

LINE 7 Rental, royalty, REMIC, partnership, S corp., trust income/loss (enclose Mass. & U.S. Sch. E) 7 X 450000

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

LINE 9 Other income (alimony, taxable IRA/Keogh distr., winnings, fees) from Sch. X, line 6 (enclose Sch. X) 9

LINE 10 TOTAL 5.95% INCOME. Add lines 3 through 9. (Be sure to subtract any loss(es) in lines 6 or 7) 10 X 550000

LINE 11 Amount paid to Soc. Sec., Medicare, R.R., U.S. or Mass. retirement. Not more than \$2,000 per person. a. You 200000 + b. Spouse 120000 a + b = 11 320000

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

LINE 13 Dependent member of household under age 12 on 12/31/99 (only if not claiming line 12) Enter one \$1,200 amount and the child's name Thomas, Jr. 13 120000

LINE 14 50% rental deduction (from worksheet in instr.). Landlord's name(s) Not more than \$2,500, or \$1,250 if married filing separately. 14

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

LINE 16 TOTAL DEDUCTIONS. Add lines 11 through 15 16 440000

LINE 17 5.95% INCOME AFTER DEDUCTIONS. Subtract line 16 from line 10. Not less than "0" 17 5110000

FOR PRIVACY ACT NOTICE, SEE PAGE 6.

Name and Address

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

Filling in the Ovals

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

Whole-Dollar Method

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

\$1.00–\$1.49 =
 \$1.50–\$2.00 =

Filling in Dollar Amounts/Reporting Losses

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

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

▼ If showing a loss, mark over X in box at left
 1 2 3 4 5 6 7 8 9 0

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

If a line does not apply to you, leave it blank. **Do not** use dashes or other symbols to indicate you have no entry for that line.

Mailing Checks and Enclosing Forms

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

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

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

Landlord's name(s) _____

15 Other deductions from Schedule Y, line 8 (enclose Schedule Y) 15 100000
 16 TOTAL DEDUCTIONS 16 440000

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


25 Limited income Credit (from wksht. on p. 18) 25 100000
 26 Other credits from Sch. Z, line 3 (encl. Sch. Z) 26 100000
 25 + 26 = 27 100000

Telefile Form 1


Why You Should Telefile Form 1

- ▶ You will receive your refund in four days or less;
- ▶ You can review and correct your entries as you file;
- ▶ You will receive a confirmation number as proof of filing; and
- ▶ You can file anytime. Telefile Form 1 is available 24 hours a day, 7 days a week. Call (617) 660-2099 or (413) 736-6200.

You Can Telefile Form 1


- ▶ If all of your entries are on lines that do **not** have this telephone symbol 
- ▶ If you have 5 or fewer Forms W-2 or 1099-MISC; and
- ▶ If you were a Massachusetts resident for all of 1999.

You Cannot Telefile Form 1

- ▶ If you have entries on lines with this telephone symbol 
- ▶ If your filing status has changed (except from single to head of household or from head of household to single);
- ▶ If you are required to file the following schedules: C, D, E, Y and/or Z; or
- ▶ If your total non-Massachusetts bank interest and/or dividend income (Schedule B, line 7) is greater than \$1,000.

Instructions for Telefile Form 1:

- ▶ Complete Form 1, including all required schedules. Enter all dollar amounts as whole dollars — do not include cents.
- ▶ Collect all Form(s) W-2, W-2G, 1099-DIV, 1099-INT, 1099-G, 1099-MISC and 1099-R for both you and your spouse (if filing jointly).
- ▶ Fill out the Form W-2 worksheet below by entering the Employer identification number(s) from each Form W-2. You will need to enter this information when prompted by Telefile Form 1. The Employer identification number(s) can generally be found in box b of your Form W-2.

▶ Call (617) 660-2099 or (413) 736-6200 to begin. Using your telephone keypad, you will be asked to enter the amounts from each line that does not have this telephone symbol . After successfully Telefiling your Form 1, you will receive a nine-digit confirmation number; enter that number here and retain for your records: _ _ _ _ - _ _ _ _ - _ _ _ _ .

▶ To begin Telefile Form 1 you will be asked to enter your Social Security number and last year's requested refund or tax due amount. These amounts can be found on your 1998 Form 1, line 39 or line 40, 1998 Form 1-NR/PY, line 44 or line 45 or your 1998 Telefile Worksheet, line 22 or line 23. Enter that amount here: \$ _____. If you received a pre-addressed Telefile booklet in the mail, you can enter your Social Security number and your four-digit Personal Identification Number (PIN) found on the back cover of your Telefile booklet next to your name and address.

▶ If you choose to have your refund deposited directly into your checking or savings account, you will be required to provide your bank's routing number and your bank account number.

▶ If married and filing a joint return, you and your spouse must be present to authenticate the filing of your return.

▶ If you have a tax due (line 41), Telefile Form 1 will allow you to pay using your MasterCard, Visa, Discover or Novus brand card. Or, you can submit a check along with Form PV, attached to the back of the "Payment Due" envelope found in this booklet. If you choose to pay by credit or check card, you will need to enter your account number and the four-digit expiration date (month and year). You should have this information available before calling. Upon a successful credit or check card transaction, Telefile Form 1 will issue you an authorization number which should be entered here: _____

Note: If using Telefile Form 1, **do not** mail your return, as it will delay processing. Retain this page for your records.

Form W-2 Worksheet

Enter in the lines below the Employer identification number(s) for all Form(s) W-2. This information can generally be found in box b of your Form(s) W-2. See example on right.

- 1st W-2 _____
- 2nd W-2 _____
- 3rd W-2 _____
- 4th W-2 _____
- 5th W-2 _____

a. Control number		OMB No. 1545-0008				
b. Employer's identification number		1. Wages tips other compensation	2. Federal income tax withheld			
c. Employer's name, address and ZIP code		3. Social security wages	4. Social security tax withheld			
		5. Medicare wages and tips	6. Medicare tax withheld			
		7. Social security tips	8. Allocated tips			
d. Employee's social security number		9. Advance EIC payment	10. Dependent care benefits			
e. Employee's name, address and Zip code		11. Nonqualified plans		12. Benefits included in Box 1		
		13.		14. Other		
f. Employee's address and ZIP code		15. Statutory employee <input type="checkbox"/> Decedent <input type="checkbox"/> Pension plan <input type="checkbox"/> Legal rep. <input type="checkbox"/> Deferred comp. <input type="checkbox"/>				
16. State	Employer's state I.D. No.	17. State wages tips etc.	18. State income tax	19. Locality name	20. Local wages tips etc.	21. Local income tax
Wage and Tax Department of the Treasury-Internal Revenue Service W-2 Statement 1999 This information is being furnished to the Internal Revenue Service Copy 2 To Be Filed With Employees State, City or Local Income Tax Return						

Before You Begin

Form 1 Checklist

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

- Is your preprinted name and address correct?
- Have you completed your Form 1 in black ink?
- Are all ovals filled in as necessary?
- If using the whole-dollar method, have you filled in the correct oval?
- Have you printed all dollar amounts completely within the boxes?
- Have you marked an "X" in any form or schedule box that shows a loss?
- Is your Social Security number correct on your Form(s) W-2 or 1099? If incorrect, make the necessary changes on Form(s) W-2 or 1099.
- Have you attached with a single staple your Form(s) W-2 or 1099 to the return where indicated?
- If making a payment, have you stapled your check to the front of Form PV, Massachusetts Income Tax Payment Voucher, and enclosed (not stapled) Form PV with your return? Form PV is attached to the back of the "Payment Due" envelope found in this booklet.
- Are you filing an original copy of the form? Remember, photocopies of the forms and schedules are not acceptable.
- Have you enclosed (not stapled) all supporting schedules and documentation?

Major 1999 Tax Changes

Increase in Personal Exemptions

The following personal exemption amounts are applicable for tax year 1999: married filing jointly — \$8,800; head of household — \$6,800; and single or married filing separately — \$4,400.

No Tax Status/Limited Income Credit Thresholds

Because eligibility for No Tax Status for joint filers and heads of household is based in part on the personal exemption amounts, the threshold for No Tax Status for these taxpayers has been changed to reflect changes to the personal exemptions. The Limited Income Credit calculation is similarly affected.

Joint Filers. No tax is imposed if the Massachusetts adjusted gross income (AGI) does not exceed \$16,400 plus \$1,000 per dependent. Joint filers are eligible for the Limited Income Credit if Massachusetts AGI does not exceed \$28,700 plus \$1,750 per dependent.

Heads of Household. No tax is imposed if Massachusetts adjusted gross income (AGI) does not exceed \$14,400 plus \$1,000 per dependent. Heads of household are eligible for the Limited

Income Credit if Massachusetts AGI does not exceed \$25,200 plus \$1,750 per dependent.

Single Filers. No Tax Status for single filers is unaffected by the increase in the personal exemption amount. For single filers, no tax is imposed if the taxpayer's Massachusetts AGI does not exceed \$8,000. Single filers are eligible for the Limited Income Credit if Massachusetts AGI does not exceed \$14,000.

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

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

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

1998 Federal Law Changes Not Adopted by Massachusetts

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

► **Self-Employed Health Insurance Deduction — IRC Sec. 162(l).** A federal and Massachusetts deduction is allowed for amounts paid for medical care insurance for a self-employed taxpayer and his or her spouse and dependents. For federal purposes the deduction will be 60% of the qualified insurance payments for the 1999 tax year. However, due to differences between the Internal Revenue Code as amended and in effect as of January 1, 1998, and the current year, only 45% of the qualified insurance payments are deductible for Massachusetts purposes for the 1999 tax year.

► **Savings Incentive Match Plan for Employees (SIMPLE Accounts).** Under federal tax law, SIMPLE tax-favored retirement plans can be established under IRC sec. 401(k) or IRC

sec. 408(p). Contributions to SIMPLE plans on behalf of employees are excluded from federal and Massachusetts gross income. However, Massachusetts does not allow personal income tax deductions for contributions to SIMPLE plans on behalf of self-employed taxpayers. For more information, see DOR Directive 99-7.

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

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

- ▶ exclusions of certain income derived from Roth IRAs as defined in IRC sec. 408A and Education IRAs as defined in IRC sec. 530;
- ▶ treatment of rollovers from a traditional to Roth IRA, including the special four-tax-year averaging provision, if elected, in tax year 1998;
- ▶ exclusion of gain from the sale of a personal residence provided by IRC sec. 121;
- ▶ deduction of trade or business expenses under IRC sec. 162(a); and
- ▶ the limitations provided by IRC secs. 274(m) and (n) for the deduction of certain travel and meals and entertainment expenses.

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

Tax Lowered on Interest and Dividends

Applicable to tax years beginning on or after January 1, 1999, the tax rate on dividends and interest (other than interest from Massachusetts banks) is lowered from 12% to 5.95%. Massachusetts bank interest continues to be taxed at 5.95% for tax year 1999. 12% income continues to include short-term capital gains, as well as short- and long-term capital gains arising from the sale of collectibles and pre-1996 installment sales classified as capital gain income for Massachusetts purposes.

Capital Gains Tax Calculation Changed

Long-term capital losses are now allowed to be applied against long-term and short-term capital gains. First, long term gains are applied against long-term losses within each holding period. For example, 5% gains are applied against 5% losses, 4% gains are applied against 4% losses, 3% gains are applied against 3% losses and 2% gains are applied against 2% losses. Then, any net losses within a particular holding period can be applied against net gains within other holding periods, beginning with the highest tax rate and applying any remaining losses against the next highest tax rate. For example, a 3% loss is first applied against 5% gains, then any remaining loss is ap-

plied against 4% gains, and any loss still remaining then is applied against 2% gains.

Certain long-term capital losses may now be applied against short-term capital gains and long-term capital gains on collectibles and pre-1996 installment sales and then against interest (other than from Massachusetts banks) and dividend income.

Certain short-term capital losses may now be applied against long-term capital gains. This application is from the highest tax rate to the lowest. Unused losses can be carried forward as short-term losses in 2000.

Business losses may now be deducted from long-term capital gains. Business losses continue to be deductible against 5.95% income and may be applied to reduce short-term capital gains and interest (other than from Massachusetts banks) and dividend income connected to the taxpayer's business.

All of these changes are retroactive to 1996. If any of the changes reduce your tax for 1996, 1997 or 1998, you may claim a credit on your 1999 tax return based on the amount of tax savings for those years. Alternatively, to the extent that the new law lowers your tax for any of these prior years, you may apply for an abatement of a portion of the tax you paid using Form CA-6.

Note: For a detailed explanation of the new law, see TIR 99-17.

Tax Lowered on Capital Gains/Change in Tax Rates

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

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

Applicable to tax years beginning on or after January 1, 1996, reduced tax rates on long-term capital gains will be phased in year by year over a six-year period. The applicable tax rate is 5% if the capital asset was held for more than one year but not more than two years, 4% if the capital asset was held for more than two years but not more than three years, 3% if the capital asset was held for more than three years but not more than four years, and 2% if the capital asset was held for more than four

years. For each subsequent tax year, the longest possible holding period increases by one year, and lower tax rates apply accordingly. By tax year 2001 when the law is fully operational, gains on the sale of capital assets held more than one year will be taxed at the following rates: assets held for more than one year but less than or equal to two years will be taxed at 5%; more than two years but less than or equal to three years will be taxed at 4%; more than three years but less than or equal to four years will be taxed at 3%; more than four years but less than or equal to five years will be taxed at 2%; and more than five years but less than or equal to six years will be taxed at 1%. Capital assets held for more than six years will not be subject to tax.

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

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

- ▶ Gains on the sale of capital assets (excluding collectibles) held for more than one year but not more than two years are taxed as 5% income, those held for more than two years but not more than three years are taxed as 4% income, those held for more than three years but not more than four years are taxed as 3% income, and those held for more than four years are taxed as 2% income in tax year 1999. Allowable deductions from these items of income include losses on the sale of capital assets held for more than one year, certain losses on the sale of capital assets held for one year or less, allowable deductions from your trade or business, and excess exemptions.

- ▶ Dividends and interest (other than interest from Mass. banks) are taxed at the rate of 5.95% for tax year 1999. 12% income continues to include short-term capital gains as well as short- and long-term capital gains arising from the sale of collectibles and pre-1996 installment sales classified as capital gain income for Massachusetts purposes. Allowable deductions from these items of income include allowable deductions from your trade or business, losses on the sale of capital assets held for one year or less, certain losses on the sale of capital assets held for more than one year, a 50% deduction for gains on the sale of collectibles and pre-1996 installment sales classified as capital gain income held for more than one year, and excess exemptions.

- ▶ 5.95% income will continue to consist of all income (except dividends and interest, other than interest from Mass. banks) that is not 5% income, 4% income, 3% income, 2% income, or 12% income, including such items as wages, pensions, business income, rents, alimony, and Massachusetts bank interest.

Brownfields Tax Credit

Effective for tax years beginning on or after January 1, 1999, taxpayers are allowed a credit for amounts expended to rehabilitate contaminated property owned or leased for business purposes and located within an economically distressed area. In general, the credit is 25% or 50% of certain environmental response and removal costs incurred between August 1, 1998, and January 1, 2005. The maximum amount of credit that may be taken in any taxable year may not exceed 50% of the taxpayer's personal income tax liability for the taxable year. A five-year carryforward of unused credit is allowed, provided the taxpayer continues to maintain the remedies required by law. For more information, see TIR 99-13.

Military Personnel Serving in Kosovo

As a result of Executive Order No. 13119 issued by President Clinton on April 13, 1999, declaring the Kosovo area as a combat zone, military and support personnel who served in Kosovo are given extra time to file income tax returns and pay income taxes due. The extension period is for 180 days, in addition to the period of service or a hospitalization attributable to such service. Pay received by a member of the United States armed forces on active duty in a combat zone during the taxable year is excluded from Massachusetts gross income to the same extent it is excluded from federal gross income under Sec. 112 of the Internal Revenue Code. For more information, see TIR 99-6.

Privacy Act Notice

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

Getting Started

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

Step One — Gather Your Records

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

If you file a Form 1, Massachusetts Resident Income Tax Return, and you have access to the World Wide Web, you may be able to file using our PC File software. This is a faster, more accurate method of filing your income tax return, and you will receive your refund in four days. See page 45 for more information.

Step Two — Complete Your Return

First, remove the forms from this booklet. If you received this booklet in the mail and the information in the preaddressed area is correct, file this return with the Department of Revenue. If your address has changed, make all of the necessary changes on the preprinted form. Please keep the extra copy for your records; you may need information from it when you complete your return next year.

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

Step Three — Sign Your Return

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

Common Form 1 Mistakes

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

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

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

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

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

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

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

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

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

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

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

Filing Your Mass. Return

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

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

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

If your Massachusetts Adjusted Gross Income (AGI) is \$8,000 or less if single, \$14,400 or less plus \$1,000 for each dependent if filing as head of household, or \$16,400 or less plus \$1,000 for each dependent if married filing jointly, you may qualify for No Tax Status. See the instructions for Mass. AGI on page 17.

What Is Gross Income?

Massachusetts gross income **includes** the following:

- all wages, salaries, tips, bonuses, fees and other compensation;
- taxable pensions and annuities;
- pension income from another state or political subdivision before any deduction;
- taxable IRA/Keogh and Roth IRA distributions;
- alimony;
- income from a business, trade, profession, partnership, S corporation, trust or estate;
- rental, royalty and REMIC income;
- unemployment compensation;
- taxable interest and dividends;
- gambling winnings;
- capital gains;
- taxable portion of scholarships and fellowships; and
- any other income not specifically exempt.

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

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

Massachusetts gross income **does not include**:

- interest on obligations of the U.S.; and

- amounts received as U.S. Social Security, public welfare assistance, Veterans Administration disability payments, G.I. Bill education payments, worker's compensation, gifts, or accident or life insurance payments.

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

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

1. You are a Full-year Resident if your legal residence (domicile) is in Massachusetts or if you maintain a permanent place of abode in Massachusetts and during the year spend more than 183 days, in the aggregate, in the state. If you fit this description you should file a Massachusetts Resident Income Tax Return, Form 1.

2. You are a Nonresident if you were not a resident of Massachusetts but earned Massachusetts income (e.g., from a job in Massachusetts). You must report such income by filing a Massachusetts Nonresident/Part-Year Resident Income Tax Return, Form 1-NR/PY.

3. You are a Part-Year Resident if you were not considered a resident of Massachusetts for the full year. In this case, you must reduce certain income, deductions and exemptions based on the number of days you were a resident or on the amount of your income that is subject to Massachusetts tax. Part-year residents must file a Massachusetts Nonresident/Part-Year Resident Income Tax Return, Form 1-NR/PY.

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

For additional information on how to file as a part-year resident/nonresident, refer to the *Guide to Filing Your 1999 Massachusetts Income Taxes*. This publication is available by calling (617) 887-MDOR.

Are Military Personnel Required to File?

If you enlisted in the service as a Massachusetts resident and have not established a new domicile (legal residence) elsewhere, and if your gross income is more than \$8,000, you are required to file a Massachusetts resident income tax return. This applies even though you may be stationed outside of Massachusetts. The terms "legal residence" and "domicile" are used to denote that place where you have your permanent home and to which, whenever you are absent, you have the intention of returning.

Nonresident military personnel stationed in Massachusetts may be subject to Massachusetts taxes and should file Form 1-NR/PY if they earn income other than from military sources.

The following examples illustrate circumstances under which military pay is or is not taxable in Massachusetts. No guidance is intended on the tax status of such pay under the laws of other states. Generally, when income is taxable in two jurisdictions, a credit for taxes paid to the other jurisdiction is allowed on the taxpayer's return in the state of his/her residence.

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

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

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

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

What Are the Rules for Filing a Joint Return?

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

- ▶ a deduction of one \$1,200 amount for any dependent member of the household under the age of 12 as of December 31, 1999;
- ▶ No Tax Status if joint Massachusetts Adjusted Gross Income (Mass. AGI) was \$16,400 or less plus \$1,000 for each dependent;
- ▶ Limited Income Credit if joint Mass. AGI is between \$16,400 and \$28,700 plus \$1,750 for each dependent; and
- ▶ exemptions from interest income (other than interest from Mass. banks), dividends or capital gain income.

If your spouse died during 1999, you may still choose to file a joint return.

Note: A joint Form 1 is not allowed if both spouses were not Massachusetts residents for the same portion of 1999.

Example: *John and Jane Taxpayer were married in June 1999. John moved to Massachusetts to live with Jane. They would not be allowed to file a joint return because John was a Massachusetts resident for only half of the year.*

How Do I File a Decedent's Return?

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

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

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

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

Should I Make Estimated Tax Payments in 2000?

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

When to File Your Return

Your Massachusetts Form 1 is due on or before April 18, 2000.

How Do I File for an Extension?

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

Line by Line Instructions

for filing your return after the due date. Interest is charged on any tax not paid by the original due date.

If you are applying for an extension and either owe no tax or choose to pay your tax due by Mastercard, Visa, Discover or Novus brand card, you may file your application for extension by touch-tone telephone (see page 45 for more information), or if you owe no tax, you may substitute U.S. Form 4868 for the Mass. extension form. If you substitute U.S. Form 4868, be sure to indicate on the form that this extension is for Massachusetts purposes.

Note: Your extension will not be valid if you fail to pay 80% of your total tax liability through withholding, estimated tax payments or with your Mass. Form M-4868. Mass. Form M-4868 is available at any Department of Revenue location.

Must I File on a Calendar Year Basis?

No. You may file on a fiscal year basis if you keep your books and records on that fiscal year basis and if you receive permission from the Commissioner of Revenue. If you file on a fiscal year basis, you must file on or before the fifteenth day of the fourth month after the end of your fiscal year.

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

If, after filing your income tax return, you receive an additional tax statement or discover that an error was made, do not submit a second tax return. If corrections are necessary, you must file Form 33X, Massachusetts Amended Individual Income Tax Return. This form is available at any DOR location, or you may have one mailed to you by calling (617) 887-MDOR.

What If I am Unable to Pay?

If you are unable to pay the full amount of tax that you owe, you should pay as much of your tax liability as possible with this return. You will receive a bill from the Department for the remaining amount of tax due plus accrued interest and penalty charges. If the amount of that bill is less than \$5,000 and you still cannot pay it in full, you must apply formally to the Department for a small payment agreement in order to avoid collection activity.

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

Name and Address

Use the preaddressed return in the back of the booklet we sent you if all of the preprinted information is correct. If your address has changed, please make all of the necessary changes on the preprinted form. If you did not receive a preaddressed return, print the full name, address, and Social Security number of each

person filing the return in the spaces provided. Enter names as they appear on your federal return. Also, please enter the phone number where you can be reached during the day. This will enable us to contact you if there are any problems processing your return. Like all information requested by DOR, your phone number will remain confidential.

Social Security Number(s)

Be sure your Social Security number is correct on your return. Failure to show the correct Social Security number in the space provided will delay the processing of your return. If filing jointly, list your numbers in the order they appear on your federal return. Also, be sure your employer has listed the correct Social Security number on your Form W-2.

If you are married, you must list your spouse's Social Security number even if you are filing a separate return.

Voluntary Contribution to Massachusetts Clean Elections Fund

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

Name/Address Change

If you legally changed your name or address in 1999, fill in the oval. If you changed your name enclose a copy of your Social Security card or driver's license showing your new name. Failure to include this documentation could delay processing of your return. If you move after filing, be sure to leave a forwarding address with your local post office and file a Change of Address Form with the Massachusetts Department of Revenue.

Deceased Taxpayer

Be sure to fill in the appropriate oval if a taxpayer died during the taxable year. For further information, refer to the section "How Do I File a Decedent's Return?" on page 9 of the instructions.

1 Filing Status Single

Fill in the "Single" oval if you were single as of December 31, 1999. This status applies to you if at the close of the taxable year you fit into any of the following categories:

- you were unmarried;
- you were a widow or widower whose spouse died before 1999; 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, 1999. Both spouses are responsible for the accuracy of all information entered on a joint return and both must sign. A joint return is allowed even if only one spouse had income or if one spouse died during 1999.

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

Married Filing Separate Return

Fill in the “**Married filing separate return**” oval if you were legally married as of December 31, 1999, and if you and your spouse are not filing a joint return. Be sure to enter your spouse’s Social Security number in the space provided.

Head of Household

Fill in the “**Head of household**” oval if you qualify to file this status federally.

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

Noncustodial Parent

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

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

Whole-Dollar Method

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

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

2 Exemptions

Line 2a: Personal Exemptions

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

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

Line 2b: Number of Dependents

You may claim a \$1,000 exemption for each of your dependents if you claimed them on your U.S. return. Enter in the box in item b the number of the dependents you listed on U.S. Form 1040, line 6c or U.S. Form 1040A, line 6c. Do not include yourself or your spouse. Then, multiply that total by \$1,000 and enter the total amount in line 2b.

You must list the Social Security number of each dependent in the space provided for item b. You can receive a Social Security number for your dependent by filing Form SS-5 with your local Social Security Administration office. If your dependent will not have a Social Security number by April 18, 2000, file Form M-4868, Application for Automatic Six-Month Extension of Time to File Massachusetts Income Tax Return, on or before April 18, 2000.

Note: In a few cases, the number of dependents claimed for Massachusetts purposes and for U.S. purposes may differ. For U.S. tax purposes, a dependent exemption is not allowed for a person who would otherwise be a dependent but who files his/her own income tax return and claims a personal exemption. For Massachusetts tax purposes, you can claim a dependent exemption for such a person. If you claim such a dependent in Mass., increase the number reported in item b from your U.S. return by the number of such additional dependents.

Line 2c: Age 65 or Over Before 2000

You are allowed an additional \$700 exemption if you were age 65 or over before January 1, 2000. If your spouse was age 65 or over and you are filing a joint return, you may also claim a \$700 exemption for your spouse. Fill in the appropriate oval(s) and enter the total number of persons age 65 or over in the small box. Then, multiply that total by \$700 and enter the total amount in line 2c.

Line 2d: Blindness Exemption

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

Legal Definition of Blindness

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

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

You may claim an exemption for medical and dental expenses paid during 1999 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 Mass. Form 1 to claim this exemption. Enter in line 2e, item 1 the amount reported on your U.S. Form 1040, Schedule A, line 4.

If you paid adoption fees to a licensed adoption agency during 1999 and if the adoption fees were more than 3% of your adjusted 5.95% income, you are eligible for a limited exemption. Complete the following worksheet.

Line 2e Worksheet — Adoption Agency Fee Exemption

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

Enter all losses as "0."

- A. Licensed adoption agency fees. _____
- B. 5.95% income from Form 1, line 10*. _____
- C. Enter the total of Schedule Y, lines 1 through 5. _____
- D. Subtract item C from item B. _____
- E. Enter the total Mass. bank interest or the interest exemption amount, whichever is smaller, from Form 1, line 5a or line 5b. _____

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

- F. Adjusted 5.95% income. Add items D and E. _____
- G. 3% of adjusted income. Multiply item F by .03. _____
- H. Allowable Adoption Agency Fee Exemption. Subtract item G from item A and enter in Form 1, line 2e, item 2. Not less than "0" _____

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

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

Line 2f: Total Exemptions

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

5.95% Income

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

3 Wages, Salaries, Tips and Other Employee Compensation

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

Massachusetts Legal Residents Working in a Foreign Country

Income earned by a Massachusetts resident in a foreign country is subject to taxation in Massachusetts. If you excluded part or all of the compensation earned in a foreign country on your U.S. return (under Section 911 of the U.S. IRC), you must include any such amount in line 3 for Massachusetts tax purposes.

State or Local Employees Contributing to Pension Plans

If you are a Massachusetts state, city, town or county employee and contributed to your pension plan, enter in line 3 the Mass. W-2 state wage amount. This amount will be higher than the U.S. amount because your pension contributions are excluded from your income for U.S. tax purposes. Contributions up to \$2,000 per taxpayer may still be deducted in line 11 for Massachusetts tax purposes.

4 Taxable Pensions and Annuities

Income from most private pensions or annuity plans is taxable in Massachusetts. Certain government pensions, however, are exempt under Massachusetts law. In general, exempt pensions include contributory pensions from the U.S. Government or the Commonwealth of Massachusetts and its political subdivisions, and noncontributory military pensions. The following section describes some specific pensions which are exempt. If your pension is exempt, enter "0" in line 4 and note the source on the dotted line to the left.

If your pension is not exempt, you should generally enter in line 4 the taxable amount reported on your U.S. Form 1040, line 16b, or U.S. Form 1040A, line 11b. 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 Sections 403(b) and 404 of the U.S. IRC must be adjusted to account for your contributions that have been previously taxed. Subtract from such income (as reported on your U.S. Form 1040, line 16a, or U.S. Form 1040A, line 11a) the amount of your contributions which was previously taxed by Massachusetts until the total of your taxed contributions is received. If your pension falls into this category, enter the adjusted amount in line 4 and explain briefly (in an enclosed statement) why this amount is different from the amount reported on your U.S. return. If you are receiving distributions from an IRA or Keogh plan, do not report the income here; instead, please refer to the instructions for Schedule X on page 22.

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

What pensions are exempt?

- ▶ Pension income received from a contributory annuity, pension, endowment or retirement fund of the U.S. Government or the Commonwealth of Massachusetts and its political subdivisions.

Line 5 Example

Jane had \$90 in Mass. bank interest in line 5a. The exemption amount is \$100. Therefore, Jane makes no entry in line 5.

5 Mass. bank interest: a. – b. exemption = 5

Exemption: if married filing jointly, subtract \$200 from Total; otherwise subtract \$100 & enter result

► Pensions from other states or its political subdivisions which do not tax such income from Massachusetts or its political subdivisions may be eligible to be deducted from Massachusetts taxable income. This pension income, however, should be reported in line 4. Refer to Schedule Y, line 6 instructions to determine eligibility for this deduction.

► Noncontributory pension income or survivorship benefits received from the U.S. uniformed services (Army, Navy, Marine Corps, Air Force, Coast Guard, commissioned corps of the Public Health Service and National Oceanic and Atmospheric Administration) is exempt from taxation in Massachusetts.

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

If you retired under Chapter 32, Sections 56–60 of Massachusetts General Laws and are a veteran who began Massachusetts state service prior to July 1, 1939, all or part of your pension income may be subject to tax. If you elected to receive your proceeds from contributions in one lump-sum distribution, your original contributions to the retirement system are not taxable. Noncontributory pension income received after a lump-sum distribution is fully taxable and should be reported in line 4.

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 previous 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 4. 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 and Roth IRA distributions should be reported in line 9.

Rollover from a Traditional IRA to a Roth IRA. Taxpayers with \$100,000 or less in federal adjusted gross income are allowed to make partial or complete rollovers from existing IRAs to Roth IRAs. For rollovers completed in 1998, taxpayers were allowed an election to evenly spread the taxable portion over four tax years, starting with 1998. Any taxable portion of these

rollovers included in federal gross income 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.

5 Interest from Massachusetts Banks

Enter in line 5a the total amount of interest received or credited to deposit accounts (term and time deposits, including certificates of deposit, savings accounts, savings shares, and NOW accounts) in Massachusetts banks. Then, enter your exemption amount in line 5b (if married filing jointly, enter \$200; otherwise, enter \$100). Subtract line 5b from 5a and enter the result in line 5, **but not less than “0.”** See the example above.

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

Lines 6, 7 and 10. If showing a loss in lines 6, 7 or 10, be sure to mark over the “X” in the box to the left. Do not use parentheses or negative signs to indicate losses.

6 Business/Profession or Farm Income or Loss

 **Telefile-ineligible item. See page 3 for more information.**

Enter in line 6 the amount of income or loss from a business or profession from Mass. Schedule C, line 31. You must enclose Mass. Schedule C with this return. Also, enclose a copy of your U.S. Schedule C or Schedule C-EZ. See Mass. Schedule C instructions for more information.

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 36. Enclose a copy of U.S. Schedule F.

7 Rental, Royalty, REMIC, Partnership, S Corporation, Trust Income or Loss

 **Telefile-ineligible item. See page 3 for more information.**

Enter in line 7 the total of: Mass. Schedule E, Part I, line 5; Part II, line 8; and Part III, line 11. Remember to subtract losses when calculating the total. You must enclose Mass. Schedule E and a copy of U.S. Schedule E. Explain on an enclosed sheet any differences in amounts entered on the Massachusetts and U.S. schedules. See Mass. Schedule E instructions for an explanation of possible differences.

8 Unemployment Compensation

If you received unemployment compensation, enter in line 8 the amount reported on U.S. Form 1040, line 19; 1040A, line 12; 1040EZ, line 3; or U.S. Telefile Tax Record, item D. If you elected voluntary withholding of state income taxes on your unemployment compensation, be sure to include the amount of state income tax withheld, as reported on Form 1099-G, on Form 1, line 31 and attach with a single staple, where indicated on the return, Form 1099-G.

**9 Other Income (from Schedule X)
Alimony Received, Taxable IRA/Keogh and Roth IRA Distributions, Massachusetts State Lottery Winnings, Other Gambling Winnings, Fees and Other 5.95% Income**

“Other 5.95% income” includes the items listed above and must be included on Schedule X. Enter the total from Schedule X, line 6. 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 on page 22.

10 Total 5.95% Income

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

Deductions

Lines 11 through 15

Massachusetts allowable deductions differ from “Itemized Deductions” on Schedule A of U.S. Form 1040. You may claim only the deductions specified on Mass. Form 1, lines 11 through 14 and Schedule Y.

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

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

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

If you have paid into any of the retirement systems listed above during 1999, you may deduct those contributions, up to a maximum of \$2,000.

Enter in items 11a and 11b the amount you, and your spouse if filing jointly, paid to Social Security (FICA), Medicare or Railroad Retirement and the U.S. or Massachusetts Retirement Systems during 1999 as shown on your Form W-2, but not more

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

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

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

 **Telefile-ineligible item. See page 3 for more information.**

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

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

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

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

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

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

B. If you paid 1998 expenses in 1999, enter the amount of the allowed 1998 expenses used to compute the credit on U.S. Form 2441, line 9, or U.S. Form 1040A, Schedule 2, line 9. Otherwise, enter “0” _____

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

13 Dependent Member of Household Under Age 12 at Year End

You may deduct one \$1,200 amount if at least one dependent member of your household was under age 12 on December 31, 1999 and if you are either single, head of household, or married filing jointly. You may claim only one \$1,200 amount, regardless of the number of dependent children under age 12. Be sure to enter the dependent child’s name on the line provided in line 13.

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

14 50% Rental Deduction

You may be entitled to a rental deduction equal to one-half (50%) of the rent you paid during 1999 (up to a maximum of \$2,500 per return) for your principal residence in Massachusetts.

What Qualifies for the Rental Deduction?

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

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

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

A principal residence does not include any residence for vacation, an apartment for a person on a temporary assignment, or a student or faculty member who has a principal residence elsewhere. It also does not include any apartment or house in Massachusetts of a nonresident who has a legal residence in another state or country.

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

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

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

If a husband and wife file separate returns, they are each entitled to a rental deduction equal to 50% of the rent each pays, not to exceed \$1,250 per return. However, a married couple filing separately may allocate the rent deduction differently, provided the amount taken by each spouse does not exceed 50% of the rent actually paid by that spouse, and provided their combined rental deductions do not exceed \$2,500. If the allocation results in one spouse claiming a deduction in excess of \$1,250, that spouse must enclose with his/her return a statement signed by the other spouse indicating consent to the allocation. The statement must contain the name, address and Social Security number of the consenting spouse and the amount of rental deduction taken by that spouse. This statement is in addition to the requirement that each taxpayer who claims the rental deduction must provide the landlord's name(s) on the front of the return.

Line 14 Worksheet — 50% Rental Deduction

- A.** Enter the total amount of qualified rent paid by you during 1999
- B.** Divide item A by 2 ($\div 2$) and enter the result, or \$2,500 (\$1,250, if married filing a separate return; see instructions) — whichever is smaller — in line 14 of Form 1

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

15 Other Deductions (from Schedule Y)

 **Telefile-eligible item.** See page 3 for more information.

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

"Other deductions" include the items listed above and must be included on Schedule Y. Enter the total from Schedule Y, line 8. Be sure to enclose Schedule Y with your return. Failure to do so will delay the processing of your return. See Schedule Y instructions on page 23.

16 Total Deductions

Add lines 11 through 15.

17 5.95% Income After Deductions

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

18 Exemption Amount

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

19 5.95% Income**a 5.95% Income After Exemptions**

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

If line 18 exceeds line 17 and you were the beneficiary of an estate or trust taxed in Massachusetts, or if you received interest income (other than interest from Massachusetts banks), dividends or capital gain income, read the following section and complete the worksheet for Schedule B, line 24 and Schedule

D, line 21 in the next column, if applicable. All others proceed to line 19b.

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

If you are reporting income on Form 1 and were also the beneficiary of an estate or trust, you may apply excess exemptions to your income taxed at 5.95% on Form 2, Massachusetts Fiduciary Income Tax Return. If you are single, head of household, or married filing jointly, you may then apply any remaining excess exemptions to your interest income (other than interest from Mass. banks), dividends or capital gain income reported on Form 1. Any excess amount should then be applied against interest income (other than interest from Mass. banks), dividends or capital gain income reported on Form 2 before applying any remaining excess amount against 5% income reported on Form 1. Any excess amount remaining should then be applied against 5% income reported on Form 2 before applying any remaining excess amount against 4% income reported on Form 1. Any excess amount remaining should then be applied against 4% income reported on Form 2 before applying any remaining excess amount against 3% income reported on Form 1. Any excess amount remaining should then be applied against 3% income reported on Form 2 before applying any remaining excess amount against 2% income reported on Form 1. Any excess amount still remaining should then be applied against 2% income reported on Form 2. You must complete and file with your Form 2 a copy of Form 20A, Beneficiary's Claim for Exemptions Applicable to Fiduciary Income, in order to apply the excess exemptions to your Form 2 income. Form 20A is included in the Form 2 booklet.

b Interest and Dividend Income

If you have any interest income other than interest from deposits in banks located in Massachusetts, dividend income in excess of \$400, certain capital gains or losses, or any adjustments to interest income (other than interest from Mass. banks), you must complete Schedule B. Be sure to enclose Mass. Schedule B. To determine if you need to file Schedule B refer to the Schedule B instructions beginning on page 29 of this booklet.

Enter in line 19b the amount from Schedule B, line 26. If not required to file Schedule B, enter dividend income of \$400 or less (from U.S. Form 1040 or 1040A, line 9) in line 19b.

c Total 5.95% Income

Add line 19a and line 19b.

Tax on 5.95% Income

20 5.95% Tax (from Tax Table)

Based upon the amount in line 19c, find the proper amount of tax in the green table at the back of this booklet. Enter the tax in line 20. If line 19c is more than \$80,000, multiply the amount in line 19c by .0595 and enter the result in line 20. You must use the tax table if line 19c is \$80,000 or less.

12% Income and Tax

 **Telefile-ineligible item. See page 3 for more information.**

21 12% Income from Certain Capital Gains

If you have any interest income other than interest from deposits in banks located in Massachusetts, dividend income in excess of \$400, certain capital gains or losses, or any adjustments to interest income (other than interest from Mass. banks), you must complete Schedule B. Be sure to enclose Mass. Schedule B. To determine if you need to file Schedule B refer to the Schedule B instructions beginning on page 29 of this booklet.

Enter in line 21a the amount from Schedule B, line 27. Multiply this amount by .12 (12%) and enter the tax in line 21.

Long-Term Capital Gain Income and Tax

 **Telefile-ineligible item. See page 3 for more information.**

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

Enter in line 22 the amount from Schedule D, line 24, **but not less than "0."** Be sure to enclose Mass. Schedule D. To determine if you need to file Schedule D refer to the Schedule D instructions beginning on page 33 of this booklet.

Schedule B, Line 24 and Schedule D, Line 21 Worksheet — Exemptions from Interest and Dividend Income, 12% Income and Long-Term Capital Gain Income (Only if Single, Head of Household, or Married Filing Jointly)

If your total exemptions in line 18 are more than the amount of your 5.95% income after deductions in line 17, the excess may be applied against all your interest and dividend income and income taxed at 12%. Any remaining excess amount may then be applied against all your long-term capital gain income. (If you are the beneficiary of a Massachusetts trust or estate, see the instructions for line 19.) Complete the following worksheet only if line 17 is less than line 18 to determine if you qualify for the excess exemption. Enter all losses as "0."

- A.** Enter amount from Schedule B, line 23. Not less than "0".....
- B.** Enter amount from Form 1, line 18.

Worksheet continues on next column ...

Mass. AGI

... continued from previous column

- C.** Enter amount from Form 1, line 17.
- D.** Subtract item C from item B. If "0" or less, you do not qualify for this exemption. Omit remainder of worksheet.
- E.** Excess exemptions applied against interest and dividend income and 12% income. If item A is larger than item D, enter item D here and in Schedule B, line 24 and omit remainder of worksheet. If item D is equal to or larger than item A, enter item A here and in Schedule B, line 24. Complete items F through H.
- F.** Subtract item E from item D. If "0" you have no remaining excess exemptions. Omit remainder of worksheet.
- G.** Enter Schedule D, line 20, column A. Not less than "0".
- H.** Excess exemptions applied against long-term capital gain income taxed at 5%. If item G is larger than item F, enter item F here and in Schedule D, line 21, column A and omit remainder of worksheet. If item F is equal to or larger than item G, enter item G here and in Schedule D, line 21, column A. Complete items I through K.
- I.** Subtract H from F. If "0," you have no remaining excess exemptions. Omit remainder of worksheet.
- J.** Enter Schedule D, line 20, column B. Not less than "0".
- K.** Excess exemptions applied against long-term capital gain income taxed at 4%. If item J is larger than item I, enter item I here and in Schedule D, line 21, column B. If item I is equal to or larger than item J, enter item J here and in Schedule D, line 21, column B. Complete items L through N.
- L.** Subtract K from I. If "0," you have no remaining excess exemptions. Omit remainder of worksheet.
- M.** Enter Schedule D, line 20, column C (from page 2). Not less than "0".
- N.** Excess exemptions applied against long-term capital gain income taxed at 3%. If item M is larger than item L, enter item L here and in Schedule D, line 21, column C (on page 2). If item L is equal to or larger than item M, enter item M here and in Schedule D, line 21, column C (on page 2). Complete items O through Q.
- O.** Subtract N from L. If "0," you have no remaining excess exemptions. Omit remainder of worksheet.
- P.** Enter Schedule D, line 20, column D (from page 2). Not less than "0".
- Q.** Excess exemptions applied against long-term capital gain income taxed at 2%. If item P is larger than item O, enter item O here and in Schedule D, line 21, column D (on page 2). If item O is equal to or larger than item P, enter item P here and in Schedule D, line 21, column D (on page 2).

Excess Exemptions

If excess exemptions were used in calculating lines 19b, 21 or 22 (see Schedule B, line 24 and/or Schedule D, line 21), be sure to fill in the oval in line 22.

College Tuition Deduction

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

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

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

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

If you do not qualify for No Tax Status, but you are single and your Mass. AGI is between \$8,000 and \$14,000, or if you are filing as head of household and your Mass. AGI is between \$14,400 and \$25,200 plus \$1,750 per dependent, or if you are married filing a joint return and your Mass. AGI is between \$16,400 and \$28,700 plus \$1,750 per dependent, you may qualify for the Limited Income Credit. This credit is an alternative tax calculation that can result in a significant tax reduction for people whose income is close to the No Tax Status threshold.

Massachusetts Adjusted Gross Income

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

- wages, salaries, tips;
- taxable pensions and annuities;
- pension income from another state or political subdivision before any deduction;
- taxable IRA/Keogh and Roth IRA distributions;
- fees and unemployment compensation;
- income or loss from a business or profession;
- income or loss from partnerships, S corporations and trusts;
- rents, royalties and REMIC income;
- alimony and other 5.95% income;
- interest from Massachusetts banks before exemptions; and
- other interest, dividends, and capital gains.

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

Mass. AGI Worksheet

Line 1. Enter your total 5.95% income from Form 1, line 10. Not less than "0"*

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

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

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

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

Line 5. Enter amount from Schedule B, line 23. If there is no entry in Schedule B, line 23 or if not filing Schedule B, enter the amount from Form 1, line 19b

Line 6. Enter the total of Schedule D, line 20, columns A, B, C and D. Not less than "0"

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

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

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

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

Filing status:

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

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

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

23 No Tax Status

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

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

24 Tax

Add line 20 (5.95% tax), line 21 (12% tax) and line 22 (tax on long-term capital gains). Enter the total in line 24.

25 Limited Income Credit

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

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

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

Line 3. Subtract line 2 from line 1

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

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

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

26 Other Credits (from Schedule Z)

 Telefile-ineligible item. See page 3 for more information.

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

"Other credits" include the items listed above and must be included on Schedule Z. Enter the total from Schedule Z, line 3. Be sure to enclose Schedule Z with your return. Failure to do so will delay the processing of your return. See Schedule Z instructions on page 25.

27 Total Credits

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

28 Tax After Credits

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

29 Voluntary Contributions

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

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

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

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

d. **Massachusetts United States Olympic Fund:** Contributions to this fund are used to assist Massachusetts residents in paying all or part of any costs associated with the development, maintenance and operation of the United States Olympic Team participating in the Olympics.

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

30 Tax After Credits Plus Voluntary Contributions

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

31 Massachusetts Income Tax Withheld

This represents all income taxes withheld for the Commonwealth of Massachusetts as indicated on your copies of Forms W-2, W-2G and certain 1099s, if applicable. Enter the total of all Massachusetts withholdings in line 31. Attach, with a single staple, state copies to your return; otherwise your claim of amounts withheld will not be allowed. If you have lost your state copy, ask the payer for a duplicate. Copies of 1099s need only be attached if they show an amount for Massachusetts tax withheld.

32 1998 Overpayment Applied to Your 1999 Estimated Tax

Include the exact amount of any 1998 overpayment you applied to your 1999 estimated taxes on your 1998 Mass. Form 1, line 38. Do not include any 1998 refund in this line.

33 1999 Massachusetts Estimated Tax Payments

If you paid Massachusetts estimated income tax for 1999, enter in line 33 the total of all Massachusetts estimated tax pay-

ments. Be sure to include any last quarter (of 1999) payment made on or before January 18, 2000. Do not include any 1998 overpayment applied to your 1999 estimated tax. Every resident who expects to pay more than \$200 in Massachusetts income tax on income which is not covered by Massachusetts withholding must pay Massachusetts estimated taxes on Mass. Form 1-ES. These forms are available at any Department of Revenue location.

Income which is not subject to withholding includes:

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

In most cases, the first payment voucher, Mass. Form 1-ES, must be filed on or before April 15 of the taxable year. The estimated tax may be paid in full with the first payment voucher or in four installments on or before April 15, June 15, September 15 of the current taxable year and January 15 of the following year.

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

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

34 Earned Income Credit

Taxpayers who qualify for and claim the federal earned income credit are allowed a refundable credit equal to 10% of the federal amount. You must enter the number of qualifying children, if any, in line 34a, and their Social Security number(s) in the spaces provided. Then, enter the federal earned income credit amount from your U.S. Form 1040, line 59a, 1040A, line 37a; 1040EZ, line 8a; or U.S. Telefile Tax Record, item K. Multiply this amount by .10 (10%) and enter the result in line 34.

If you choose to have the IRS compute your federal earned income credit, wait until the IRS notifies you of that amount before making an entry in line 34. If you have not received your earned income credit amount as computed by the IRS by April 18, 2000, you may file Massachusetts Form M-4868, Application for Automatic Six-Month Extension of Time to File Massachusetts Income Tax Return.

35 Payments Made with Extension

If you filed Massachusetts Form M-4868, Application for Automatic Six-Month Extension of Time to File Massachusetts Income Tax Return, for 1999 on or before April 18, 2000, enter in line 35 the amount you paid with Mass. Form M-4868, line 7. Enclose a copy of your extension form with your return.

36 Capital Gains Tax Credit Carryover from Previous Years

 **Teletype-eligible item. See page 3 for more information.**

Recent legislation made changes to the calculation of tax on capital gains and interest and dividends. These changes are retroactive to 1996. If any of the changes reduce the amount of tax for 1996, 1997 or 1998, you may recalculate your tax for those prior years. The difference in the amount of tax previously paid and the amount of tax calculated under the new legislation may be claimed in several ways. You may apply for a refund of the difference or it may be claimed as a credit on the succeeding years tax form. If you elect the option to claim a credit on the succeeding years tax form, enter in line 36 the amount of the credit as calculated on Schedule CGT, Capital Gains Tax Recalculation.

If you had capital gains and losses in 1996, 1997 and/or 1998 and wish to recalculate your tax based on these new provisions, you can obtain Schedule CGT, Capital Gains Tax Recalculation and Instructions by visiting DOR's website at www.state.ma.us/dor. This information is also available by calling DOR at (617) 887-MDOR or toll-free in Massachusetts at 1-800-392-6089, and pressing option 2 for tax forms.

For a detailed explanation of the new law, see TIR 99-17.

37 Total Tax Payments

Add lines 31 through 36. Enter the total in line 37.

Refund Amount

38 Overpayment

If line 30 is smaller than line 37, subtract line 30 from line 37 and enter the result in line 38. This is the amount of your overpayment. If line 30 is larger than line 37, skip to line 41.

39 Amount of Overpayment You Want Applied to Your 2000 Massachusetts Estimated Tax

Enter the amount of your 1999 overpayment that you wish to apply to your 2000 Massachusetts estimated tax. Once an election is made to apply your overpayment to your 2000 estimated tax, it cannot be refunded later or applied to any additional tax you may owe for 1999. The amount entered in this line can only be claimed as a credit on your 2000 Massachusetts return.

40 Refund Amount

Subtract line 39 from line 38. Enter the result in line 40. This is the amount of your refund.

Direct Deposit

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

The routing number of your financial institution is nine digits and begins with 01, 02, 21 or 22. 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 40 if you are requesting direct deposit. Failure to do so will result in your request for direct deposit being denied. See sample check below for location of this information.

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

JANE TAXPAYER JOHN TAXPAYER 123 Main Street Anyplace, MA 02000		1234 15-0000/0000
Date _____		
PAY TO THE ORDER OF _____		\$ _____
_____ DOLLARS		
YOUR BANK Anyplace, MA 02000		
For	Routing number	Account number
	020250025	202020 *** 86

Tax Due

41 Tax Due

If line 30 is larger than line 37, subtract line 37 from line 30, and enter the result in line 41. This is the amount of tax you owe with your return. Pay in full with your return. Make your check or money order payable to the Commonwealth of Mass-

achusetts and write your Social Security number on the front of your check or money order in the lower left corner. Complete and remove Form PV, Massachusetts Income Tax Payment Voucher, attached to the back of the "Payment Due" envelope. Staple the check to the front of Form PV and enclose Form PV with your return.

Failure to file or failure to pay the proper amount of tax when due will result in an increasing amount of interest and penalties. It is to your advantage to file when your return is due, whether or not you are able to make full payment.

If you owe any interest, penalty or addition for the underpayment of estimated tax, add those amounts to the tax you owe and enter the total amount in line 41.

What Are Interest and Penalties?

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

Penalty for Late Payment: The penalty for late payment is $\frac{1}{2}\%$ per month (or fraction thereof) of the tax due, up to a maximum of 25%.

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

Penalty for Protested ("Bad") Check: If your check is not honored by your bank because of insufficient funds or any other reason, a penalty may be added equal to 2% of the amount of the check or \$10, whichever is greater (but no more than the amount of the check).

Addition for Underpayment of Estimated Tax: You will generally be subject to this addition to tax if you did not have withholding and/or estimated payments equal to 80% of the total tax liability required to be paid and your 1999 tax due after credits and withholding is greater than \$200. The 80% requirement is reduced to 66% for individuals who receive two-thirds of their income from fishing or farming. If you failed to meet these requirements, you must complete and enclose Mass. Form M-2210 to calculate the amount you must add to line 41. You do not have to complete Form M-2210 if the balance due with your return is \$200 or less.

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

- you are a qualified farmer or fisherman and are paying the full amount of the tax due on or before March 1, 2000;

- you were a Mass. resident and were not liable for 1998 taxes (where the taxable year was 12 months); or
- the sum of your estimated payments and withholding equals or exceeds your 1998 total tax due (where the taxable year was 12 months and a return was filed).

If you qualify for one of these exceptions, please fill in the oval marked "EX" under line 41 on Form 1 and enclose Form M-2210 indicating which of the exceptions applies to your circumstances.

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

- the underpayment was because of casualty or disaster; or
- you retired after reaching age 62 or became disabled during 1998 or 1999 and the underpayment was due to reasonable cause and not willful neglect.

If you think you qualify for one of these waivers, please enclose Form M-2210 and an explanatory statement with your return and fill in the oval marked "EX" under line 41. If your waiver is not for all four installments, complete Form M-2210 to calculate the underpayment penalty for the installments which are not covered by the waiver. Form M-2210 is available at any Massachusetts Department of Revenue location.

Penalty for Failure to Report Federal Change: If the U.S. Internal Revenue Service changes your income for a prior year (generally through audit), file a Mass. Form 33X together with any required schedules or additional payments within one year of the final federal determination, to avoid this penalty. This penalty is equal to 10% of the additional tax due or \$100, whichever is smaller. If the change indicates a refund, file Mass. Form 33X within one year, including acceptance of an amended federal return by the Internal Revenue Service.

Sign Here

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

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

Schedule Instructions

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

Massachusetts Department of Revenue
PO Box 7000
Boston, MA 02204

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

Massachusetts Department of Revenue
PO Box 7003
Boston, MA 02204

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

Schedule X

Other Income

Be sure to enclose with Form 1.

1 Alimony Received

Enter in Schedule X, line 1 the total amount of all periodic payments of alimony or separate maintenance received under a court judgment or decree, or for excess alimony amounts recaptured, as reported on U.S. Form 1040, line 11. Payments specified as child support are not taxable. You must enter in the space provided the payer's Social Security number.

2 Taxable IRA/Keogh and Roth IRA Distributions

Complete the following Schedule X, line 2 worksheet to calculate the taxable portion of any amount you received as an Individual Retirement Account (IRA), Keogh or Roth IRA distribution. Since Massachusetts does not allow a deduction for amounts originally contributed to an IRA or Keogh, the distributions are not taxable until the full amount of your contributions which were previously subject to Massachusetts taxes are recovered.

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

Massachusetts generally adopts the federal conversion rules for partial or complete rollovers from existing IRAs to Roth IRAs. Generally, the rollover amount is treated as a distribution and included in federal gross income to the extent it is attributable to investment growth or previously deducted contributions. A special four-tax-year averaging rule applies, at the election of the taxpayer on their U.S. return, whereby the taxable portion of the 1998 rollover amount is included in gross income evenly

over four taxable years beginning in 1998. This election applies for Massachusetts purposes; however, only the portion previously not subject to Massachusetts taxation will be included in Massachusetts gross income evenly over four tax years. See TIR 98-8, *Massachusetts 1998 Reducing Income Taxes Act*, for further details.

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

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

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

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

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

Note: If during 1999 you received a distribution from a Roth IRA that was treated as an accelerated income inclusion for federal tax purposes, you must also treat the distribution as an accelerated income inclusion for Massachusetts purposes. See the example in the instructions for further details.

If completing the worksheet to report conventional IRA/Keogh distributions, Roth IRA conversion distributions occurring in 1999 and Roth IRA conversion distributions if four-year tax averaging was elected on your 1998 U.S. tax return, complete lines 1 through 10.

Roth IRA distributions are taxable in Massachusetts to the extent they are federally taxable. Report taxable 1999 Roth IRA distributions on line 10.

Line 1. Total IRA/Keogh plan distributions, Roth IRA conversion distributions received during 1999

Line 2. Total contributions previously taxed by Massachusetts

Line 3. Total distributions received in previous years

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

Worksheet continues on next column . . .

... continued from previous column

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

Note: Complete lines 6–9 only if during 1998 you received Roth IRA conversion distributions and elected four-year tax averaging on your 1998 U.S. tax return. Otherwise go to line 10.

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

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

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

Line 9. 1999 taxable Roth IRA conversion distributions if four-year tax averaging elected on your 1998 U.S. tax return. Divide line 8 by 4.....

Line 10. Total taxable IRA/Keogh, 1999 Roth IRA conversion distributions, 1999 taxable Roth IRA distributions and 1998 Roth IRA conversion distributions (if four-year tax averaging was elected). Add line 5 and line 9 and enter the result here and in line 2 on Schedule X.....

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

3 Massachusetts State Lottery Winnings

Enter in Schedule X, line 3 all winnings from the Massachusetts state lottery. Do not enter less than "0." You may only deduct the price of your winning ticket. Lottery losses are not deductible under Massachusetts law. Lottery losses claimed as itemized deductions on U.S. Form 1040, Schedule A are not allowed on your Mass. return.

4 Other Gambling Winnings

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

5 Fees and Other 5.95% Income

The following items should be reported on line 5 of Schedule X. Do not enter less than "0." Enclose additional statements if more space is needed.

- ▶ All fee income, such as payments for jury duty, election worker payments, director's fees, compensation received as executor or administrator of an estate, and commission income or tips not reported in line 3 of Form 1 are taxable. Also, report all bartering income not reported on Schedule C (the fair

market value of goods or services received in payment for your services).

- ▶ All prizes and awards won in a quiz program, drawing, beauty contest, etc. are taxable at fair market value. Awards and bonuses received from your employer for performance of services not part of a qualified award plan are also taxable.

- ▶ Other Massachusetts 5.95% income reported on U.S. Form 1040, line 21 and not reported elsewhere in Form 1, lines 3 through 8 or Schedule X, lines 1 through 4 must be reported in line 5 of Schedule X.

- ▶ Pre-1996 installment sales classified as ordinary income for Massachusetts purposes (from Mass. Schedule D, line 9) are taxed as 5.95% income and must be reported on line 5 of Schedule X.

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

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

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

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

6 Total

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

Schedule Y

 **Telefile-ineligible item. See page 3 for more information.**

Other Deductions

Be sure to enclose with Form 1.

1 Allowable Employee Business Expenses

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

Employees may deduct the following:

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

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

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

If you are a qualified performing artist or a fee-basis state or local government official, do not complete the worksheet. Enter on Schedule Y, line 5 your federally deductible business expenses included on U.S. Form 1040, line 32 and fill in the appropriate oval in Schedule Y, line 5. On the dotted line next to line 5, be sure to indicate the type of deduction being taken, as identified on U.S. Form 1040, line 32. For example, qualified performing arts-related expenses should be identified as "QPA" and employee business expenses of fee-basis state or local government officials should be identified as "FBO." Enclose U.S. Form 2106 or 2106-EZ with your return.

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

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

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

2 Penalty on Early Savings Withdrawal

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

3 Alimony Paid

Enter in Schedule Y, line 3 the total amount that you paid to your former spouse during 1999 for alimony or separate maintenance under court decree, or for excess alimony amounts recaptured, as reported on U.S. Form 1040, line 31a. Enter the recipient's Social Security number in the space provided in line 3 of Schedule Y.

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

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

Enter any excludible amount of income received while you were a firefighter or police officer incapacitated in the line of duty in line 4 of Schedule Y that was included in Form 1, line 3, and fill in the appropriate oval. Enclose a statement from your employer.

If you were a qualifying student, enter any excludible amount of income received that was exempt under a U.S. tax treaty in line 4 of Schedule Y that was included in Form 1, line 3, and fill in the appropriate oval. Enter the country name, the income code number and the tax treaty article citation in the spaces provided. Enclose U.S. Form 1042-S.

5 Other Qualified Deductions

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

▶ **Student Loan Interest Deduction:** Enter the amount from U.S. Form 1040, line 24 (not to exceed \$1,500 for tax year 1999) and fill in the appropriate oval in line 5 of Schedule Y.

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

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

► **Self-Employed Health Insurance Deduction:** Due to differences between the Internal Revenue Code as amended and in effect as of January 1, 1998 and the current year, only 45% of the qualified insurance payments are deductible for Massachusetts purposes for the 1999 tax year. As a result, you must complete a pro forma version of the U.S. Self-Employed Health Insurance Deduction Worksheet using .45 (45%) in line 2 of the worksheet. Enter the result here and fill in the appropriate oval in line 5 of Schedule Y.

► **Certain Qualified Deductions from U.S. Form 1040:** Do not include any amounts reported on U.S. Form 1040, lines 23 through 31a that are included in Form 1040, line 32 total. Enter only amounts included in U.S. Form 1040, line 32 as an adjustment, except amounts contributed to section 501(c)(18) pension plan. For Massachusetts purposes, contributions to section 501(c)(18) pension plans are not deductible. On the dotted line next to line 5, be sure to indicate the type of deduction being taken, as identified on U.S. Form 1040, line 32. For example, qualified performing arts-related expenses should be identified as "QPA"; jury duty pay given to your employer should be identified as "Jury Pay"; reforestation amortization should be identified as "RFST"; repayment of supplemental unemployment benefits under the Trade Act of 1974 should be identified as "Sub-Pay TRA"; the deduction for clean-fuel vehicles should be identified as "Clean-Fuel"; employee business expenses of fee-basis state or local government officials should be identified as "FBO"; and deductible expenses related to income reported on U.S. Form 1040, line 21 and Massachusetts Schedule X, line 5 from the rental of personal property engaged in for profit should be identified as "PPR." Fill in the appropriate oval in line 5 of Schedule Y.

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

Massachusetts allows a deduction for pension income received from another state or one of its political subdivisions which does not tax such income from Massachusetts or its political subdivisions. For guidelines to determine which state's pensions are exempt in Massachusetts, refer to Technical Information Release (TIR) 95-9. Enter any deductible amount of such income in line 6 of Schedule Y that was included in Form 1, line 4. Enter the name of the state or political subdivision in the space provided in line 6.

7 College Tuition Deduction

A deduction is allowed for tuition payments paid by you, for yourself or a dependent, to a qualifying two- or four-year college leading to an undergraduate or associate's degree, diploma or certificate. Tuition payments for students pursuing graduate degrees at such a college or university are not eligible for the college tuition deduction. The deduction is equal to the amount by

which the tuition payments, less any scholarships, grants or financial aid received, exceed 25% of Massachusetts adjusted gross income. Qualified tuition expenses include only those expenses designated as tuition or mandatory fees required for the enrollment or attendance of the taxpayer or any dependent of the taxpayer at an eligible educational institution. No deduction is allowed for any amount paid for room and board, books, supplies, equipment, personal living expenses, meals, lodging, travel or research, athletic fees, insurance expenses or other expenses unrelated to an individual's academic course of instruction. Complete the Mass. AGI Worksheet on page 18 and the Schedule Y, line 7 worksheet below to see if you may qualify for this deduction. See Technical Information Release (TIR) 97-13 for more information.

Schedule Y, Line 7 Worksheet — College Tuition Deduction

Line 1. Enter total tuition payments paid by you, for yourself or a dependent, to a qualifying two- or four-year college in 1999

Line 2. Enter amount of scholarships, grants or financial aid received in 1999 for amounts shown in line 1

Line 3. Subtract line 2 from line 1. If "0" or less, you do not qualify for this deduction

Line 4. Enter amount from line 7 of Mass. AGI worksheet (page 18)

Line 5. Multiply line 4 by .25

Line 6. If line 3 is smaller than line 5, you are not eligible for this deduction. Enter "0." If line 3 is larger than line 5, subtract line 5 from line 3 and enter the result here and in line 7 on Schedule Y

8 Total Other Deductions

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

Schedule Z

 **Telefile-ineligible item. See page 3 for more information.**

Other Credits

Be sure to enclose with Form 1.

1 Part 1 Credits

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

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

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

► **Septic Credit:** An owner of residential property located in Massachusetts who occupies the property as his or her principal residence is allowed a credit of a maximum of \$1,500 per taxable year for expenses incurred to comply with the sewer system requirements of Title V as promulgated by the Department of Environmental Protection or to connect to a municipal sewer system pursuant to a federal court order, consent decree or similar mandate. The amount of the credit is 40% of the cost, up to \$15,000, for design and construction expenses for repair or replacement of a failed cesspool or septic system. The maximum aggregate amount of the credit is \$6,000. A five-year carryover of any unused credit is allowed. See TIRs 97-12, 98-8 and 99-5 for more information. If you qualify for this credit, complete and enclose Massachusetts Schedule SC, Septic Credit, and fill in the appropriate oval in Part 1.

► **Brownfields Credit:** Taxpayers are allowed a credit for amounts expended to rehabilitate contaminated property owned or leased for business purposes and located within an economically distressed area. In general, the credit is 25% or 50% of certain environmental response and removal costs incurred between August 1, 1998, and January 1, 2005. The credit that may be taken in any taxable year is limited to 50% of the taxpayer's tax liability. A five-year carryover of unused credit is allowed, provided the taxpayer continues to maintain the remedies required by law. See TIR 99-13 for more information.

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

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

► **Income Tax Paid to Another State:** If any of the income reported on this return is subject to taxation in another state or jurisdiction and you have filed a return and paid taxes in the other state or jurisdiction, complete the following worksheet, enclose a copy of your return filed with another state or jurisdiction and fill in the appropriate oval in Part 2. Do not include taxes paid to the U.S. government. (This credit does not apply to city or local taxes.) You are allowed to claim a credit for taxes paid to the following jurisdictions: (a) other states in the U.S.; (b) any territory or dependency of the U.S. (including Puerto Rico, the Virgin Islands, Guam, the District of Columbia); or (c) the Dominion of Canada or any of its provinces (less any U.S. credit amount allowable from U.S. Form 1116).

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

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

You must complete separate worksheets if you had 5.95% and interest income (other than interest from Mass. 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 Mass. banks), dividends or capital gain income, substitute interest income (other than interest from Mass. banks), dividends or capital gain income for 5.95% income in line 1. You must also substitute Schedule B, line 11 (interest and dividend income and taxable 12% capital gains) or Schedule D, line 12, columns A, B, C and D (gross long-term capital gains and losses), but not less than "0," for Form 1, line 10 in line 2 of the worksheet, and the total of Form 1, line 19b multiplied by .0595 and Form 1, line 21 (tax on interest and dividend income and 12% tax) or line 22 (tax on long-term capital gains) for Form 1, line 20 in line 4 of the worksheet.

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

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

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

Line 1. Enter the total 5.95% income included in Form 1, line 10 on which you paid taxes to another jurisdiction.

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

Line 3. Divide line 1 by line 2.

Line 4. Multiply Form 1, line 19a by .0595.

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

Line 6. Subtract line 5 from line 4.

Line 7. Multiply line 6 by line 3.

Line 8. Enter the total tax paid to other jurisdictions on income also reported on this return unless the tax was paid to Canada. If the tax was paid to Canada, the amount reported in this line must be reduced by the amount claimed as a foreign tax credit on U.S. Form 1040, line 46. Credit is only allowable for amount of tax paid.

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

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

► **Energy:** If you had expenditures for certain renewable energy source items, such as equipment which uses or transmits solar or wind energy to heat, cool, or provide hot water for your principal residence in Massachusetts, you may qualify for a credit. Massachusetts does not allow a credit for expenditures on items such as: insulation, storm or thermal windows or doors, caulking, weather-stripping, heat pumps (air and water), wood burning stoves or furnaces, and costs for energy conservation. If you qualify for the credit, complete and enclose Massachusetts Schedule EC, Residential Energy Credit, and fill in the appropriate oval in Part 2.

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

Schedule E, Part I

 **Telefile-ineligible item.** See page 3 for more information.

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

Rental, Royalty and REMIC Income or Loss

1a Rental and Royalty Income or Loss

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

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

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

2 Massachusetts Differences

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

Trust Provisions

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

Deductible Royalties from U.S. Energy Conservation Patents

Enter any income you received from certain U.S. patents that are approved by the Massachusetts Division of Energy Resources as being useful for energy conservation or for alternative energy development. Request approval from the Division of Energy Resources, Attention: General Counsel, 100 Cambridge Street, Room 1500, Boston, MA 02202, or call (617) 727-4732. Enclose evidence of such approval with your tax return. If such approved patent income is other than royalty income, use the applicable schedule and explain.

Passive Losses

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

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

For more information, see the *Guide to Filing Your 1999 Massachusetts Income Taxes*.

4 Abandoned Building Renovation Deduction

In line 4 enter 10% of the costs of renovating a qualifying abandoned building in an Economic Opportunity Area. Enclose a statement detailing the location and cost of renovating the qualifying abandoned building. For further information, contact the

Massachusetts Office of Business Development, One Ashburton Place, Room 2101, Boston, MA 02108.

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

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

Schedule E, Part II



Telefile-ineligible item. See page 3 for more information.

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

Income or Loss From Partnerships and S Corporations

1 Partnership and S Corporation Income or Loss

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

2 Massachusetts Differences

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

4 Abandoned Building Renovation Deduction

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

6 Interest (Other Than from Massachusetts Banks) and Dividends

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

7 Interest from Massachusetts Banks

Enter interest from Mass. banks from trade or business activity(ies) if included in line 5. This income must be reported on

Form 1, line 5a. This information should be provided by the S corporation or partnership.

8 Total Income or Loss from Partnerships and S Corporations

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

Schedule E, Part III



Telefile-ineligible item. See page 3 for more information.

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

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

1 Estate and Trust Income or Loss

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

2 Massachusetts Differences

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

4 Abandoned Building Renovation Deduction

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

6 Estate or Nongrantor-Type Trust Income

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

8 Interest (Other Than from Massachusetts Banks) and Dividends

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

9 Adjustment of 5.95% Income

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

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

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

Schedule B

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

Interest, Dividends and Certain Capital Gains and Losses

You must file Mass. Schedule B if you had:

- ▶ dividend income in excess of \$400;
- ▶ any interest income other than from Massachusetts banks taxed at 5.95%;
- ▶ short-term capital gains or losses;
- ▶ carryover short-term losses from prior years;
- ▶ long-term gains on collectibles and pre-1996 installment sales classified as capital gain income for Massachusetts purposes;
- ▶ gains or losses from the sale, exchange or involuntary conversion of property used in a trade or business;
- ▶ net long-term capital gains and losses; or
- ▶ excess exemptions.

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

▶ You need not file Mass. Schedule B if all interest income you had was from Massachusetts banks (reportable in Form 1, line 5a), and your gross dividend income was \$400 or less (dividend income of \$400 or less is reportable on Form 1, line 19b), and you have no short-term capital gains or losses, long-term gains on collectibles and pre-1996 installment sales, gains or losses from the sale, exchange or involuntary conversion of property used in a trade or business, allowable deductions from your trade or business, carryover short-term losses from prior years, net long-term capital gains or losses, or excess exemptions.

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

▶ You need not complete Schedule B, Part 2 if you do not have any of the following: short-term capital gains or losses; carryover short-term losses from prior years; long-term gains on collectibles and pre-1996 installment sales classified as capital gain income for Massachusetts purposes; gains or losses from the sale, exchange or involuntary conversion of property used in a trade or business and held for one year or less; allowable deductions from your trade or business; net long-term capital gains or losses; or excess exemptions (see line 7 instructions).

Part 1. Interest and Dividend Income

1 Total Interest Income

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

2 Total Ordinary Dividends

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

3 Other Interest and Dividends

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

▶ Interest from obligations of other states and their political subdivisions (including your share, if any, from a partnership, an S corporation and a grantor-type trust or non-Massachusetts trust). Do not include exempt interest already included in line 1;

▶ Taxable distributions from Massachusetts S corporations not reported in Schedule B, line 2. Distributions in excess of the Massachusetts accumulated adjustments account are 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 the Schedule B, line 1 and line 2 amounts;

▶ Interest from a trade or business that is reported on Mass. Schedule C, line 32; or

▶ Interest or dividends from a mutual fund, if such distributions are not included in line 1 or line 2. See line 6.


Lines 5 and 6

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

5 Total Interest from Massachusetts Banks

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

6 Other Interest and Dividends to Be Excluded

 **Telefile-ineligible item. See page 3 for more information.**

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

- ▶ Interest on U.S. debt obligations. Enter interest received on U.S. treasury bills, notes and bonds, savings bonds or other obligations of the United States, including its territories or dependencies. Such interest is tax-exempt in Massachusetts. For further information concerning exempt obligations of the United States, refer to TIR 89-8;
- ▶ Interest and dividends taxed directly to Massachusetts estates and trusts. Enter the interest and dividends that are taxed directly to a Massachusetts estate or trust (reportable on a Massachusetts Fiduciary Return, Form 2);
- ▶ Any distribution which is a return of capital included in total gross dividends, line 2;
- ▶ Any interest or dividends from obligations of the Commonwealth of Massachusetts or its political subdivisions held by you;
- ▶ Any exempt portion of interest or dividends from a mutual fund included in lines 1, 2 or 3 of this schedule. Enter only the exempt portion of interest or dividends derived from obligations of the U.S. government or the Commonwealth of Massachusetts or its political subdivisions;
- ▶ Any dividends from current earnings of a corporate trust only if such entity is taxed directly on a Massachusetts Corporate Trust Return, Massachusetts Form 3F; or
- ▶ Any interest on pre-retirement distributions from state and municipal contributory pension plans.

Do not enter in line 6 either of the following:

- ▶ Dividends from the earnings and profits accumulated prior to January 1, 1971 by any corporate trust which was not taxed directly by Massachusetts in prior years, even though such an entity is taxed directly now (obtain from the entity the taxable status of dividends paid to you); or
- ▶ Dividends from any corporate trust which is not taxed directly by Mass. Such entities include: those not doing business in Mass.; regulated investment companies or real estate investment trusts (both as defined under the U.S. Internal Revenue Code, Sections 851 and 856); holding companies (as defined in Massachusetts General Laws, Chapter 62, section 8); or those which derive less than 10% of their income from business activities or transactions in Massachusetts.

7 Subtotal Interest and Dividend Income

Subtract the total of lines 5 and 6 from line 4. If you have no short-term capital gains or losses, carryover short-term losses from prior years, long-term gains on collectibles and pre-1996 installment sales classified as capital gain income for Massachusetts purposes, gains or losses from the sale, exchange or involuntary conversion of property used in a trade or business and held for one year or less, allowable deductions from your trade or business, net long-term capital gains or losses, or excess exemptions, omit lines 8–25. Enter the amount from line 7 in line 26 of Schedule B and on Form 1, line 19b, and omit lines 27 and 28 of Schedule B.

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

- ▶ Upon the sale of stock of an S corporation, the federal basis must be modified according to Massachusetts Income Tax Regulation, 830 CMR 62.17A.1; and
- ▶ Massachusetts has adopted basis adjustment rules to take into account differences between Massachusetts and federal tax laws. For more information regarding basis adjustment rules, see TIR 88-7 or the *Guide to Filing Your 1999 Massachusetts Income Taxes*.

8 Short-Term Capital Gains

 **Telefile-ineligible item. See page 3 for more information.**


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

9 Long-Term Capital Gains on Collectibles and Pre-1996 Installment Sales

 **Telefile-ineligible item. See page 3 for more information.**

Enter the amount of long-term capital gains on collectibles and pre-1996 installment sales classified as capital gain income for Massachusetts purposes, from Massachusetts Schedule D, line 11, columns A, B, C and D.

10 Gain on Sale of Business Property

 **Telefile-ineligible item. See page 3 for more information.**

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

12 Allowable Deductions From Your Trade or Business

 **Telefile-ineligible item. See page 3 for more information.**

Enter the amount from Mass. Schedule C-2, line 10 if you qualify for an excess trade or business deduction. Generally, taxpayers may not use excess 5.95% 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 5.95% deductions must be adjusted gross income deductions allowed under MGL Ch. 62, sec. 2(d); and these excess deductions may only be used to offset other income which is effectively connected with the active conduct of a trade or business or any other income allowed under IRC, sec. 469(d)(1)(B) to offset losses from passive activities. Enclose Schedule C-2 with your return.

14 Short-Term Capital Losses

 **Telefile-ineligible item. See page 3 for more information.**

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

15 Loss on Sale of Business Property

 **Telefile-ineligible item. See page 3 for more information.**

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

16 Prior Years Short-Term Unused Losses

 **Telefile-ineligible item. See page 3 for more information.**

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 1998 Mass. Schedule B, line 21.

17 Subtotal Interest and Dividends and Certain Capital Gains and Losses

Combine lines 13, 14, 15 and 16. If a positive amount, omit line 18 and go to line 19. However, if the total is a loss and any amount in Schedule D, line 16, columns A, B, C or D is a positive amount, complete the Short-Term Capital Losses Applied Against Long-Term Capital Gains Worksheet for Schedule B, Line 18 and Schedule D, Line 17 on page 32. If Schedule B, line 17 is a loss and all the amounts in Schedule D, line 16, columns A, B, C or D are "0" or less, omit lines 18–25, enter "0" in lines 26 and 27, and enter the amount from line 17 on line 28 (Schedule B, page 2).

18 Short-Term Capital Losses Applied Against Long-Term Capital Gains

 **Telefile-ineligible item. See page 3 for more information.**

Complete the Short-Term Capital Losses Applied Against Long-Term Capital Gains Worksheet for Schedule B, Line 18 and Schedule D, Line 17 on page 32 only if Schedule B, line 17 is a loss and any amount in Schedule D, line 16, columns A, B, C or D is a positive amount.

19 Subtotal Interest and Dividends and Certain Capital Gains and Losses

Combine line 17 and line 18. If the total is a loss, omit lines 20–25, enter "0" on lines 26 and 27, and enter the amount from line 19 on line 28. If line 19 is a positive amount and any amount in Schedule D, line 14, columns A, B, C or D is a loss, complete the Long-Term Capital Losses Applied Against Short-Term Capital Gains Worksheet for Schedule B, Line 20 and Schedule D, Line 15 on page 32. If line 19 is a positive amount and any amount in Schedule D, line 14, columns A, B, C or D is "0" or greater, omit line 20 and enter the amount from line 19 in line 21.

20 Long-Term Capital Losses Applied Against Short-Term Capital Gains

 **Telefile-ineligible item. See page 3 for more information.**

Complete the Long-Term Capital Losses Applied Against Short-Term Capital Gains Worksheet for Schedule B, Line 20 and Schedule D, Line 15 on page 32 only if Schedule B, line 19 is a positive amount and any amount in Schedule D, line 14, columns A, B, C or D is a loss.

21 Net Interest and Dividends and Certain Capital Gains and Losses

Subtract line 20 from line 19. If line 21 is "0," omit lines 22–25 and enter "0" in lines 26, 27 and 28

22 Long-Term Gain Deduction

 **Telefile-ineligible item. See page 3 for more information.**

If there is no entry in line 9, enter "0." If line 9 shows a gain, enter 50% of line 9 less 50% of losses in lines 14, 15, 16 (Schedule B, page 1) and 20, but not less than "0."

Example: Jack has a long-term capital gain on collectibles of \$1,000 entered in line 9 and line 13. He does not have any other interest income (other than interest from Massachusetts banks) and dividend income. Jack also has a short-term capital loss of \$100 entered in line 14 and a prior year short-term unused loss of \$200 entered in line 16. Jack enters \$350 in line 22: **\$500 (50% of \$1,000) minus \$150 (50% of \$300) = \$350.**

Part 3. Taxable Interest, Dividends and Certain Capital Gains

23 Adjusted Gross Interest, Dividends and Certain Capital Gains

Subtract line 22 from line 21. Not less than "0."

24 Excess Exemptions

Enter the amount from item E of the Excess Exemption Worksheet on pages 16–17 of the instructions. Only if single, head of household or married filing jointly and Form 1, line 18 is greater than Form 1, line 17.

26 Interest and Dividends Taxable at 5.95%

If line 25 is greater than or equal to line 7, enter the amount from line 7 here and on Form 1, line 19b. If line 25 is less than line 7, enter the amount from line 25 here and on Form 1, line 19b.

27 Taxable 12% Capital Gains

 **Telefile-ineligible item. See page 3 for more information.**

Subtract line 26 from line 25. Not less than "0." Enter the result here and on Form 1, line 21a.

28 Available Short-Term Losses for Carryover in 2000

 **Telefile-ineligible item. See page 3 for more information.**

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

Note: Before completing the Short-Term Capital Losses Applied Against Long-Term Capital Gains Worksheet for Schedule B, Line 18 and Schedule D, Line 17, or the Long-Term Capital Losses Applied Against Short-Term Capital Gains Worksheet for Schedule B, Line 20 and Schedule D, Line 15, you must have completed Schedule B, line 17 and Schedule D, line 14.

Short-Term Capital Losses Applied Against Long-Term Capital Gains Worksheet for Schedule B, Line 18 and Schedule D, Line 17 (complete only if Schedule B, line 17 is a loss and any amount in Schedule D, line 16, column A, B, C or D is a positive amount). Enter all losses as positive amounts.

- A.** Enter amount from Schedule B, line 17 as a positive amount.
- B.** Enter any gain from Schedule D, line 16, column A. Otherwise, enter "0".....
- C.** If item A is smaller than or equal to item B, enter item A here and in Schedule D, line 17, column A. If item A is larger than item B, enter item B here and in Schedule D, line 17, column A.....
- D.** Subtract item C from item A. Enter result here. If "0," omit items E through L and complete item M. Otherwise, complete items E through G.....

Worksheet continues on next column ...

... continued from previous column

- E.** Enter any gain from Schedule D, line 16, column B. Otherwise, enter "0".....
- F.** If item D is smaller than or equal to item E, enter item D here and in Schedule D, line 17, column B. If item D is larger than item E, enter item E here and in Schedule D, line 17, column B.....
- G.** Subtract item F from item D. Enter result here. If "0," omit items H through L and complete item M. Otherwise, complete items H through J.....
- H.** Enter any gain from Schedule D, line 16, column C. Otherwise, enter "0".....
- I.** If item G is smaller than or equal to item H, enter item G here and in Schedule D, line 17, column C. If item G is larger than item H, enter item H here and in Schedule D, line 17, column C.....
- J.** Subtract item I from item G. Enter result here. If "0," omit items K and L and complete item M. Otherwise, complete items K through M.....
- K.** Enter any gain from Schedule D, line 16, column D. Otherwise, enter "0".....
- L.** If item J is smaller than or equal to item K, enter item J here and in Schedule D, line 17, column D. If item J is larger than item K, enter item K here and in Schedule D, line 17, column D.....
- M.** Add items C, F, I and L. Enter the result here and in Schedule B, line 18.....

Long-Term Capital Losses Applied Against Short-Term Capital Gains Worksheet for Schedule B, Line 20 and Schedule D, Line 15 (complete only if Schedule B, line 19 is a positive amount and any amount in Schedule D, line 14, column A, B, C or D is a loss). Enter all losses as a positive amount.

- A.** Enter amount from Schedule B, line 19.....
- B.** Enter any loss from Schedule D, line 14, column A as a positive amount. Otherwise, enter "0".....
- C.** If item A is smaller than or equal to item B, enter item A here and in Schedule D, line 15, column A. If item A is larger than item B, enter item B here and in Schedule D, line 15, column A.....
- D.** Subtract item C from item A. Enter result here. If "0," omit items E through L and complete item M. Otherwise, complete items E through G.....
- E.** Enter any loss from Schedule D, line 14, column B as a positive amount. Otherwise, enter "0".....
- F.** If item D is smaller than or equal to item E, enter item D here and in Schedule D, line 15, column B. If item D is larger than item E, enter item E here and in Schedule D, line 15, column B.....
- G.** Subtract item F from item D. Enter result here. If "0," omit items H through L and complete item M. Otherwise, complete items H through J.....
- H.** Enter any loss from Schedule D, line 14, column C as a positive amount. Otherwise, enter "0".....
- I.** If item G is smaller than or equal to item H, enter item G here and in Schedule D, line 15, column C. If item G is larger than item H, enter item H here and in Schedule D, line 15, column C.....

Worksheet continues on next column ...

... continued from previous column

J. Subtract item I from item G. Enter result here. If "0," omit items K and L and complete item M. Otherwise, complete items K through M.

K. Enter any loss from Schedule D, line 14, column D as a positive amount. Otherwise, enter "0".

L. If item J is smaller than or equal to item K, enter item J here and in Schedule D, line 15, column D. If item J is larger than item K, enter item K here and in Schedule D, line 15, column D.

M. Add items C, F, I and L. Enter the result here and in Schedule B, line 20.

Schedule D



Telefile-ineligible item. See page 3 for more information.

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

Long-Term Capital Gains and Losses Excluding Collectibles

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

For tax year 1999 the applicable tax rates are 5% if the capital asset was held for more than one year but not more than two years (column A), 4% if the capital asset was held more than two years but not more than three years (column B), 3% if the capital asset was held more than three years but not more than four years (column C), and 2% if the capital asset was held more than four years (column D).

"Capital gain income" is defined as gain from the sale or exchange of a capital asset. The definition of "capital asset" has been expanded to include: (1) an asset which is a capital asset for federal income tax purposes or (2) property that is used in a trade or business within the meaning of IRC section 1231(b) without regard to the holding period as defined in said section 1231(b).

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

- ▶ Upon the sale of stock of an S corporation, the federal basis must be modified according to Massachusetts Income Tax Regulation, 830 CMR 62.17A.1; and
- ▶ Massachusetts has adopted basis adjustment rules to take into account differences between Massachusetts and federal tax laws. For more information regarding basis adjustment rules, see TIR 88-7 or the *Guide to Filing Your 1999 Massachusetts Income Taxes*.

Net ordinary losses that are itemized deductions on U.S. Schedule A are not allowable.

Installment Sales

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

Gains from pre-1996 installment sales that are classified as capital gains should be reported as 12% income on Massachusetts Schedule B. If the asset was held for more than one year when it was sold, the gain will be eligible for a 50% long-term deduction. Gains from pre-1996 installment sales that are classified as capital gains included on Massachusetts Schedule D, line 3 should be reported on Massachusetts Schedule D, line 11 ("Long-term gains on collectibles and pre-1996 installment sales"). The amount of such gain is then reported on Massachusetts Schedule B, Part 2, line 9. Enclose a statement with Mass. Schedule D identifying such amount in line 11 as "1999 gain from pre-1996 installment sale."

Gains from pre-1996 installment sales classified as ordinary income and that are included on Massachusetts Schedule D, line 3 should be reported on Massachusetts Schedule D, line 9 ("Differences"). The amount of such gain classified as ordinary income should then be reported on Form 1, line 9 ("Other income") and included on Schedule X, line 5 and identified as "1999 gain from pre-1996 installment sale."

If you wish to report a sale on your Mass. return as an installment sale, you must apply in writing to the Department of Revenue's Installment Sales Unit. The Commissioner of Revenue must approve your application to report the sale on the installment basis in Massachusetts before you file your return, and appropriate security must be posted. An explanatory statement must be enclosed with each return for the life of the installment sale. For further information contact the Installment Sales Unit at (617) 887-6950.

Note: Complete Schedule D, lines 1–23, columns A, B, C and D (Schedule D, page 2) before completing Schedule D, lines 24 and 25.

1 Long-Term Capital Gains and Losses

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

2 Additional Long-Term Capital Gains and Losses

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

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

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

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

If a partnership, S corporation, estate or trust does not report capital gains in a manner that allows you to determine the

amounts attributable to assets held more than two years, report the amount in column A.

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

5 Capital Gain Distributions

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

If you did not file U.S. Schedule D, enter in column A the capital gain distributions reported to you by a mutual fund or real estate investment trust included in the amount from U.S. Form 1040, line 13, from the sale or exchange of assets held more than one year but not more than two years. Enter in column B the capital gain distributions reported to you by a mutual fund or real estate investment trust included in the amount from U.S. Form 1040, line 13, from the sale or exchange of assets held more than two years but not more than three years. Enter in column C (Schedule D, page 2) the capital gain distributions reported to you by a mutual fund or real estate investment trust included in the amount from U.S. Form 1040, line 13, from the sale or exchange of assets held more than three years but not more than four years. Enter in column D (Schedule D, page 2) the capital gain distributions reported to you by a mutual fund or real estate investment trust included in the amount from U.S. Form 1040, line 13, from the sale or exchange of assets held more than four years.

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

Enter in column D (Schedule D, page 2) the capital gain distributions reported to you by a mutual fund or real estate investment trust included in U.S. Schedule D, line 13, column f, from the sale or exchange of assets held more than four years.

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

Enter amounts included in U.S. Form 4797, Part II treated as capital gains or losses for Massachusetts purposes (not included in lines 1–5 above). These include ordinary gains from the sale of Section 1231 property, recapture amounts under Sections 1245 and 1250, Section 1244 losses and the loss on the sale, exchange or involuntary conversion of property used in a trade or business.

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

7 Carryover Losses from Previous Years

If you recalculated your capital gains and losses and now have a carryover loss from a prior year, enter in line 7 the amount of carryover losses from prior years from your recalculated 1998 Schedule D.

If you had capital gains and losses in 1996, 1997 and/or 1998 and wish to recalculate your tax based on these new provisions, you can obtain Schedule CGT, Capital Gains Tax Recalculation and Instructions by visiting DOR's website at www.state.ma.us/dor. This information is also available by calling DOR at (617) 887-MDOR or toll-free in Massachusetts at 1-800-392-6089, and pressing option 2 for tax forms.

If you did not recalculate your capital gains and losses from prior years, multiply any amount from your 1998 Mass. Schedule D, line 19 by 20 and enter the result in line 7, column A.

For a detailed explanation of the new law, see TIR 99-17.

8 Subtotal Long-Term Capital Gains and Losses

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

Combine lines 1 through 6, column D (Schedule D, page 2) and enter the result in line 8, column D.

9 Differences

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

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

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

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

- Long-term capital gains or losses from transactions reported as installment sales for U.S. income tax purposes but not for Massachusetts; and

- Massachusetts has adopted basis adjustment rules to take into account differences between Massachusetts and federal tax laws.

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

10 Subtotal

Exclude/subtract line 9, column A from line 8, column A and enter the result in line 10, column A. Exclude/subtract line 9, column B from line 8, column B and enter the result in line 10, column B. Exclude/subtract line 9, column C (Schedule D, page 2) from line 8, column C and enter the result in line 10, column C. Exclude/subtract line 9, column D from line 8, column D and enter the result in line 10, column D. If line 9 in any column is a loss, add loss as a positive number to the amount recorded in line 8 of that column. See the following examples:

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

*denotes loss

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

Enter in line 11, column A the amount of long-term gains on collectibles and pre-1996 installment sales classified as capital gain income for Massachusetts purposes that are included in line 10, column A. Enter in line 11, column B the amount of long-term gains on collectibles and pre-1996 installment sales classified

as capital gain income for Massachusetts purposes that are included in line 10, column B. Enter in line 11, column C (Schedule D, page 2) the amount of long-term gains on collectibles and pre-1996 installment sales classified as capital gain income for Massachusetts purposes that are included in line 10, column C. Enter in line 11, column D (Schedule D, page 2) the amount of long-term capital gains on collectibles and pre-1996 installment sales classified as capital gain income for Massachusetts purposes that are included in line 10, column D. These are taxed at the 12% rate and the total of columns A, B, C and D should be entered on Schedule B, line 9.

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

12 Subtotal

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

If any amount in Schedule D, line 12, columns A, B, C or D is a gain and any amount in Schedule D, line 12, columns A, B, C or D is a loss, complete the Long-Term Capital Losses Applied Against Long-Term Capital Gains Worksheet for Schedule D, Line 13 on pages 36–38.

If any amount in Schedule D, line 12 is a gain, no other amount in Schedule D, line 12 is a loss, and Schedule B, line 19 is a positive amount, omit Schedule D, lines 13–17 and enter the amount from Schedule D, line 12 in Schedule D, line 18.

If any amount in Schedule D, line 12 is a loss, no other amount in Schedule D, line 12 is a gain, and Schedule B, line 19 is a positive amount, omit Schedule D, line 13, enter the amount from Schedule D, line 12 in Schedule D, line 14 and complete the Long-Term Capital Losses Applied Against Short-Term Capital Gains Worksheet for Schedule B, Line 20 and Schedule D, Line 15 on page 32.

If any amount in Schedule D, line 12 is a gain, no other amount in Schedule D, line 12 is a loss, and Schedule B, line 17 is a loss, omit Schedule D, lines 13–15, enter the amount from Schedule D, line 12 on Schedule D, line 16 and complete the Short-Term Capital Losses Applied Against Long-Term Capital Gains Worksheet for Schedule B, Line 18 and Schedule D, Line 17 on page 32.

If any amount in Schedule D, line 12 is a loss, no other amount in Schedule D, line 12 is a gain, and Schedule B, line 17 is a loss, omit Schedule D, lines 13–15, enter the amount from Schedule D, line 12 in Schedule D, line 16, omit Schedule D, lines 17–24, enter the amount from Schedule D, line 16 in Schedule D, line 25, and enter “0” on Form 1, line 22.

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

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

This worksheet was designed to implement recent legislation that provides for the netting of long-term gains and losses. First, gains and losses within each holding period are netted. For example, 5% gains are applied against 5% losses, 4% gains are applied against 4% losses, 3% gains are applied against 3% losses and 2% gains are applied against 2% losses. Then, any net losses within a particular holding period can be applied against net gains within other holding periods, beginning with the highest tax rate and applying any remaining losses against the next highest tax rate. For example, a 3% loss is first applied to 5% gains, any remaining loss is applied to 4% gains, and any loss still remaining then is applied against 2% gains.

If you need additional information on how to net long-term gains against long-term losses, visit DOR’s website at www.state.ma.us/dor.

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

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

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

Worksheet continues on next column . . .

... continued from previous column

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

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

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

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

- Y.** Enter any gain from Schedule D, line 12, column C
- Z.** Enter any loss from Schedule D, line 12, column A as a positive figure. If Schedule D, line 12, column A is "0" or greater, enter "0"
- AA.** Enter the amount from item M
- BB.** Subtract item AA from item Z. Enter the result here
- CC.** If item Y is smaller than or equal to item BB, enter item Y here. If item Y is larger than item BB, enter item BB here
- DD.** Subtract item CC from item Y. Enter result here
- EE.** If item DD is "0," enter "0" in items EE-NN and go to Part 4. If item DD is greater than "0," enter any loss from Schedule D, line 12, column B as a positive figure. If Schedule D, line 12, column B is "0" or greater, enter "0"
- FF.** Enter the amount from item C

Worksheet continues on next column ...

... continued from previous column

- GG.** Subtract item FF from item EE. Enter result here
- HH.** If item DD is smaller than or equal to item GG, enter item DD here. If item DD is larger than item GG, enter item GG here
- II.** Subtract item HH from item DD. Enter result here
- JJ.** If item II is "0," enter "0" in items JJ-NN and go to Part 4. If item II is greater than "0," enter any loss from Schedule D, line 12, column D as a positive figure. If Schedule D, line 12, column D is "0" or greater, enter "0"
- KK.** Add item I and item W. Enter the result here
- LL.** Subtract item KK from item JJ. Enter the result here
- MM.** If item II is smaller than or equal to item LL, enter item II here. If item II is larger than item LL, enter item LL here
- NN.** Subtract item MM from item II. Enter result here

Part 4. Complete only if you have a gain in Schedule D, line 12, column D. Otherwise, enter "0" in items OO-DDD and go to Part 5.

- OO.** Enter any gain from Schedule D, line 12, column D
- PP.** Enter any loss from Schedule D, line 12, column A as a positive figure. If Schedule D, line 12, column A is "0" or greater, enter "0"
- QQ.** Add item M and item CC. Enter the result here
- RR.** Subtract item QQ from item PP. Enter the result here
- SS.** If item OO is smaller than or equal to item RR, enter item OO here. If item OO is larger than item RR, enter item RR here
- TT.** Subtract item SS from item OO. Enter result here
- UU.** If item TT is "0," enter "0" in items UU-DDD and go to Part 5. If item TT is greater than "0," enter any loss from Schedule D, line 12, column B as a positive figure. If Schedule D, line 12, column B is "0" or greater, enter "0"
- VV.** Add item C and item HH. Enter the result here
- WW.** Subtract item VV from item UU. Enter the result here
- XX.** If item TT is smaller than or equal to item WW, enter item TT here. If item TT is larger than item WW, enter item WW here
- YY.** Subtract item XX from item TT. Enter result here
- ZZ.** If item YY is "0," enter "0" in items ZZ-DDD and go to Part 5. If item YY is greater than "0," enter any loss from Schedule D, line 12, column C as a positive figure. If Schedule D, line 12, column C is "0" or greater, enter "0"
- AAA.** Add item F and item R. Enter the result here
- BBB.** Subtract item AAA from item ZZ. Enter the result here
- CCC.** If item YY is smaller than or equal to item BBB, enter item YY here. If item YY is larger than item BBB, enter item BBB here
- DDD.** Subtract item CCC from item YY. Enter result here

Worksheet continues on next page ...

... continued from previous page

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

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

FFF. If Schedule D line 12, column B is a gain, add item M, item R and item W. Enter the result here and in Schedule D, line 13, column B as a negative amount. This is the amount of any long-term losses applied to offset long-term capital gains taxed at 4%. If Schedule D line 12, column B is a loss, add item C, item HH and item XX. Enter the result here and in Schedule D, line 13, column B as a positive amount. This is the amount of long-term losses from assets held for more than two years but not more than three years applied to offset other long-term capital gains

GGG. If Schedule D line 12, column C is a gain, add item CC, item HH and item MM. Enter the result here and in Schedule D, line 13, column C as a negative amount. This is the amount of any long-term losses applied to offset long-term capital gains taxed at 3%. If Schedule D line 12, column C is a loss, add item F, item R and item CCC. Enter the result here and in Schedule D, line 13, column C as a positive amount. This is the amount of long-term losses from assets held for more than three years but not more than four years applied to offset other long-term capital gains

HHH. If Schedule D line 12, column D is a gain, add item SS, item XX and item CCC. Enter the result here and in Schedule D, line 13, column D as a negative amount. This is the amount of any long-term losses applied to offset long-term capital gains taxed at 2%. If Schedule D, line 12, column D is a loss, add item I, item W and item MM. Enter the result here and in Schedule D, line 13, column D as a positive amount. This is the amount of long-term losses from assets held for more than four years applied to offset other long-term capital gains

14 Subtotal

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

Note: After completing Schedule D, line 13, all amounts in Schedule D, line 14, columns A, B, C and D should be either “0” and/or gain(s) or “0” and/or loss(es). If all amounts in Schedule D, line 14 are “0,” omit Schedule D, lines 15–19, enter “0” in Schedule D, line 20, omit the remainder of Schedule D and enter “0” in Form 1, line 22.

If any amount in line Schedule D, 14 is a loss, and Schedule B, line 19 is a positive amount, complete the Long-Term Capital Losses Applied Against Short-Term Capital Gains Worksheet for Schedule B, Line 20 and Schedule D, Line 15 on page 32.

If any amount in Schedule D, line 14 is a gain and Schedule B, line 19 is a positive amount, omit Schedule D, lines 15–17 and enter the amount from Schedule D, line 14 in Schedule D, line 18.

If any amount in Schedule D, line 14 is a gain and Schedule B, line 17 is a loss, omit Schedule D, line 15, enter the amount from Schedule D, line 14 in Schedule D, line 16 and complete the Short-Term Capital Losses Applied Against Long-Term Capital Gains Worksheet for Schedule B, Line 18 and Schedule D, Line 17 on page 32.

If any amount in Schedule D, line 14 is a loss and Schedule B, line 17 is a loss, omit Schedule D, line 15, enter the amount from Schedule D, line 14 in Schedule D, line 16, omit Schedule D, lines 17–24, enter the amount from Schedule D, line 16 in Schedule D, line 25, and enter “0” in Form 1, line 22.

15 Long-Term Capital Losses Applied Against Short-Term Capital Gains

Complete the Long-Term Capital Losses Applied Against Short-Term Capital Gains Worksheet for Schedule B, Line 20 and Schedule D, Line 15 on page 32 only if Schedule B, line 19 is a positive amount and any amount in Schedule D, line 14, column A, B, C or D is a loss. When completing the worksheet, be sure to enter all losses as a positive amount.

16 Subtotal

Combine line 14, column A with line 15, column A and enter the result in line 16, column A. Combine line 14, column B with line 15, column B and enter the result in line 16, column B. Combine line 14, column C with line 15, column C and enter the result in line 16, column C. Combine line 14, column D with line 15, column D and enter the result in line 16, column D.

If any amount in Schedule D, line 16 is a gain and Schedule B, line 17 is a loss, complete the Short-Term Capital Losses Applied Against Long-Term Capital Gains Worksheet for Schedule B, Line 18 and Schedule D, Line 17 on page 32.

If any amount in Schedule D, line 16 is a gain and Schedule B, line 19 is a gain, omit Schedule D, line 17 and enter the amount from Schedule D, line 16 in Schedule D, line 18.

If any amount in Schedule D, line 16 is a loss, omit Schedule D, lines 17–19, enter “0” in Schedule D, line 20, omit Schedule D, lines 21–24, enter the amount from Schedule D, line 16 in Schedule D, line 25, and enter “0” in Form 1, line 22.

17 Short-Term Capital Losses Applied Against Long-Term Capital Gains

Complete the Short-Term Capital Losses Applied Against Long-Term Capital Gains Worksheet for Schedule B, Line 18 and Schedule D, Line 17 on page 32 only if Schedule B, line 17 is a loss and any amount in Schedule D, line 16, column A, B, C or D is a positive amount. When completing the worksheet, be sure to enter all losses as a positive amount.

18 Subtotal

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

If all amounts in Schedule D, line 18 are "0," skip Schedule D, line 19, enter "0" in Schedule D, line 20, omit Schedule D, lines 22–25 and enter "0" in Form 1, line 22.

19 Allowable Deductions From Your Trade or Business

Generally, taxpayers may not use excess 5.95% trade or business deductions to offset other income. However, where the taxpayer files a Massachusetts Schedule C or Schedule E, Massachusetts law allows such offsets if the following requirements are met: the excess 5.95% deductions must be adjusted gross income deductions allowed under MGL Ch. 62, sec. 2(d); and these excess deductions may only be used to offset other income which is effectively connected with the active conduct of a trade of business or any other income allowed under IRC, sec. 469(d)(1)(B) to offset losses from passive activities. Enclose Schedule C-2 with your return.

Enter in line 19, column A the amount from Schedule C-2, line 14. Enter in line 19, column B the amount from Schedule C-2, line 16. Enter in line 19, column C the amount from Schedule C-2, line 18. Enter in line 19, column D the amount from Schedule C-2, line 20.

20 Subtotal

Subtract line 19, column A from line 18, column A and enter the result in line 20, column A. Not less than "0." Subtract line 19, column B from line 18, column B and enter the result in line 20, column B. Not less than "0." Subtract line 19, column C from line 18, column C and enter the result in line 20, column C. Not less than "0." Subtract line 19, column D from line 18, column D and enter the result in line 20, column D. Not less than "0."

If all amounts in Schedule D, line 20 are "0," omit Schedule D, lines 21–25 and enter "0" in Form 1, line 22.

21 Excess Exemptions

Enter in line 21, column A the amount from item H of the Excess Exemption Worksheet on pages 16–17 of the instructions. Enter in line 21, column B the amount from item K of the Excess Exemption Worksheet on pages 16–17 of the instructions. Enter in line 21, column C (Schedule D, page 2) the amount from item N of the Excess Exemption Worksheet on pages 16–17 of the instructions. Enter in line 21, column D the amount from item Q of the Excess Exemption Worksheet on pages 16–17 of the instructions.

22 Adjusted Long-Term Capital Gains and Losses

Subtract line 21, column A from line 20, column A and enter the result in line 22, column A. Not less than "0." Subtract line 21, column B from line 20, column B and enter the result in line 22, column B. Not less than "0." Subtract line 21, column C (Schedule D, page 2) from line 20, column C and enter the result in line 22, column C. Not less than "0." Subtract line 21, column D from line 20, column D and enter the result in line 22, column D.

If all amounts in Schedule D, line 22 are "0," omit Schedule D, lines 23–25 and enter "0" in Form 1, line 22.

23 Tax on Capital Gains by Holding Period

Multiply the amount in line 22, column A by .05 (5%) and enter the result in line 23, column A. Not less than "0." Multiply the amount in line 22, column B by .04 (4%) and enter the result in line 23, column B. Not less than "0." Multiply the amount in line 22, column C (Schedule D, page 2) by .03 (3%) and enter the result in line 23, column C. Not less than "0." Multiply the amount, in line 22, column D (Schedule D, page 2) by .02 (2%) and enter the result in line 23, column D. Not less than "0."

24 Total Tax on Long-Term Capital Gains and Losses

Add line 23A, line 23B, line 23C and line 23D (Schedule D, page 2). Enter result here and on Form 1, line 22. Not less than "0."

25 Available Losses for Carryover

Enter in line 25, column A the amount from line 16, column A, only if it is a loss. Enter in line 25, column B the amount from line 16, column B, only if it is a loss. Enter in line 25, column C the amount from line 16, column C, only if it is a loss. Enter in line 25, column D the amount from line 16, column D, only if it is a loss.

Schedule C

 **Telefile-ineligible item.** See page 3 for more information.

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

Profit or Loss from Business or Profession

Mass. Schedule C is provided to report income and deductions from each business or profession operated as a sole proprietorship. A copy of U.S. Schedule C (or Schedule F for farm income) and U.S. Form 4562 (Depreciation and Amortization) must be filed with the Mass. Schedule C. If you deduct expenses for the business use of your home, enclose a copy of U.S. Form 8829.

If your business deductions, excluding the Abandoned Building Renovation Deduction, exceed Schedule C income and any other income taxable at the 5.95% rate, such excess deductions may be subtracted from the other income that is effectively connected with the active conduct of your trade or business and any other income allowed under IRC Section 469(d)(1)(B) to offset losses from passive activities. To compute the excess trade or business deductions use Mass. Schedule C-2. This form is available at any Department of Revenue location, or you may have one mailed to you by calling (617) 887-MDOR.

Registration Information

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

Employer Identification Number

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

Principal Business Code

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

Small Business Energy Exemption

If you are claiming the small business energy exemption from the sales tax on purchases of taxable energy or heating fuel during 1999, you must have five or fewer employees. You must enter the number of your employees in the space provided.

Accounting Method

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

Material Participation

Indicate if you materially participated in the operation of this business during 1999. If you did not materially participate and have a loss from this business, see line 33 for further instructions.

1a Gross Receipts or Sales

In the boxes provided, enter gross receipts or sales from your business. Be sure to include on this line amounts you received in your trade or business as shown on Form 1099-MISC, Miscellaneous Income. If the nature of your business is such that you have gross or other income that is interest (other than from Massachusetts banks) and dividend income, exclude this income from lines 1 and 4 on Massachusetts Schedule C and include it in line 32 and in Schedule B, line 3. Examples of interest (other than from Massachusetts banks) and dividend income are interest received on loans, notes receivable or charge accounts that you accept in the ordinary course of business, and dividends on stocks received in payment for goods and services. Capital gains from the sale or exchange of assets used in your business are not reported on Schedule C. Use U.S. Form 4797 and report the amount in Form 1, Schedule B and/or Schedule D. You must also exclude from Schedule C any income and expenses that pertain to activities for yourself as distinguished from those performed for your customers. Such income must be reported by class of income in Schedules B and D. Personal expenses are not deductible. If you received Form W-2 and the “Statutory employee” box in item 15 of that form was checked, report your income and expenses related to that income on Schedule C. Enter your statutory employee income from box 1 of Form W-2 on line 1 of Schedule C and fill in the oval. Statutory employees include full-time life insurance agents, certain agent or commission drivers and traveling salespersons and certain homeworkers. If you had both self-employment income and statutory employee income, do not combine these amounts on a single Schedule C. In this case, you must file two Schedules C.

4 Other Income

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

7 Bad Debts From Sales or Services

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

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

11 Depreciation and Section 179 Deduction

The Section 179 expensing allowance is \$19,000 for property placed in service in tax years after 1998. Massachusetts now adopts the federal provision which requires a recovery period for the depreciation of nonresidential real property of 39 years for qualifying property placed in service on or after May 14, 1993.

17 Pension and Profit-Sharing Plans

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

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.

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 Mass. Schedule C.

30 Abandoned Building Renovation Deduction

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

For more information, contact the Mass. Office of Business Development, One Ashburton Place, Rm. 2101, Boston, MA 02108.

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

33 If You Have a Loss

Fill in the oval in line 33a if all of your investment is at risk. Enter your loss from line 31 on Form 1, line 6 **unless** you answered "no" to the question on material participation on the front of Schedule C. If you answered "no" to this question, complete and enclose a pro forma copy of U.S. Form 8582 that reflects only income being reported on your Massachusetts return. Enter in Massachusetts Schedule C, line 31 your allowable loss calculated on Form 8582.

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

1999 Massachusetts Income Tax Table at the 5.95% Rate

Use this table to calculate tax for taxable 5.95% income (line 19c) of not more than \$80,000.

Line 20 Instructions: To find your **Tax on 5.95% Income** (line 20), read down the tax table income column to the line containing the amount you entered in line 19c. Then read across to the **TAX** column and enter this amount in line 20. If your taxable 5.95% income in line 19c is greater than \$80,000, multiply the amount by .0595. Enter the result in line 20.

INCOME			INCOME			INCOME			INCOME			INCOME			INCOME		
More than	But not more than	TAX	More than	But not more than	TAX	More than	But not more than	TAX	More than	But not more than	TAX	More than	But not more than	TAX	More than	But not more than	TAX
\$ 1 - \$ 50	\$ 1	\$ 1	\$ 4,000 - \$ 4,050	\$ 239	\$ 8,000 - \$ 8,050	\$ 477	\$12,000 - \$12,050	\$ 715	\$16,000 - \$16,050	\$ 953	\$20,000 - \$20,050	\$1,191					
50 - 100	4	4	4,050 - 4,100	242	8,050 - 8,100	480	12,050 - 12,100	718	16,050 - 16,100	956	20,050 - 20,100	1,194					
100 - 150	7	7	4,100 - 4,150	245	8,100 - 8,150	483	12,100 - 12,150	721	16,100 - 16,150	959	20,100 - 20,150	1,197					
150 - 200	10	10	4,150 - 4,200	248	8,150 - 8,200	486	12,150 - 12,200	724	16,150 - 16,200	962	20,150 - 20,200	1,200					
200 - 250	13	13	4,200 - 4,250	251	8,200 - 8,250	489	12,200 - 12,250	727	16,200 - 16,250	965	20,200 - 20,250	1,203					
250 - 300	16	16	4,250 - 4,300	254	8,250 - 8,300	492	12,250 - 12,300	730	16,250 - 16,300	968	20,250 - 20,300	1,206					
300 - 350	19	19	4,300 - 4,350	257	8,300 - 8,350	495	12,300 - 12,350	733	16,300 - 16,350	971	20,300 - 20,350	1,209					
350 - 400	22	22	4,350 - 4,400	260	8,350 - 8,400	498	12,350 - 12,400	736	16,350 - 16,400	974	20,350 - 20,400	1,212					
400 - 450	25	25	4,400 - 4,450	263	8,400 - 8,450	501	12,400 - 12,450	739	16,400 - 16,450	977	20,400 - 20,450	1,215					
450 - 500	28	28	4,450 - 4,500	266	8,450 - 8,500	504	12,450 - 12,500	742	16,450 - 16,500	980	20,450 - 20,500	1,218					
500 - 550	31	31	4,500 - 4,550	269	8,500 - 8,550	507	12,500 - 12,550	745	16,500 - 16,550	983	20,500 - 20,550	1,221					
550 - 600	34	34	4,550 - 4,600	272	8,550 - 8,600	510	12,550 - 12,600	748	16,550 - 16,600	986	20,550 - 20,600	1,224					
600 - 650	37	37	4,600 - 4,650	275	8,600 - 8,650	513	12,600 - 12,650	751	16,600 - 16,650	989	20,600 - 20,650	1,227					
650 - 700	40	40	4,650 - 4,700	278	8,650 - 8,700	516	12,650 - 12,700	754	16,650 - 16,700	992	20,650 - 20,700	1,230					
700 - 750	43	43	4,700 - 4,750	281	8,700 - 8,750	519	12,700 - 12,750	757	16,700 - 16,750	995	20,700 - 20,750	1,233					
750 - 800	46	46	4,750 - 4,800	284	8,750 - 8,800	522	12,750 - 12,800	760	16,750 - 16,800	998	20,750 - 20,800	1,236					
800 - 850	49	49	4,800 - 4,850	287	8,800 - 8,850	525	12,800 - 12,850	763	16,800 - 16,850	1,001	20,800 - 20,850	1,239					
850 - 900	52	52	4,850 - 4,900	290	8,850 - 8,900	528	12,850 - 12,900	766	16,850 - 16,900	1,004	20,850 - 20,900	1,242					
900 - 950	55	55	4,900 - 4,950	293	8,900 - 8,950	531	12,900 - 12,950	769	16,900 - 16,950	1,007	20,900 - 20,950	1,245					
950 - 1,000	58	58	4,950 - 5,000	296	8,950 - 9,000	534	12,950 - 13,000	772	16,950 - 17,000	1,010	20,950 - 21,000	1,248					
1,000 - 1,050	61	61	5,000 - 5,050	299	9,000 - 9,050	537	13,000 - 13,050	775	17,000 - 17,050	1,013	21,000 - 21,050	1,251					
1,050 - 1,100	64	64	5,050 - 5,100	302	9,050 - 9,100	540	13,050 - 13,100	778	17,050 - 17,100	1,016	21,050 - 21,100	1,254					
1,100 - 1,150	67	67	5,100 - 5,150	305	9,100 - 9,150	543	13,100 - 13,150	781	17,100 - 17,150	1,019	21,100 - 21,150	1,257					
1,150 - 1,200	70	70	5,150 - 5,200	308	9,150 - 9,200	546	13,150 - 13,200	784	17,150 - 17,200	1,022	21,150 - 21,200	1,260					
1,200 - 1,250	73	73	5,200 - 5,250	311	9,200 - 9,250	549	13,200 - 13,250	787	17,200 - 17,250	1,025	21,200 - 21,250	1,263					
1,250 - 1,300	76	76	5,250 - 5,300	314	9,250 - 9,300	552	13,250 - 13,300	790	17,250 - 17,300	1,028	21,250 - 21,300	1,266					
1,300 - 1,350	79	79	5,300 - 5,350	317	9,300 - 9,350	555	13,300 - 13,350	793	17,300 - 17,350	1,031	21,300 - 21,350	1,269					
1,350 - 1,400	82	82	5,350 - 5,400	320	9,350 - 9,400	558	13,350 - 13,400	796	17,350 - 17,400	1,034	21,350 - 21,400	1,272					
1,400 - 1,450	85	85	5,400 - 5,450	323	9,400 - 9,450	561	13,400 - 13,450	799	17,400 - 17,450	1,037	21,400 - 21,450	1,275					
1,450 - 1,500	88	88	5,450 - 5,500	326	9,450 - 9,500	564	13,450 - 13,500	802	17,450 - 17,500	1,040	21,450 - 21,500	1,278					
1,500 - 1,550	91	91	5,500 - 5,550	329	9,500 - 9,550	567	13,500 - 13,550	805	17,500 - 17,550	1,043	21,500 - 21,550	1,281					
1,550 - 1,600	94	94	5,550 - 5,600	332	9,550 - 9,600	570	13,550 - 13,600	808	17,550 - 17,600	1,046	21,550 - 21,600	1,284					
1,600 - 1,650	97	97	5,600 - 5,650	335	9,600 - 9,650	573	13,600 - 13,650	811	17,600 - 17,650	1,049	21,600 - 21,650	1,287					
1,650 - 1,700	100	100	5,650 - 5,700	338	9,650 - 9,700	576	13,650 - 13,700	814	17,650 - 17,700	1,052	21,650 - 21,700	1,290					
1,700 - 1,750	103	103	5,700 - 5,750	341	9,700 - 9,750	579	13,700 - 13,750	817	17,700 - 17,750	1,055	21,700 - 21,750	1,293					
1,750 - 1,800	106	106	5,750 - 5,800	344	9,750 - 9,800	582	13,750 - 13,800	820	17,750 - 17,800	1,058	21,750 - 21,800	1,296					
1,800 - 1,850	109	109	5,800 - 5,850	347	9,800 - 9,850	585	13,800 - 13,850	823	17,800 - 17,850	1,061	21,800 - 21,850	1,299					
1,850 - 1,900	112	112	5,850 - 5,900	350	9,850 - 9,900	588	13,850 - 13,900	826	17,850 - 17,900	1,064	21,850 - 21,900	1,302					
1,900 - 1,950	115	115	5,900 - 5,950	353	9,900 - 9,950	591	13,900 - 13,950	829	17,900 - 17,950	1,067	21,900 - 21,950	1,305					
1,950 - 2,000	118	118	5,950 - 6,000	356	9,950 - 10,000	594	13,950 - 14,000	832	17,950 - 18,000	1,070	21,950 - 22,000	1,308					
2,000 - 2,050	120	120	6,000 - 6,050	358	10,000 - 10,050	596	14,000 - 14,050	834	18,000 - 18,050	1,072	22,000 - 22,050	1,310					
2,050 - 2,100	123	123	6,050 - 6,100	361	10,050 - 10,100	599	14,050 - 14,100	837	18,050 - 18,100	1,075	22,050 - 22,100	1,313					
2,100 - 2,150	126	126	6,100 - 6,150	364	10,100 - 10,150	602	14,100 - 14,150	840	18,100 - 18,150	1,078	22,100 - 22,150	1,316					
2,150 - 2,200	129	129	6,150 - 6,200	367	10,150 - 10,200	605	14,150 - 14,200	843	18,150 - 18,200	1,081	22,150 - 22,200	1,319					
2,200 - 2,250	132	132	6,200 - 6,250	370	10,200 - 10,250	608	14,200 - 14,250	846	18,200 - 18,250	1,084	22,200 - 22,250	1,322					
2,250 - 2,300	135	135	6,250 - 6,300	373	10,250 - 10,300	611	14,250 - 14,300	849	18,250 - 18,300	1,087	22,250 - 22,300	1,325					
2,300 - 2,350	138	138	6,300 - 6,350	376	10,300 - 10,350	614	14,300 - 14,350	852	18,300 - 18,350	1,090	22,300 - 22,350	1,328					
2,350 - 2,400	141	141	6,350 - 6,400	379	10,350 - 10,400	617	14,350 - 14,400	855	18,350 - 18,400	1,093	22,350 - 22,400	1,331					
2,400 - 2,450	144	144	6,400 - 6,450	382	10,400 - 10,450	620	14,400 - 14,450	858	18,400 - 18,450	1,096	22,400 - 22,450	1,334					
2,450 - 2,500	147	147	6,450 - 6,500	385	10,450 - 10,500	623	14,450 - 14,500	861	18,450 - 18,500	1,099	22,450 - 22,500	1,337					
2,500 - 2,550	150	150	6,500 - 6,550	388	10,500 - 10,550	626	14,500 - 14,550	864	18,500 - 18,550	1,102	22,500 - 22,550	1,340					
2,550 - 2,600	153	153	6,550 - 6,600	391	10,550 - 10,600	629	14,550 - 14,600	867	18,550 - 18,600	1,105	22,550 - 22,600	1,343					
2,600 - 2,650	156	156	6,600 - 6,650	394	10,600 - 10,650	632	14,600 - 14,650	870	18,600 - 18,650	1,108	22,600 - 22,650	1,346					
2,650 - 2,700	159	159	6,650 - 6,700	397	10,650 - 10,700	635	14,650 - 14,700	873	18,650 - 18,700	1,111	22,650 - 22,700	1,349					
2,700 - 2,750	162	162	6,700 - 6,750	400	10,700 - 10,750	638	14,700 - 14,750	876	18,700 - 18,750	1,114	22,700 - 22,750	1,352					
2,750 - 2,800	165	165	6,750 - 6,800	403	10,750 - 10,800	641	14,750 - 14,800	879	18,750 - 18,800	1,117	22,750 - 22,800	1,355					

The Department of Revenue is committed to taking advantage of new technology to completely change the way taxes are administered in the Commonwealth. As a result of these improvements, we have transformed the agency from a paper processing factory to a center of digital technology, while at the same time reducing staff by 30%. Here's a brief summary of some recent improvements:

Electronic Filing



For the past seven years, the Department has offered taxpayers the option of filing their returns electronically through an approved paid preparer. Electronic filing is a faster, more accurate alternative to traditional paper filing. Last year over 220,000 taxpayers took advantage of this technology and were issued their refunds, on average, in four days. You also have the option of having your refund deposited directly into your savings or checking account if you electronically file through an approved electronic filing preparer.

Telefile



Telefile allows eligible Massachusetts taxpayers to file their tax returns by telephone. Last year, nearly 450,000 taxpayers telefiled, completing their calls in an average of eight minutes and receiving their refunds in three to four days. You also have the option of having your refund deposited directly into your savings or checking account if you Telefile. You may be able to Telefile if you:

- ▶ do not have to file schedule(s) C, D, E, Y and/or Z;
- ▶ did not receive alimony or capital gains distributions;
- ▶ are not claiming deductions other than amounts paid to Social Security, Medicare, U.S., R.R. or Massachusetts retirement; the dependent member of household under age 12 as of 12/31/99; and/or the rental deduction;
- ▶ have not changed your filing status; and
- ▶ have 5 or fewer Forms W-2 or 1099-MISC.

Call (617) 660-1999 or (413) 827-7100 to see if you qualify to Telefile. Telefile is available 24 hours a day, 7 days a week.

PC Filing



PC File is a fast, easy and secure way to file your 1999 state tax return and, if you are due a refund, you will receive it within four days. Simply download our free PC File software from DOR's website at www.state.ma.us/dor. PC File operates on personal computers running Windows 95 or above. Once installed, the software will perform all calculations for you and guide you through a secure transmission of your return to the Department. You will receive confirmation within minutes that your return was received. You also have the option of having your refund deposited directly into your savings or checking account if you PC File.

There are two versions of the software — a simple version for taxpayers who do not need to submit schedules, and a more comprehensive version for taxpayers who do. Our website will help you determine which version is appropriate for you. The software has been enhanced to include all schedules and worksheets for full-year residents and nonresidents.

For more information, visit the Department's website at www.state.ma.us/dor.

Online Filing

Online Filing is a simple and convenient way for you to prepare and electronically file your own tax return using DOR-approved commercially available software or by visiting a DOR-approved software developer's website. You can complete your return with accuracy, receive an acknowledgment that your return has been accepted and if you are due a refund, you will receive it within four days. Through your online software provider, you may also be able to have your refund deposited directly into your checking or savings account. Visit DOR's website at www.state.ma.us/dor for a complete listing of approved vendors and for links to their websites.

Filing Your Extension by Telephone



The Department offers an Extension by Telephone option which allows taxpayers who want to file an Automatic Six-Month Extension of Time to File Massachusetts Income Tax, Form M-4868, to do so by telephone. This option is available to taxpayers who meet the following requirements:

- ▶ you filed a 1998 Massachusetts income tax return;
- ▶ you owe no tax; or
- ▶ if there is a tax due with your extension, payment is made with a Mastercard, Visa, Discover or Novus brand card.

If you meet all of the criteria above, call (617) 660-2222 to file your extension by telephone. If you do not have Form M-4868, complete the following worksheet before you call to determine whether or not you have a tax due.

<ol style="list-style-type: none"> 1. Enter amount from Form 1, line 28. 2. Enter the total of Form 1, lines 31-34 and line 36 3. Amount due. Subtract line 2 from line 1, not less than "0".....

If you need a copy of Form M-4868, call our main information lines at (617) 887-MDOR or toll-free in Massachusetts at 1-800-392-6089. Form M-4868 is also available on our website at www.state.ma.us/dor.

World Wide Web



DOR's website (www.state.ma.us/dor) offers visitors a searchable index of legal rulings; tax forms and publications; news releases; statistical data and related articles. In addition, our website provides timely information from our Local Services and Child Support Enforcement divisions.

TaxTalk



TaxTalk is our automated system of recorded tax information available 24 hours a day, 7 days a week. Call (617) 887-MDOR or toll-free in Massachusetts 1-800-392-6089, and press option 3 for TaxTalk, to select from a menu of tax topics (see list below). TaxTalk topics are also available through the Department's Fax on Demand system or via the Department's website at www.state.ma.us/dor. For a menu of tax topics available by Fax on Demand, please call (617) 887-1900 using the handset and keypad on your fax machine and, when prompted, enter document retrieval number 4000. To access the list of tax topics through DOR's website, click on the section entitled "Tax Help."

TaxTalk Topics

What's New for Tax Year 1999

- 101 What's New in Exemptions
- 102 Repeal of Pay to Play Provisions
- 103 Tax Advocate
- 104 Dispute Resolution
- 105 Tax Credit Provisions of the Brownfields Act
- 106 Interest and Dividends/Short-term Capital Gains
- 107 Paid Preparers: Use of Preparer's Taxpayer Identification Number
- 108 Capital Gains, Filing Your 1999 Tax Return
- 109 Massachusetts Turnpike Fuels Tax Refund Program

Filing Options

- 131 Telefile
- 132 Telefile Form 1
- 133 PC File

Residency Status/Filing Status

- 151 Am I a Resident?
- 152 Am I a Nonresident?
- 153 Am I a Part-Year Resident?
- 154 What is My Filing Status?

Filing Requirements

- 171 Which Return Should I File?/Alternative Filing Methods
- 172 Guidelines for Filing an Extension
- 173 Should I Be Making Estimated Tax Payments?
- 174 Guidelines for Filing an Amended Return

Types of Income

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

Credits

- 301 Limited Income Credit
- 302 Earned Income Credit

- 303 Full Employment Credit
- 304 Title 5 Septic Credit
- 305 Credit for Taxes Paid to Other Jurisdictions

Deductions

- 331 Rental Deduction
- 332 Social Security and Retirement
- 333 Child Care or Dependent Under 12
- 334 Employee Business Expense Deduction
- 335 Student Loan Interest Deduction
- 336 Medical Savings Account Deduction
- 337 Self-Employed Health Insurance Deduction
- 338 Miscellaneous Deductions
- 339 Moving Expense Deduction
- 340 Trade or Business Expenses
- 341 College Tuition Deduction

Responding to Your Income Tax Bill

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

Massachusetts Trustee Taxes — Registration Information

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

Withholding

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

Room Occupancy

- 521 Room Occupancy — General Information

Sales Tax

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

Sales Tax on Meals

- 541 Meals Tax — General Information

Sales Tax on Motor Vehicles

- 551 Motor Vehicles — General Information

Partnerships and S Corporations

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

Corporate Excise

- 701 Who Must File and Pay Corporate Excise?

Estate Tax

- 801 Information for Estates with Date of Death before January 1, 1997
- 802 Estate Tax Reduction and "Sponge Tax"
- 803 Expeditious Lien Release for Estate with Federal Filing Only
- 804 Information for Estates with Date of Death on or after January 1, 1997

Your Rights as a Taxpayer

- 901 Your Taxpayer Bill of Rights
- 902 When Do I Call the Problem Resolution Office?

Department of Revenue Resources

DOR Locations in Massachusetts

19 Staniford Street
Boston 02204
(617) 887-MDOR

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

1019 Iyanough Road
Hyannis 02601
(508) 771-2414

333 East Street
Pittsfield 01201
(413) 499-2206

436 Dwight Street
Springfield 01103
(413) 784-1000

40 Southbridge Street
Worcester 01608
(508) 792-7300

DOR Locations throughout the Country

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

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

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

2603 Augusta Drive, Suite 1075
Houston, TX 77002
(713) 784-7225

1440 Broadway, 22nd floor
New York, NY 10022
(212) 768-2750

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

What kind of help is available

The instructions in the Department of Revenue's tax forms should provide answers to most taxpayer questions. If you have questions about completing your Massachusetts tax form, you can call or visit any of the Department of Revenue offices listed on this page Monday through Friday, between 8:45 a.m. and 5:00 p.m. Taxpayers also can call TaxTalk, the Department's 24-hour automated system of recorded tax help, at the main information lines listed below. In addition, DOR issues a number of useful publications on various state tax issues. These publications include: tax-specific guides written in question and answer format such as the *Guide to Filing Your 1999 Massachusetts Income Taxes*; a quarterly newsletter, the *Taxpayer Advisory Bulletin*, with updates on legislative, legal and Departmental decisions; and public written statements, such as Regulations, Technical Information Releases (TIRs), Directives and Letter Rulings.

Where to get forms and publications



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



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



Many Massachusetts tax forms and publications are also available via the DOR website. The address for the Department's website is www.state.ma.us/dor.



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

For general tax information

Please call (617) 887-MDOR or toll-free in Massachusetts 1-800-392-6089. These main information lines can provide assistance with the following:

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

For help in one of the following specific areas

- ▶ Certificates of Good Standing (617) 887-6550
- ▶ Federal changes (617) 887-6800
- ▶ Teletype (TTY) (617) 887-6140
- ▶ Installment sales (617) 887-6950
- ▶ Small Business Workshop (617) 887-6400
- ▶ Vision-impaired taxpayers can contact any DOR office listed on this page to receive assistance.
- ▶ Upon request, this publication is available in an alternative format. Please send your request to: Office of Affirmative Action, PO Box 9488, Boston, MA 02205-9488 or call (617) 626-3410.

Massachusetts

Department of

Revenue

PO Box 7011

Boston, MA 02204

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MASSACHUSETTS



Dear Taxpayer,

At the Massachusetts Department of Revenue (DOR), digital technology is making it easier than ever to file your state tax return. Last year, 446,000 taxpayers used DOR's Telefile and PC File programs to file their taxes. Those entitled to refunds received them within four days! This year, we have simplified both programs and expanded eligibility so that even more taxpayers will be able to use them.

For more information on these programs or to download DOR's free PC File software, please visit our website, www.state.ma.us/dor. Both Telefile and PC File allow you to deposit your refund check directly into your bank account. Telefile also allows you to use your credit or bank card to pay any tax due.

Improving the quality of our service to you is my highest priority. I have created a new position within DOR — the Taxpayer Advocate — whose job is to see that taxpayers' complaints are identified and resolved as quickly as possible. As a result of two important statutory changes, DOR now has the authority to settle disputed cases much earlier in the assessment process, and taxpayers are no longer required to pay disputed taxes while an appeal is pending.

You should also be aware that there have been changes to the calculation of capital gains taxes in Massachusetts. Taxpayers can now offset all capital losses — whether short or long-term — against any type of capital gain. Please read the instructions to see if you can benefit from this change. Feel free to call the Customer Service Bureau at (617) 887-MDOR or toll-free in Massachusetts at (800) 392-6089 if you have any questions.

In the coming year, I look forward to working with taxpayers and tax specialists across the Commonwealth to improve even further the service that DOR provides.

Sincerely,

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

Frederick A. Laskey
Commissioner of Revenue