

1996

Massachusetts Nonresident or Part-Year Resident Income Tax Form 1-NR/PY

Nonresidents and Part-Year Residents Only
All Schedules and Instructions



Using Your New Form 1-NR/PY

Form 1-NR/PY has been completely changed for 1996. The form has been redesigned to be processed through state-of-the-art electronic scanning equipment. This important change allows the Department to process tax returns faster and with fewer errors.

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

NOTE: Form 1-NR/PY now has three pages. Be sure to include all three pages when mailing your return.

Name and Address

Use the preaddressed return from the booklet we sent you. If any information is incorrect, make corrections on the additional return enclosed in this booklet. 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.

Filing in the Ovals

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

Filing as Both a Nonresident and Part-Year Resident

If you fall into this category, be sure to complete and enclose with your return Schedule R/NR, Resident/Nonresident Worksheet.

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

$\$1.00 - \$1.49 = \$1$ $\$1.50 - \$2.00 = \$2$

Filing in Dollar Amounts/Reporting Losses

When entering amounts on the Form 1-NR/PY and schedules, print your numbers as shown below. Be sure there is only one number per box. Numbers must be written completely within the boxes. Numbers 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

X	1	2	3	4	5	6	7	8	9	0
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If a line does not apply to you, leave it blank or enter a "0" in the dollar box. **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-NR/PY, with a single staple only, your W-2 or 1099 withholding documents. If you are making a payment, complete and remove Form PV, Massachusetts Income Tax Payment Voucher, found below. 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-NR/PY as this will delay the processing of your return.

Staple check here

Form PV Massachusetts Income Tax Payment Voucher				1996
Name of taxpayer(s)			Amount enclosed	
			\$	
Street address			Your Social Security number	
City/Town	State	Zip	Spouse's Social Security number	



Mail to: Massachusetts Department of Revenue, P.O. Box 7003, Boston MA 02204

Make check payable to: Commonwealth of Massachusetts. Write your Social Security number on your check or money order. Be sure to staple check to the front of Form PV and enclose Form PV with your return.

Who Must File

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

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

- 1.** You are a **full-year Resident** if your legal residence (domicile) was in Massachusetts for the entire taxable year or if you maintained a permanent place of abode in Massachusetts and spent more than 183 days, in the aggregate, in the state. If you fit this description, you should file Form 1, Massachusetts Resident Income Tax Return.
- 2.** You are a **Nonresident** if you are not a resident of Massachusetts as defined above but received Massachusetts source income (e.g. from a job in Mass.). Fill in the “Nonresident” oval at the top of the form if this category applies to you.
- 3.** You are a **Part-year Resident** if, during the taxable year, you moved to Massachusetts or established a permanent place of abode here and became a resident or, you terminated your status as a Massachusetts resident to establish a residence outside the state. Fill in the “Part-year resident” oval at the top of the form if this category applies to you.
- 4.** If you were a **Massachusetts Resident** for part of the year and a **Nonresident with Massachusetts source income** for another part of the year, you must file Form 1-NR/PY and, complete Schedule R/NR to calculate the portion of income earned while a part-year resident and the portion of income earned while a nonresident. Fill in the “Filing as both a nonresident and part-year resident” oval at the top of the form if this category applies to you and be sure to complete and enclose Schedule R/NR with your return. Schedule R/NR is available by calling the Department of Revenue’s Customer Service Bureau at (617) 887-MDOR or, toll-free in Massachusetts at 1-800-392-6089.

For more information on Massachusetts source income, refer to the section on Filing a Nonresident/Part-year Resident Return.

Form 1-NR/PY 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?
- 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?
- Have you attached with a single staple your 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?
- 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 1996 Tax Changes

One-Time Increase to Personal Exemptions

Recent legislation provides for a \$150 million tax reduction to be implemented by a temporary increase in the personal exemption amounts which each taxpayer is entitled to claim. The exemption amount is determined by the taxpayer’s filing status. The following increases in the personal exemptions are applicable **only** for the 1996 tax year: joint filers increased to \$5,850 from \$4,400; heads of household increased to \$4,520 from \$3,400; and single or married filing separately increased to \$2,925 from \$2,200.

No Tax Status/Limited Income Credit Thresholds

Because the income level 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 temporarily increased to reflect increases 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 \$13,450 plus \$1,000 per dependent. Joint filers are eligible for the Limited Income Credit if Mass. AGI does not exceed \$23,538 plus \$1,750 per dependent.

Heads of Household No tax is imposed if Mass. AGI does not exceed \$12,120 plus \$1,000 per dependent. Heads of household are eligible for the Limited Income Credit if Mass. AGI does not exceed \$21,210 plus \$1,750 per dependent.

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

Tax Lowered on Capital Gains/Change in Tax Rates

Legislation passed in 1994 reduces the tax on gain from the sale of capital assets held for more than one year. For purposes of the new 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 the next six years as holding periods increase from the deemed commencement date. The new law expands the definition of a capital asset and allocates capital gains and losses into either 12% income or 5% income based on the capital asset's character and holding period. There are special rules for collectibles which are capital assets such as antiques, gems, and works of art. A new credit, which may be applied against 5% income and portions of 12% income, is generated from certain long-term capital losses.

The new law defines "capital gain income" as gain from the sale or exchange of a capital asset. The definition of "capital asset" has been expanded to include: (1) an asset which is a capital asset for federal income tax purposes, (2) property held in a trade or business within the meaning of IRC section 1231(b) without regard to the holding period set out in said section 1231(b) or (3) property that is subject to compulsory or involuntary conversions within the meaning of IRC section 1231(a) without regard to the federal holding periods prescribed in those sections.

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. Since holding periods will be deemed not to have begun prior to January 1, 1995, for tax year 1996 the longest possible holding period is 2 years and the applicable tax rate is 5% if the capital asset was held for more than one year. 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 6 years will not be subject to tax.

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 are taxed as 5% income in tax year 1996. The new law sets forth a calculation to generate a credit when long-term losses are in excess of long-term gains. This credit may be applied against short-term capital gains in the current year and carried forward to be applied against long- and short-term capital gains in subsequent years.
- ▶ 12% income continues to include short-term capital gains, dividends, and non-Mass. bank interest, as well as short- and long-term capital gains arising from the sale of collectibles. Allowable deductions from 12% income include allowable deductions from your trade or business, losses on the sale of capital assets held for one year or less, a 50% deduction for gains on the sale of collectibles held for more than one year and, excess exemptions.
- ▶ 5.95% income will continue to consist of all income that is not 5% income or 12% income, including such items as wages, pensions, rents, and Massachusetts bank interest.

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

Voluntary Contributions to the Massachusetts United States Olympic Fund

Legislation passed in 1995 enables taxpayers to make voluntary contributions on their income tax returns to the newly established 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.

Federal Tax Law Changes That Massachusetts Does Not Adopt

Massachusetts personal income tax law references the Internal Revenue Code (IRC) as of January 1, 1988. Massachusetts does not adopt federal tax law changes enacted after that date. Some of these changes include: increased Section 179 expensing allowance; new rules for amortization of goodwill and other intangibles; liquidation payments to partners; increased recovery period for depreciation of nonresidential real property; reduced business meals and entertainment deduction; elimination of the business deductions for club dues and spousal travel expenses; new rules for passive activity losses; exclusion of discharge of indebtedness; inclusion as income of certain employer-provided parking; exclusion from income of qualified moving expense reimbursements and exclusion from income of certain employer-provided educational assistance. For further information on any of these topics, refer to the *Guide to Filing Your 1996 Massachusetts Income Taxes*. This publication is available by calling (617) 887-MDOR.

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 Forms W-2 (Wages), W-2G (Winnings), and any 1099 forms. Use this information to complete your U.S. Form 1040, 1040A, 1040EZ or U.S. Telefile worksheet first. The information on your U.S. return will help you complete your Mass. return.

Step Two — Complete Your Return

First, remove the forms from this booklet. If you received this booklet in the mail, and the information in the preaddressed area is correct, file this return with the Department of Revenue. If this information is incorrect, do not use the preprinted return. Instead, print the correct name and/or address information in the spaces provided on the additional return found in this booklet. 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. If a line does not apply to you, leave it blank or enter "0." 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. Please note that the signature area is at the bottom of page three of Form 1-NR/PY. Form 1-NR/PY 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.

Common 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 your Forms W-2 or 1099s, to Form 1-NR/PY. Any enclosures such as schedules, statements, Form PV, Schedule R/NR, etc. should simply be placed in the envelope along with Form 1-NR/PY 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.** Make certain that you specify the number of exemptions you are claiming in line 4, items b, c and d. Enter the appropriate number in the small white box.

▶ **Missing Pages of Form 1-NR/PY.** Form 1-NR/PY is now three pages. Be sure to include all three pages of the return when mailing.

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

▶ **Missing Supporting Schedules.** Make certain all required schedules are enclosed to support the information on your Form 1-NR/PY. These include Massachusetts schedules X, Y, B, B-1, C, C-2, D, E, R/NR, EC, EOA, LP and all required U.S. schedules. Also remember to enclose copies of other states' returns when taking a credit for income tax paid to another state or jurisdiction. 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-NR/PY.

▶ **Misdirected Mailing.** Each year, many taxpayers send their Form 1-NR/PY to the Internal Revenue Service instead of the Massachusetts Department of Revenue. Be sure to use the return envelope in this booklet or follow the mailing instructions on your return.

▶ **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.

Filing Your Mass. Return

As a nonresident, you must file Form 1-NR/PY if your Massachusetts source income for 1996 exceeded the smaller of your apportioned personal exemption or, \$8,000.

What Is Massachusetts Source Income for Nonresidents?

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

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

- ▶ any trade, business, or employment carried on in Massachusetts (see the following section);
- ▶ participation in any lottery or wagering transaction in Massachusetts; or
- ▶ ownership of any interest in real or tangible personal property located in Massachusetts.

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

- ▶ all wages, salaries, tips, bonuses, fees and other compensation which relate to activities carried on in Massachusetts, regardless of where the compensation is paid;
- ▶ unemployment compensation related to previous Massachusetts employment;
- ▶ profit from a business, trade, profession, partnership or S corporation conducted in Massachusetts;
- ▶ rents and royalties from real and tangible personal property located in Massachusetts or from other business activities in Massachusetts;
- ▶ gain from the sale of real or tangible personal property located in Massachusetts; and
- ▶ interest and dividends, only if derived from or connected with Massachusetts business activity, or the ownership of Massachusetts real estate or tangible personal property.

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

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

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

A nonresident generally does not have a trade, business or employment carried on in Massachusetts if his/her presence for business in Massachusetts is casual, isolated and inconsequential. A nonresident's presence for business will be considered casual, isolated and inconsequential if it meets any of the following:

- ▶ The nonresident's presence for business in Mass. does not exceed 10 days in the taxable year except that a nonresident directly earning more than \$6,000 of gross income from business or employment activities — for example, a commission earned by a salesperson for a Mass. sale does not have a casual, isolated or inconsequential presence for business in Mass., regardless of the number of days in Massachusetts;
- ▶ The gross income from presence for business in Massachusetts does not exceed \$6,000 in the taxable year; or
- ▶ The nonresident's business presence in Massachusetts is ancillary to the nonresident's primary business or employment duties performed at a base of operations outside Massachusetts, e.g., an occasional presence in Massachusetts for management functions, and other similar activities which are secondary to the individual's primary out-of-state duties.

Are Military Personnel Required to File?

If you enlisted in the service as a Massachusetts resident and have not established a new domicile (legal residence) elsewhere and if your gross income is more than \$8,000, you are required to file a Massachusetts income tax return. This applies even though you may be stationed outside of Massachusetts. The terms "legal residence" and "domicile" are used to denote that place where you have your permanent home and to which, whenever you are absent, you have the intention of returning. Nonresident military personnel stationed in Massachusetts may be subject to Massachusetts taxes and should file Form 1-NR/PY if they earn income from other than military sources.

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.

How Do I Determine My Legal Residence (Domicile)?

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

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

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

What is Gross Income For a Part-Year Resident?

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

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

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

- ▶ interest from obligations of states and their political subdivisions, other than Massachusetts and its political subdivisions;
- ▶ income earned by a resident from foreign employment; and
- ▶ certain contributions for tax-deferred annuities.

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.

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

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

Income: Lines 5 through 11, 25 and 26

If you earned only a portion of the income you reported on your U.S. return while you were a Massachusetts legal resident, subtract from your U.S. income the amount earned and received while you were legally domiciled in another state or country. However, you may be required to include all income derived from Massachusetts sources, earned while you were a nonresident (e.g., rental property in Massachusetts) on Schedule R/NR, Resident/Nonresident worksheet.

Deductions: Lines 15 through 19

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

Line 17 (the deduction for a dependent under age 12) is the only deduction based on the proration of the number of days you were a Massachusetts resident. For example, if you are entitled to this deduction, and if you lived in Massachusetts for only four months, you can claim a deduction equal to \$200 (one-third of the \$600 to which you are otherwise entitled). See line 2 on Form 1-NR/PY for the proration formula.

Lines 15 and 16 and lines 18 and 19 are based on the actual expenses paid for the period of time you were in Massachusetts. For example, you may only deduct the amount of alimony paid (Schedule Y, line 3) while you were a Massachusetts resident. Similarly, the deduction for penalties on the early withdrawal of savings is only available if the penalties were related to Massachusetts interest income reportable, or previously reported, on a Massachusetts tax return.

Exemptions: Lines 4a through 4f

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

Should I Make Estimated Tax Payments in 1997?

Every taxpayer (whether a resident or nonresident) who expects to pay more than \$200 in Massachusetts income taxes on income which is not covered by Massachusetts withholding must pay Massachusetts estimated taxes using Massachusetts Form 1-ES, Estimated Income Tax Vouchers. See line 38 instructions for a further discussion of who must pay quarterly estimated taxes to the Department of Revenue.

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

If 80% of the tax is not paid throughout the year by withholding and/or estimated tax payments you may have to pay a penalty.

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 the appropriate oval. Also, attach 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.

When to File Your Return

Form 1-NR/PY is due on or before April 15, 1997.

How Do I File for an Extension?

To receive an extension of time to file, you must file an Application for Automatic Six-Month Extension of Time to File Massachusetts Income Tax, Massachusetts Form M-4868, 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 penalty for filing your return after the due date. Interest is charged on any tax not paid by the original due date.

If you are filing for an extension and do not expect to owe any tax, you may file your application for extension by touch-tone telephone (see Form M-4868 instructions for more information) or substitute U.S. Form 4868 for the Mass. extension form. Be sure to indicate on the form that this extension is for Massachusetts purposes.

NOTE: Your extension will not be valid if you fail to pay 80% of your total tax liability through withholding, estimated tax payments or with your Massachusetts Form M-4868.

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 the 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, such as a W-2 or 1099, or discover that an error was made, do not submit a second tax return. If corrections are necessary, you must file Massachusetts Form 33X, Massachusetts Amended Income Tax Return. This form is available at any Department of Revenue location, or you may have one mailed to you by calling (617) 887-MDOR.

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 any information is incorrect, do not use the preaddressed return. Instead, print the correct name, address and Social Security number of each person filing the return in the spaces provided on the additional return included in this booklet. 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.

If you legally changed your name in 1996, 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.

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.

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

Residency Status

Fill in the "Nonresident" oval if you were not a resident of Massachusetts and you received Mass. source income. See the section "What is Massachusetts Source Income for Nonresidents?" on page 6 for an explanation of Mass. source income.

Fill in the "Part-year resident" oval if you were a resident of Massachusetts for less than the full year, you received Massachusetts gross income in excess of \$8,000 and you did not receive Massachusetts source income while a nonresident.

Fill in the "Filing both as a nonresident and part-year resident" oval if both categories apply to you in the same tax year.

For additional information on how to file as a part-year resident/part-year nonresident, refer to the *Guide to Filing Your 1996*

Massachusetts Income Taxes. This publication is available by calling (617) 887-MDOR.

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 8 of the instructions.

Voluntary Contribution to Massachusetts Election Campaign Fund (for Part-Year Residents Only)

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

Filing Status

1 Single

Fill in the "**Single**" oval if you were single as of December 31, 1996. This status applies to you if, at the close of the taxable year, you fit into any of the following categories:

- ▶ you were unmarried;
- ▶ you were a widow or a widower whose spouse died before 1996; 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, 1996, and you elect to file a joint return. A joint return is allowed even if only one spouse had income. Both spouses are responsible for the accuracy of all information entered on a joint return, and both must sign. If your spouse died during 1996, you may still choose to file a joint return.

Please note that a joint Form 1-NR/PY is **not** allowed unless each spouse is reporting income for the same resident or nonresident period. For example, John (a Massachusetts resident) and Jane (a New Hampshire resident) both work in Massachusetts. After they were married in June 1996, John moved to New Hampshire to live with Jane. They cannot file a joint return because their nonresident tax years are different. (Jane lived in New Hampshire during the entire year, but John only lived there for six months.)

Married Filing Separate Return

Fill in the “**Married filing separate return**” oval if you were legally married as of December 31, 1996, but you elect to file a separate return. 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 and would like to file as head of household for Massachusetts purposes.

NOTE: You may wish to figure your taxes based upon more than one filing status to see which status is to your benefit.

2 Part-Year Resident Proration Formula

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

3 Total U.S. Income

Enter the amount of your total income before adjustments from your U.S. return — U.S. 1040, line 22; 1040A, line 14; 1040EZ, line 4; or U.S. Telefile worksheet, item H. This item is requested for administrative reasons; it is not used in the calculation of your tax.

Whole-dollar Method

Rounding off 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 attached schedules.

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

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.

4 Exemptions

Line 4a: Personal Exemptions

Each taxpayer is entitled to claim a personal exemption. The amount of your personal exemption depends on your filing status 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 \$2,925 in item a.

▶ If filing as head of household, enter \$4,520 in item a.

▶ If married filing a joint return, enter \$5,850 in item a.

Line 4b: Number of Dependents

You may claim a \$1,000 exemption for each of your dependents if you claimed them on your U.S. return. Enter in the box in item b the number of the dependents you listed on U.S. Form 1040 or 1040A, line 6c. Do not include yourself or your spouse. Then, multiply that total by \$1,000 and enter the total amount in line 4b.

You must list the Social Security number of each dependent in the space provided for item b. If your dependent was born in December of 1996 and does not yet have a Social Security number, enter “12/96” in the space provided. You can receive a Social Security number for your dependent by filing Form SS-5 with your local Social Security Administration office.

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

Line 4c: Age 65 or Over Before 1997

You are allowed an additional \$700 exemption if you were age 65 or over before January 1, 1997. If your spouse was age 65 or over and you are filing a joint return, you may also claim a \$700 exemption for your spouse. Fill in the appropriate oval(s) and enter the total number of persons age 65 or over in the small box. Then, multiply that total by \$700 and enter the total amount in line 4c.

Line 4d: Blindness Exemption

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

Legal Definition of Blindness

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

5.95% Income

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

You may claim an exemption for medical and dental expenses paid during 1996 only if you itemized these expenses on your U.S. Form 1040, Schedule A, and had excess itemized deductions. If you are married filing a joint U.S. Form 1040, you must file a joint Mass. Form 1-NR/PY to claim this exemption. Enter in line 4e, item 1 the amount reported on your U.S. Form 1040, Schedule A, line 4. If you paid adoption fees to a licensed adoption agency during 1996 and if the adoption fees were more than 3% of your adjusted 5.95% income (for nonresidents, computed as if you were a resident), you are eligible for a limited exemption. Complete the following worksheet.

Line 4e Worksheet — Adoption Agency Fee Exemption

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

- A.** Licensed adoption agency fees. _____
B. 5.95% income (Form 1-NR/PY, line 12). _____
C. Enter total Mass. bank interest or the interest exemption amount, whichever is smaller (Form 1-NR/PY, line 7a or 7b). _____
D. Adjusted 5.95% income. Add items B and C _____
E. 3% of adjusted income. Multiply item D by .03. _____
F. Allowable Adoption Fee Exemption. Subtract item E from item A and enter in Form 1-NR/PY, line 4e, item 2. _____

Add item 1 and item 2 and enter the total in line 4e.

Line 4f: Total Exemptions

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

Lines 5 through 11

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

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

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.

5 Wages, Salaries, Tips, Other Employee Compensation

Report in line 5 total state wages from Form(s) W-2. Enter the amount(s) stated as Massachusetts wages. In most cases your total wages will be the same amount reported on your U.S. 1040 or 1040A, line 7; or U.S. 1040EZ, line 1, unless:

- ▶ you or your spouse earned income from employment outside Massachusetts (nonresidents only);
- ▶ you were a Massachusetts legal resident working in a foreign country (part-year residents only);
- ▶ you were a legal resident of Mass. for only a part of 1996;
- ▶ you made contributions under certain tax-sheltered annuity contracts; or
- ▶ you were a state or local employee and made contributions to a Massachusetts state or local pension plan.

Differences Between Wages for Massachusetts Tax Purposes and Those Reported on My U.S. Return

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

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

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

▶ **Contributions to certain tax-sheltered annuity contracts.** The Form W-2 state wage total must be reported on Form 1-NR/PY, line 5. You may not deduct excess voluntary contributions made under certain tax-sheltered annuity contracts. Employees of certain private tax-exempt organizations, public educational institutions or hospitals may be covered by federally tax-sheltered annuity contracts (under Section 403 (b) of the U.S. Internal Revenue Code (IRC)), under which contributions are made under an authorized salary reduction agreement. If you were

such an employee and you contributed more than required under the retirement plan of your employer, you must include the excess contribution in your Massachusetts wages. Generally, your employer will show a higher wage total for Massachusetts than the U.S. total on your Form W-2, and you must use the Massachusetts amount.

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

6 Taxable Pensions and Annuities

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

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

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

Any income from pensions related to a Massachusetts trade, business or employment that is not derived from one of the qualified pension plans listed above is taxable. Enter in line 6 the portion of those pensions reported on your U.S. Form 1040, line 16a or U.S. Form 1040A, line 11a, that are taxable to Massachusetts nonresidents.

Part-year residents. Income from most private pensions or annuity plans is taxable in Massachusetts. You must report the taxable pension income you received while a resident of Massachusetts. Certain government pensions, however, are exempt under Massachusetts law. In general, exempt pensions include contributory pensions from the U.S. Government or the Commonwealth of Massachusetts and its political subdivisions. Noncontributory military pensions are taxable in Massachusetts.

The following section describes some specific pensions which are exempt. If your pension is exempt, enter "0" in line 6. For more information, refer to Technical Information Release (TIR) 89-6 or 92-3. If your pension is not exempt, you should generally enter in line 6 the taxable amount reported on your U.S. Form 1040, line 16b or U.S. Form 1040A, line 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 were previously taxed by Massachusetts until the total of your taxed contributions is received. If your pension falls into this category, enter the adjusted amount in line 6 and explain briefly (in an enclosed statement) why this amount is different than the amount reported on your U.S. return. If you are receiving distributions from an IRA or Keogh plan, do not report the income here; instead, please refer to the instructions for Schedule X on page 23.

What pensions are exempt?

► 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 lump-sum distribution is fully taxable and should be reported in line 6.

► 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 noncontributory taxable pensions. This pension income should be reported in line 6.

► Other exempt pensions include income received from a contributory annuity, pension, endowment or retirement fund of the U.S. Government. 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. For guidance on which state's pensions are eligible for this deduction in Massachusetts, refer to Technical Information Release (TIR) 95-9. Also, see Schedule Y, line 4 instructions.

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.

Line 7 Example

Jane had \$90 in Massachusetts bank interest in line 7a. The exemption amount is \$100. Therefore, Jane enters "0" as her interest after exemption in line 7.

7 Mass. bank interest: a. — b. exemption =
 Exemption: if married filing jointly, subtract \$200 from Total; otherwise subtract \$100 & enter result

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

NOTE: Massachusetts does not tax social security income, therefore, you should not report such income on Massachusetts Form 1-NR/PY.

7 Interest from Massachusetts Banks

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

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

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

To report interest taxable to a nonresident/part-year resident from banks located in Massachusetts, enter in line 7a all amounts of interest received or credited to these deposit accounts (term and time deposits, including certificates of deposit, savings accounts, savings shares, and NOW accounts). Combine all accounts at the same bank. Enclose a statement listing names of all savings banks, cooperative banks, national banks, trust companies, savings & loan associations or credit unions in which you have deposit accounts. In line 7b, enter the exemption amount (\$200 if married filing a joint return; otherwise enter \$100) and subtract this amount from line 7a. Enter the result in line 7, but not less than "0." See example above.

NOTE: Do not subtract interest forfeited or penalties charged to you for early savings withdrawal. You may be allowed to deduct these amounts on Schedule Y, line 2. All other interest is taxed at 12% unless exempt and should be entered on Mass. Schedule B. The return on an IRA/Keogh is not taxable until distributed.

8 Business/Profession or Farm Income or Loss

Nonresidents engaged in a business or profession in Massachusetts must complete a Massachusetts Schedule C, Profit

or Loss from a Business or Profession, and enter the amount of income or loss in line 8.

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

Enter the amount of such income or loss that would be reported on Massachusetts Schedule C, line 31. Enclose Massachusetts Schedule C and a copy of your U.S. Schedule C or U.S. Schedule C-EZ. Nonresidents, if your business or profession derived income from both inside and outside Massachusetts, see the Nonresident Apportionment Worksheet instructions in line 13.

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.

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

Nonresidents. Report the amount of Massachusetts source income or loss from the items listed above.

Part-year residents. Report the amount of income or loss from the items listed above, received while a resident of Massachusetts, whether derived sources inside or outside of Mass.

Enter in line 9 the total of: Mass. Schedule E, Part I, line 5; Part II, line 9; 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.

10 Unemployment Compensation

Nonresidents. Enter the portion of your unemployment compensation reported on U.S. Form 1040, line 19; U.S. Form 1040A, line 12; U.S. Form 1040EZ, line 3; or U.S. Telefile worksheet, item D, related to previous Massachusetts employment. Only unemployment compensation related to previous Massachusetts employment is taxable to nonresidents.

Part-year residents. Enter in line 10 the amount of unemployment compensation you received while you were a resident of Massachusetts, whether related to employment inside or outside of Massachusetts.

11 Other Income (from Schedule X)**Alimony Received, Taxable IRA/Keogh Distributions, 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 4. 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 23.

12 Total 5.95% Income

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

Apportionment — Nonresidents Only

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

Who Cannot Apportion Income?

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

- ▶ an employee whose actual Massachusetts income is shown on Form W-2;
- ▶ an employee whose W-2 does not indicate initially his/her actual Massachusetts income but whose employer issues a corrected W-2 or other statement which breaks down this amount. Since your employer is required by law to withhold Massachusetts tax on your Massachusetts wages, this breakdown will be easy to obtain; and
- ▶ a self-employed person whose actual Massachusetts income is known, such as a surgeon who comes to Massachusetts to perform a specific operation for a set fee.

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

Who Must Use the Nonresident Apportionment Worksheet?

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

Who Can Apportion Income but Cannot Use the Nonresident Apportionment Worksheet?

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

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

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

Apportionment Methods

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

- ▶ **Working day basis.** This basis should be used by employees or self-employed persons who qualify to use the Nonresident Apportionment Worksheet and who are compensated on an hourly, daily, weekly or monthly basis. The income of these taxpayers is to be allocated to Massachusetts in the proportion that the amount of time spent working in Massachusetts bears to the total working time.
- ▶ **Mileage basis.** An employee or self-employed person whose compensation depends on miles traveled is taxed on that portion of total compensation received in which the miles traveled within Massachusetts bear to total miles traveled.
- ▶ **Sales basis.** For an employee or self-employed person whose compensation depends upon sales or commissions, taxable income includes that portion of total compensation received which the sales made inside Massachusetts bear to total sales. (For the purposes of making this allocation, all sales for which the

taxpayer takes orders inside Massachusetts are attributable to this state, regardless of whether the formal acceptance of the contract of sale takes place inside or outside Massachusetts.)

Special Apportionment Methods

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

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

► **Entertainers and professional athletes.** If you are a nonresident entertainer who performed in Massachusetts and you were not paid specifically for the performance in Massachusetts, or if you are a nonresident professional athlete who took part in performances, bouts, meets, matches or games that occurred in Massachusetts and you were not paid for the specific event played in Massachusetts, you must use the apportionment formula set forth in Massachusetts Regulation 830 CMR 62.5A.1.

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

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

13 Nonresident Apportionment Worksheet

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

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

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

13d. Enter your nonworking days. Your nonworking days are those days during the year (or during the period you worked, if

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

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

Nonresident Deduction & Exemption Ratio

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

14 Deduction and Exemption Ratio

All nonresident taxpayers must complete lines 14a to 14g to arrive at this ratio. The ratio will be used to determine what amounts, if any, you may deduct in lines 16, 17 and line 3 of Schedule Y (alimony paid) and, the amount of your exemptions in line 22a.

To complete lines 14a through 14g, complete the following. If married filing jointly, include in each line the income for both spouses. Enter any loss as "0."

14a. Enter in line 14a total 5.95% income from line 12.

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

14c. Read the instructions for lines 25 and 26. If these items apply to you, combine lines 25a and 26a (before excess exemptions, if any), and enter the total in line 14c.

14d. Compute the total income from this return by adding lines 14a, b and c. Enter the total in line 14d.

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

14d, due to the differences between Massachusetts and federal tax laws. For example, Massachusetts does not tax interest from U.S. obligations or social security benefits. See the following section for a more detailed explanation.

14f. Add lines 14d and 14e, and enter the total in line 14f. This is your total income.

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

Why Might U.S. Total Income in Line 3 Be Different from Total Income in Line 14f?

Taxpayers are required to provide their U.S. total income on Form 1-NR/PY. In addition, taxpayers must indicate on the form the sum of their total Massachusetts 5.95%, 12% and 5% income and any additional income that would have been reported as Massachusetts income had they been Massachusetts residents. Due to differences between Massachusetts and federal tax laws these two amounts may not be the same.

To reconcile the two amounts, the following types of income included in the U.S. total income, but not taxable in Massachusetts should be subtracted from the U.S. total:

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

Income from the following categories which is not included in U.S. total income must be added back to calculate the total income that would be reported as Massachusetts income had the taxpayer been a Massachusetts resident:

- ▶ bond interest from other states;
- ▶ up to \$70,000 in foreign-earned income;
- ▶ voluntary contributions to annuity plans established under Sec. 403(b) of the Internal Revenue Code;
- ▶ contributions to a pension plan by Massachusetts state or local employees; and
- ▶ net operating loss carryforward.

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

Deductions

Lines 15 through 19

Massachusetts allowable deductions differ from "Itemized Deductions" on Schedule A of U.S. Form 1040. You may claim only the deductions specified on Massachusetts Form 1-NR/PY, lines 15 through 19.

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

Nonresidents, if as a condition of Massachusetts business or employment have paid into any of the retirement systems listed above during 1996, may deduct those contributions, up to a maximum of \$2,000.

Part-year residents may deduct contributions attributable to business or employment while a Mass. resident, up to a maximum of \$2,000.

Enter in lines 15a and 15b the amount you (and your spouse, if filing jointly) paid to Social Security (FICA), Medicare or Railroad Retirement as shown on your W-2 statement, and, the U.S. or Massachusetts Retirement Systems during 1996 that is directly related to income taxable by Massachusetts included in line 12, but not more than \$2,000 each. Payment amounts may not be combined or transferred from one spouse to the other. Add items 15a and 15b and enter the result in line 15. 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 or Simplified Employee Pension plan (SEP) are not deductible for Massachusetts income tax purposes.

Lines 16 and 17

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

16 Child Under Age 15, or Disabled Dependent/Spouse Care Expenses

Massachusetts generally allows the same expenses as the U.S. Government for employment-related expenses for the care of a qualified child under the age of 13, a disabled dependent or a disabled spouse. However, since Massachusetts adopts the U.S. Internal Revenue Code in effect on January 1, 1988, changes in federal law which occurred after January 1, 1988 are not adopted by Massachusetts. Complete the following worksheet in order to calculate your Massachusetts child or disabled dependent/spouse care expense deduction. The worksheet will take into account the following Massachusetts differences from the U.S. Internal Revenue Code:

Employer-provided dependent care benefits:

Federally, you are required to include any employer-provided dependent care benefits in calculating the maximum amount of allowable expenses. You do not have to include employer-provided dependent care benefits in computing the amount of your Massachusetts deduction.

Expenses for children 13 or 14 years of age:

Massachusetts allows you to include expenses for children under 15 (13 or 14 years of age) who otherwise, do not qualify federally.

- ▶ If you choose to take a deduction in line 16, you may not take the deduction in line 17.

Line 16 Worksheet — Child Under Age 15 or Disabled Dependent/Spouse Care Deduction

Use the following worksheet to calculate your Massachusetts child under age 15 or disabled dependent/spouse care deduction. Also attach U.S. Form 2441 or U.S. Form 1040A, Schedule 2.

- A. Enter the amount from U.S. Form 2441, line 14 or U.S. Form 1040A, Schedule 2, line 14. If line 14 is not completed, enter the amount from line 4
- B. Enter expenses for a child age 13 or 14.
- C. Total. Add items A and B
- D. Enter \$2,400 (\$4,800 if you paid for the care of two or more qualifying persons).
- E. Compare items C and D. Enter the smaller of the two amounts here.
- F. Enter the amount from U.S. Form 2441, line 5 or U.S. Form 1040A, Schedule 2, line 5
- G. If you are married filing a joint return, enter the amount from U.S. Form 2441, line 6 or U.S. Form 1040A, Schedule 2, line 6. Otherwise, enter "0".
- H. If you are married filing a joint return, compare the amounts in items E, F and G. Enter the smallest of the three amounts here.
- All others, compare the amounts in items E and F. Enter the smaller of the two amounts here.
- I. If you paid 1995 expenses in 1996, enter the amount of the allowed 1995 expenses used to compute the credit on U.S. Form 2441, line 10 or U.S. Form 1040A, Schedule 2, line 10. Otherwise enter "0".
- J. Add items H and I.
- K. Part-year residents, enter here and in Form 1-NR/PY, line 16; nonresidents, multiply this amount by Form 1-NR/PY, line 14g and enter the result here and in Form 1-NR/PY, line 16.

17 Dependent Member of Household Under Age 12 at Year End

You may deduct **one** \$600 amount if at least one dependent member of your household was under age 12 on December 31, 1996 and if you are either single, head of household or married filing jointly. You may claim only one \$600 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 17.

- ▶ You may claim an amount in line 17 only if claiming "0" in line 16.

- ▶ Nonresidents, multiply \$600 by line 14g; if you were a part-year resident during 1996, multiply \$600 by line 2.

18 Rental Deduction

Nonresidents are allowed a deduction equal to 50% of the rent they pay, up to a maximum of \$2,500, for their principal residence only if it is located in Massachusetts and is their sole residence. (Non-Massachusetts rent is never deductible.) Many nonresidents rent a house or apartment in Massachusetts, but few qualify for this deduction. This is because the house or apartment rented here is not their principal residence. Only those nonresidents who rented a house or apartment in Massachusetts and have no family home or other dwelling to which they normally return (or to which they could return in the future) in any other state or country, can claim this deduction. If you filled in the "no" oval in line 18, complete the worksheet below.

Part-year residents are entitled to the rental deduction equal to 50% for the rent they paid during 1996 (up to a maximum of \$2,500 per return) for their principle residence while a resident of Massachusetts. Complete the worksheet below.

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 return.

Line 18 Worksheet — 50% Rental Deduction

- A. Enter the total amount of qualified rent paid by you during 1996
- B. Divide item A by 2 (÷ 2) and enter the result, or \$2,500 — whichever is smaller — in line 18 of Form 1-NR/PY.

This deduction is limited to one deduction of not more than \$2,500 per return. Enter your landlord's name(s) in the area provided on line 18. Enclose an additional statement if you need more space.

19 Other Deductions (from Schedule Y)

Allowable Employee Business Expenses, Penalty on Early Savings Withdrawal, Alimony Paid and Deductible Amount of Qualified Contributory Pension Income From Another State or Political Subdivision

Enter the total from Schedule Y, line 5. 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 24.

20 Total Deductions

Add lines 15 through 19, and enter the total in line 20.

21 5.95% Income After Deductions

Subtract line 20 from line 12. Enter the result in line 21. Do not enter less than "0."

22 Exemption Amount

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

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

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

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

If you are reporting income on Form 1-NR/PY and were also the beneficiary of an estate or trust, you may apply excess exemptions to your Form 2 income taxed at 5.95% before applying the excess exemptions to your 12% income reported on Form 1-NR/PY. Any excess amount then should be applied against 12% income reported on Form 2 before applying any remaining excess exemption amount against 5% income on Form 1-NR/PY. Any excess amount still remaining should then be applied against 5% 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.

Lines 25 and 26 Worksheet — Exemptions from 12% and 5% Income

If your total exemptions in line 22 are more than the amount of your 5.95% income after deductions in line 21, the excess may be applied against all your income taxed at 12%. Any remaining excess amount may then be applied against all your income taxed at 5%. (If you are the beneficiary of a Massachusetts trust or estate, see the instructions for line 22.) Complete the following worksheet only if line 21 is less than line 22 to determine if you qualify for the excess exemption.

- A.** Schedule B, line 18.
- B.** Schedule B, line 19.
- C.** Subtract item B from item A.
- D.** Enter amount from Form 1-NR/PY, line 22.
- E.** Enter amount from Form 1-NR/PY, line 21.
- F.** Subtract item E from item D. If "0" or less, you do not qualify for this exemption. Omit the remainder of this worksheet.
- G.** Excess exemptions applied against 12% income. If item C is larger than item F, enter item F here and in Schedule B, line 20 and omit remainder of worksheet. If item F is equal to or larger than item C, enter item C here and in Schedule B, line 20. Complete items H through J.
- H.** Subtract item G from item F. If "0" you have no remaining excess exemptions. Omit the remainder of this worksheet.
- I.** Enter Schedule D, line 8.
- J.** Excess exemptions applied against 5% income. If item I is larger than item H, enter item H here and in Schedule D, line 9. If item H is equal to or larger than item I, enter the amount from item I here and in Schedule D, line 9.

5.95% Tax

23 5.95% Income After Exemptions

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

24 5.95% Tax

Based upon the amount in line 23, find the proper amount of tax from the table at the back of this booklet. Enter the tax in line 24. If line 23 is more than \$80,000, multiply the amount in line 23 by .0595 and enter the result in line 24. You must use the tax table if line 23 is \$80,000 or less.

12% Income and Tax

25 Schedule B (Interest, Dividends and Certain Capital Gains and Losses)

Enter in line 25 the amount from Schedule B, line 21. Multiply this amount by .12 (12%) and enter the tax in line 25. 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 27 of this booklet.

5% Income and Tax

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

Enter in line 26a the amount from Schedule D, line 10. Multiply this amount by .05 (5%) and enter the tax in line 26. 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 31 of this booklet.

Excess Exemptions

If there is any entry in Schedule B, line 20 and/or Schedule D, line 9, be sure to fill in the oval in line 26.

Mass. AGI for Line 27 and Line 29

Single, Married Filing a Joint Return or Head of Household Only (if married filing a separate return, proceed to line 28)

If your Massachusetts Adjusted Gross Income (Mass. AGI) was \$8,000 or less if single, \$13,450 or less plus \$1,000 per dependent if married filing a joint return or \$12,120 or less plus \$1,000 per dependent if head of household, you qualify for No Tax Status and are not required to pay any Massachusetts income taxes.

To see if you may qualify for No Tax Status, complete Schedule NTS-L-NR/PY on the back of page 3 of Form 1-NR/PY. See Schedule NTS-L-NR/PY instructions.

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

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 distributions;
- fees and unemployment compensation;
- income or loss from a business or profession;
- income or loss from partnerships, S corporations and trusts;
- rents and royalties;
- REMIC income;
- alimony;
- other 5.95% income;
- interest from Massachusetts banks before exemptions;
- 12% interest and dividends; and
- capital gains.

27 No Tax Status

If you qualify for No Tax Status, fill in the oval in line 27, enter "0" in line 28 and continue completing Form 1-NR/PY.

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

28 Tax

Add line 24 (5.95% tax), line 25 (12% tax) and line 26 (5% tax). Enter the total in line 28.

29 Limited Income Credit

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 married filing a joint return and your Mass. AGI is between \$13,450 and \$23,538 plus \$1,750 per dependent or, if you are filing as head of household and your Mass. AGI is between \$12,120 and \$21,210 plus \$1,750 per dependent, you may qualify for the Limited Income Credit. This credit is an alternative tax calculation that can result in a significant tax reduction for people whose income is close to the No Tax Status threshold. Be sure to complete Schedule NTS-L-NR/PY on the back of page 3 of Form 1-NR/PY to see if you may qualify for this credit.

30 Credits

• **Long-Term Capital Gains Tax Credit Applied to 12% Income:** A credit applied against 12% tax is available if there is a net long-term capital loss. The loss is multiplied as a positive amount by .05 (5%) and the result applied as a credit against 12% tax to the extent that the 12% tax is attributable to capital gains or, any excess amount can be carried over to subsequent taxable years. This credit only applies if Schedule B, line 21 is a positive amount (gross 12% interest, dividends and certain other capital gains) and Schedule D, line 10 is a loss (adjusted long-term capital losses). Enter in line 30 the amount from Schedule B-1, line 11 and fill in the appropriate oval.

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

• **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. If you qualify, complete and enclose Mass. Schedule EOA. For more information, see Mass. Schedule EOA, Economic Opportunity Area Credit.

31 Credits For Part-year Residents Only

Income Tax Paid to Another State: If all or part of the income reported on this return was subject to taxation in another state or specified jurisdiction while you were resident of Massachusetts and you have filed a return and paid taxes in the other state or jurisdiction, complete Mass. Schedule F on the back of page 3 of Form 1-NR/PY to calculate the credit. Be sure to

enclose a copy of your return filed with another state or jurisdiction. 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 United States; (b) any territory or dependency of the United States (including Puerto Rico, the Virgin Islands, Guam, the District of Columbia); or (c) the Dominion of Canada or any of its provinces.

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 while a Massachusetts resident, 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 any costs for energy conservation. If you qualify, complete and enclose Massachusetts Schedule EC, Solar and Wind Energy Credit.

32 Total Credits

Add lines 29, 30 and line 31. This is the total of your credits. Enter the total in line 32.

33 Tax After Credits

Subtract line 32 from line 28. Enter the result in line 33, but not less than "0."

34 Voluntary Contributions

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

a. **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 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 34.

35 Tax After Credits Plus Voluntary Contributions

Add line 33 and 34. This is the total tax plus voluntary contributions. Enter the total in line 35.

36 Massachusetts Income Tax Withheld

This represents all income taxes withheld for the Commonwealth of Massachusetts as indicated on your copies of Form W-2, W-2G and 1099R, if applicable. Enter the total of all Massachusetts withholdings in line 36. Attach, with a single staple, state copies to your return; otherwise, your claim of amounts withheld will not be allowed. If you have lost any state copy, ask the payer for a duplicate. Copies of 1099R need only be attached if they show an amount for Massachusetts tax withheld.

37 1995 Overpayment Applied to Your 1996 Estimated Tax

Include the exact amount of any 1995 overpayment you applied to your 1996 estimated taxes. This amount can be found on your 1995 Mass. Form 1-NR/PY, line 57 or Form 1, line 37. Do not include any 1995 refund in this line.

38 1996 Massachusetts Estimated Tax Payments

If you paid Massachusetts estimated income taxes for 1996, enter in line 38 the total of all Massachusetts estimated tax payments, but do not include the amount entered in line 37. Be sure to include any last quarter (of 1996) payment made on or before January 15, 1997.

Every taxpayer (whether a resident or nonresident) who expects to pay more than \$200 in Massachusetts income taxes on income which is not covered by Massachusetts withholding must pay Massachusetts estimated taxes using Massachusetts Form 1-ES, Estimated Income Tax Vouchers. These forms are available at any Department of Revenue location.

Income which is not subject to withholding includes:

- salaries or wages earned in Massachusetts where the employer is not subject to Massachusetts withholding;
- unemployment compensation;
- taxable REMIC income;
- dividends and interest, including Massachusetts savings deposit interest;
- gains from capital assets;
- income from an individual trade, business, profession, partnership or S corporation;

- ▶ income from any estate or trust not taxed directly;
- ▶ lottery or gambling winnings;
- ▶ certain pensions;
- ▶ rental income and royalty income;
- ▶ alimony received (**part-year** residents only);
- ▶ illegal income; and
- ▶ any other income received, taxable in Massachusetts, from which Massachusetts tax will **not** be withheld.

39 Payments Made with Extension

If you filed an Application for Automatic Six-Month Extension of Time to File Massachusetts Income Tax Return, Massachusetts Form M-4868, for 1996 on or before April 15, 1997, enter in line 39 the amount you paid with Form M-4868. Enclose a copy of Massachusetts Form M-4868 with your return. If you are applying for an extension and are expecting a refund, you may file your extension by touch-tone telephone (see Form M-4868 instructions for more information) or substitute U.S. Form 4868 for the Massachusetts extension form.

40 Tax Payments

Add lines 36 through 39. Enter the total in line 40.

Amount of Your Refund

41 Overpayment

If line 35 is smaller than line 40, subtract line 35 from line 40 and enter the amount in line 41. This is the amount of your overpayment. If line 35 is larger than line 40, skip to line 44.

42 Amount of Overpayment You Want Applied to Your 1997 Massachusetts Estimated Taxes

Enter the amount of your 1996 overpayment you wish to apply to your 1997 Massachusetts estimated taxes.

43 Amount of Your Refund

Subtract line 42 from line 41. Enter the result in line 43. This is the amount of your refund.

Amount of Tax You Owe

44 Amount of Tax You Owe

If line 35 is larger than line 40, subtract line 40 from line 35, and enter the result in line 44. 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 Commonwealth of Massachusetts and write your social security number on the front of your check or money order in the lower left corner. Complete and remove Form PV, Massachusetts Income Tax Payment Voucher, found in the instructions. Also, fill in the appropriate

oval on Form 1-NR/PY indicating that you are paying the full amount in line 44 with Form PV. 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 advantageous to file when your return is due even if you are unable to make full payment.

If you owe any interest, penalty or addition for the underpayment of estimated taxes, add those amounts to the tax you owe and enter the total amount in line 44.

What Are the Interest and Penalties?

Interest: If you fail to pay the tax when due, interest will be charged. For further information, see TIR 92-6.

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

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

Penalty for Protested ("Bad") 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 Taxes: You will generally be subject to the addition to tax if you did not have withholding and/or estimated tax payments equal to 80% of the total tax liability required to be paid and your 1996 tax due after credits and withholding is more than \$200. If you failed to meet this requirement, you must complete and attach Massachusetts Form M-2210 to calculate the amount you must add to line 44. The 80% requirement is reduced to 66 $\frac{2}{3}\%$ for individuals who receive two-thirds of their income from fishing or farming.

Most taxpayers who qualify for an exception had either a tax due of \$200 or less or withholding and/or estimated payments equal to their tax liability for the previous year. If you qualify for an exception, fill in the oval marked "EX" under line 44 on Form 1-NR/PY and enclose Massachusetts Form M-2210. You do not have to enclose Form M-2210 if the balance due with your return is \$200 or less.

Penalty for Failure to Report Federal Changes: If the U.S. Internal Revenue Service changes your income for any prior year (generally through audit), file Massachusetts 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 the smaller of 10% of the additional tax due, or \$100. If the change indicates a refund, you must file Massachusetts Form 33X within one year.

Sign Here

Enter the street address, city or town, and state or foreign country where you were a legal resident (domiciled) in 1996. For an explanation of legal residence or domicile, refer to the information on page 6.

Now that you have completed Form 1-NR/PY, sign your name. Your spouse must also sign if this is a joint return. Please note that the signature area is at the bottom of page 3 of Form 1-NR/PY. Write the date you signed the 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.

Attach to your Form 1-NR/PY, with a single staple, all state copies of your Forms W-2, W-2G and any 1099R 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-NR/PY. Make your check or money order payable to Commonwealth of Massachusetts, and be sure to sign the check and write your Social Security number on it. Be sure to include all three pages of Form 1-NR/PY. 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

NOTE: Certain items are addressed in detail. Those items without specific instructions are considered to be self-explanatory.

Schedule NTS-L-NR/PY

Massachusetts Adjusted Gross Income for No Tax Status

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

- wages, salaries, tips;
- taxable pensions and annuities;
- fees and unemployment compensation;
- income or loss from a business or profession;
- income or loss from partnerships, S corporations and trusts;
- rents and royalties;
- REMIC income;
- alimony;
- other 5.95% income;
- interest from Massachusetts banks before exemption;
- 12% interest and dividends;
- capital gains.

• The No Tax Status provision applies if your Mass. AGI on Schedule NTS-L-NR/PY (line 8) is \$8,000 or less if single; \$13,450 or less plus \$1,000 per dependent if married and filing jointly or \$12,120 or less plus \$1,000 per dependent if head of household.

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

7 Income Not Taxable by Massachusetts

Nonresidents enter the amount from Form 1-NR/PY, line 14e. Part-year residents enter income earned while a nonresident.

8 Massachusetts Adjusted Gross Income

Add lines 3 through 7. If you are single and the total in line 8 is \$8,000 or less, you qualify for No Tax Status. Fill in the oval in line 27, enter "0" in line 28 and continue on Form 1-NR/PY. If you are single but do not qualify for No Tax Status, and your total in line 8 is \$14,000 or less, go to line 11 to see if you qualify for the Limited Income Credit.

9 No Tax Status for Married Filing Jointly or Head of Household

If married and filing a joint return, multiply the number of dependents (from Form 1-NR/PY, line 4b) by \$1,000 and add \$13,450 to that amount. If head of household, multiply the

number of dependents (from Form 1-NR/PY, line 4b) by \$1,000 and add \$12,120 to that amount. Enter the result here. If line 8 is less than or equal to line 9, you qualify for No Tax Status. Fill in the oval in line 27, enter "0" in line 28, and continue on Form 1-NR/PY.

10 Limited Income Credit Threshold

If you do not qualify for No Tax Status and you are married and filing a joint return, multiply the number of dependents (from Form 1-NR/PY, line 4b) by \$1,750 and add \$23,538 to that amount. If head of household, multiply the number of dependents (from Form 1-NR/PY, line 4b) by \$1,750 and add \$21,210 to that amount. Enter the result here. If line 8 is less than or equal to line 10, you may qualify for the Limited Income Credit. Go to line 11.

11 No Tax Status Threshold

Enter \$8,000 if single. If married and filing a joint return or head of household, enter the amount from line 9.

15 Limited Income Credit

If line 13 is smaller than line 14, you are not eligible for this credit. If line 13 is larger than line 14, subtract line 14 from line 13, and enter the result here and in line 29 on Form 1-NR/PY.

Schedule F

Credit for Income Taxes Paid to Other Jurisdictions (for Part-year Residents Only)

Income Tax Paid to Another State: If all or part of the income reported on this return is subject to taxation in another state or specified jurisdiction and you have filed a return and paid taxes in the other state or jurisdiction, complete Schedule F to calculate the credit and enclose a copy of your return filed with another state or jurisdiction. 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 United States; (b) any territory or dependency of the United States (including Puerto Rico, the Virgin Islands, Guam, the District of Columbia); or (c) the Dominion of Canada or any of its provinces.

NOTE: Canada is the only foreign country for which you may claim a tax credit for income tax paid to another state or jurisdiction on this schedule. First deduct any U.S. credit amount allowable.

The total credit which you calculate on this schedule 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 schedules if you had 5.95% and 12% or 5% income taxed by another jurisdiction. If you use this worksheet to calculate a credit for 12% or 5% income, substitute 12% or 5% for 5.95% in line 1. You must also substitute Form 1-NR/PY, line 25a (12% income) or line 26a (5% income) for Form 1-NR/PY, line 12 in line 2 of the schedule and, Form 1-NR/PY, line 25 (12% tax) or line 26 (5% tax) for Form 1-NR/PY, line 24 in line 4 of the worksheet.

NOTE: When using this schedule to calculate credit for 12% or 5% income, enter in line 1 capital gains taxed in another jurisdiction calculated as if they were earned in Massachusetts.

1 Total 5.95% Income Taxed by Other Jurisdictions

Enter the total 5.95% income on which you paid taxes to another jurisdiction.

4 Massachusetts Tax on 5.95% Income

From Form 1-NR/PY, line 24, subtract any Limited Income Credit from Form 1-NR/PY, line 29.

6 Income Tax Paid to Other Jurisdictions

Enter the total tax paid to other jurisdictions on income also reported on this return. The credit is limited to the amount of tax paid. 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 41.

7 Allowable Credit

Enter the smaller of lines 5 or 6 here and on Form 1-NR/PY, line 31, and fill in the appropriate oval in line 31.

Schedule X

Other Income

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

1 Alimony Received (Part-year Residents Only)

If you received alimony payments, you must report them as income in line 1 of Schedule X. Report the portion of all periodic payments of alimony or separate maintenance received under a court judgment or decree, as reported on U.S. Form 1040, line 11, received while you were a Massachusetts resident. If you make alimony payments, you will be allowed to deduct these amounts in line 19.

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. Unreimbursed travel and transportation expenses of a handicapped employee, which are also impairment-related business expenses, are not subject to the 2% floor. See Schedule Y, line 1 worksheet below.

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

- A.** Enter the amount from U.S. Form 2106, line 8, col. B or 2106-EZ, line 5 before 50% reduction
- B.** Multiply item A by .80 and enter the result here
- C.** Enter the amount from U.S. Form 2106, line 9, col. A or 2106-EZ, the total of lines 1 through 4.
- D.** Add items B and C. Enter this amount here
- E.** If you are an employee other than an outside salesperson, enter the amount of unreimbursed expenses included in item D, except those which were incurred for travel, transportation, lodging or meals while away from home.
- F.** If you are a handicapped employee, enter the amount of unreimbursed expenses included in item D that were incurred for travel, transportation, lodging or meals while away from home, and that were impairment-related. In addition, enter any reimbursed expenses that you included in line 10 of U.S. Form 2106.
- G.** Enter any reimbursed expenses included in U.S. Form 2106, line 10, under IRC §62(c). These are reimbursed expenses or advances you were not required to substantiate or return to your employer.
- H.** Enter the value of an employer-provided vehicle from U.S. Form 2106, line 25.
- I.** Subtract items E, F, G and H from item D, and enter the result here
- J.** Enter the amount from U.S. Schedule A, line 26 minus any amount in items G and H.
- K.** Enter item I or J, whichever is smaller.
- L.** Enter the amount in items F, G and H above.
- M.** Add items K and L. Enter this amount 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 in line 7a or 25a of this return or on a prior year Massachusetts return, you may deduct the penalty. This de-

duction is the same as the amount allowable on U.S. Form 1040, line 28. Enter this amount in line 2 of Schedule Y.

3 Alimony Paid

This deduction includes only amounts paid by you to your former spouse during 1996 for alimony or separate maintenance under court decree. Nonresidents, multiply the amount of alimony paid on your U.S. Form 1040, line 29, by Form 1-NR/PY, line 14g to determine the amount you may claim against Massachusetts income. Enter the result in line 3. Part-year residents, enter the amount of alimony paid while a Mass. resident in line 3. Enter the recipient's social security number in the space provided on Schedule Y, line 3.

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

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 guidance on 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 4 of Schedule Y that was included in Form 1-NR/PY, line 6. Be sure to enter the name of the state or political subdivision in the space provided in line 4.

5 Total Other Deductions

Add lines 1 through 4 and enter the total in line 5 of Schedule Y and on line 19 of Form 1-NR/PY. Be sure to enclose Schedule Y with your return. Failure to do so will delay the processing of your return.

Schedule E, Part I

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

Rental, Royalty and REMIC Income or Loss

2 Massachusetts Differences

Enter and explain any amounts or differences included in line 1 which are not taxable to you in Massachusetts or which have already been taxed on a Massachusetts return. Explain the differences in the space provided or attach an additional sheet if necessary. Possible differences include:

Nonresidents. Enter any rental, royalty or REMIC income or losses included in line 1 which is not Mass. source income and thus not taxable to you as a nonresident. Massachusetts source rental income must be from real or tangible personal property located in Massachusetts.

Part-year residents. Enter any rental, royalty or REMIC income or losses included in line 1 you received while you were not a resident of Massachusetts.

Trust Provisions. Enter any rental or royalty income or losses shown on your U.S. return that is taxed on Massachusetts Fiduciary Return, Form 2.

Deductible Royalties from U.S. Energy Conservation Patents: Enter any income you received from U.S. patents that are approved by the Mass. 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 St., Rm. 1500, Boston, MA 02202, or call (617) 727-4732. Enclose a copy of such approval to your tax return. If such approved income is other than royalty income, use the applicable schedule and explain.

Passive Losses, Section 179 Expenses, At Risk Losses, Depreciation: Massachusetts does not recognize the new U.S. income tax provisions for increasing Section 179 expensing amounts, the recovery period for the depreciation of nonresidential real property and the amortization of goodwill and other intangibles. Also, as a result of differences in U.S. and Massachusetts rules in 1987, the calculations you made for passive losses, depreciation, Section 179 expenses or at risk losses on your 1987 U.S. and Massachusetts returns may have differed. Differences in 1987 and 1996 amounts reported 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.

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 and Royalty Income or Loss for Massachusetts

Subtract line 4 from line 3. Remember to subtract losses when calculating the total. Line 5 should be added to any amounts in Schedule E, Part II, line 9 and/or Part III, line 11 and the total entered on Form 1-NR/PY, line 9.

Schedule E, Part II

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

Income or Loss from Partnerships and S Corporations

2 Massachusetts Differences

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

Nonresidents. Income or loss included in U.S. Schedule E, Part II, line 31, which is derived from partnerships or S corporations not doing business in Massachusetts is not taxable to you as a nonresident. Also, enter adjustments as differences if your partnerships or S corporations are entitled to apportion income in Massachusetts.

Part-year residents. Income or loss from partnerships or S corporations you received while you were not a resident of Massachusetts is not taxable to you as a part-year resident.

4 Abandoned Building Renovation Deduction

In line 4 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. See the explanation in line 4 of Schedule E, Part I.

6 12% Interest and Dividends

Enter 12% interest and dividends from trade or business activity(ies) if included in line 5 from partnerships and S corporations. This income must be entered in Massachusetts Schedule B, line 3. This information should be provided by the partnership or S corporation.

7 Interest from Massachusetts Banks

Enter interest from Massachusetts banks from trade or business activity(ies) if reported in line 5. This income must be reported on Form 1-NR/PY, line 7a. This information should be provided by the partnership or S corporation.

9 Total Income or Loss from Partnerships and S Corporations

Subtract line 8 from line 5. Remember to subtract losses when calculating the total. Line 9 should be added to any amounts in Schedule E, Part I, line 5 and/or Part III, line 11 and the total entered on Form 1-NR/PY, line 9.

Schedule E, Part III

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

Income or Loss from Grantor-type Trusts and Non-Massachusetts Estates and Trusts

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. Refer to Schedule E, Part 1, line 2 instructions for further guidance.

4 Abandoned Building Renovation Deduction

In line 4 enter 10% of the costs of renovating a qualifying abandoned building. Enclose a statement detailing the location and cost of renovating the building. See the explanation in line 4 of Schedule E, Part I.

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. If you do not know this amount, check either your U.S. Schedule K-1 or contact your trustee or other fiduciary.

7 Mass. Taxable Income from Estates or Trusts Not Previously Taxed

Subtract line 6 from line 5. Generally, for nonresidents, the only amount entered in line 5 will be the income from grantor-type trusts. Other Massachusetts source income should be taxed at the estate or trust level.

8 12% Interest and Dividends

Enter any 12% interest and dividends if included in line 7, and enter on Massachusetts 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-NR/PY, line 7a. Enter the total of pension and annuity income if included in line 7. This income must be reported on Form 1-NR/PY, line 6.

11 Income or Loss from Grantor-type and Non-Mass. Estates and Trusts

Subtract line 10 from line 7. Remember to subtract losses when calculating the total. Line 11 should be added to any amount(s) in Schedule E, Part I, line 5 and/or Part II, line 9 and the total entered on Form 1-NR/PY, line 9.

Schedule B

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

12% Interest, Dividend and Certain Capital Gains and Losses

Nonresidents and part-year residents 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;
- ▶ gains or losses from the sale, exchange or involuntary conversion of property used in a trade or business; 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, alcoholic beverages, certain coins, and any other items treated as collectibles for federal tax purposes.

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

Nonresidents need not file Mass. Schedule B if:

- ▶ all your interest and dividend income was from non-Massachusetts sources; or
- ▶ all Massachusetts source interest income you had was from Massachusetts banks and is taxed at 5.95% (reportable on Form 1-NR/PY, line 7a); and
- ▶ your Massachusetts source gross dividend income was \$400 or less (reportable on Form 1-NR/PY, line 25a).

Part-year residents, dividend income in excess of \$400 or any interest income other than from Massachusetts banks (reportable on Form 1-NR/PY, line 7a), whether received from sources inside or outside of Massachusetts, must be reported on Mass. Schedule B. Also, short-term gains or losses realized while you were a resident of Massachusetts, whether received from sources inside or outside of Massachusetts, from the sale or exchange of capital assets or from similar transactions which are granted capital gain or loss treatment on your U.S. return must be reported on Schedule B. Include gains from all property, wherever located.

Part-year residents need not file Mass. Schedule B if all interest income you had that is taxable by Massachusetts was from Mass. banks (reportable on Form 1-NR/PY, line 7a), and your gross dividend income was less than \$400 (reportable on Form 1-NR/PY, line 25a).

- ▶ Nonresidents and part-year residents you must complete Mass. Schedule B if your interest or dividend income includes: capital gain distributions; 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; carry-over short-term losses from prior years; long-term gains on collectibles; or 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 (see line 8 instructions).

Part 1. 12% 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. Tele-file worksheet, item C.

2 Total Gross Dividends

Enter your total gross 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;

- ▶ Massachusetts Schedule E interest and dividends from a partnership, S corporation, grantor-type trust, or non-Massachusetts estate or trust. Generally, portfolio interest and dividend income from partnerships and S corporations should already be included in the Schedule B, line 1 and 2 amounts;

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

- ▶ Interest or dividends from a mutual fund, if such distributions are not included in line 1 or 2. See line 7.

4 Total Interest and Dividends

Add lines 1, 2 and 3.

Lines 5 through 7

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

5 Capital Gain Distributions

Enter 100% of capital gain distributions from U.S. Schedule B, Part II, line 7. These are taxed as capital gains in Massachusetts and the total must be included in Mass. Schedule D, line 1. If not filing U.S. Schedule D, also enter this amount in Massachusetts Schedule D, line 1.

6 Total Interest from Massachusetts Banks

Enter the total interest included in Form 1-NR/PY, line 7a only if it has been included in lines 1 or 3 of this schedule.

7 Other Interest and Dividends to Be Excluded

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

- ▶ Interest on U.S. debt obligations. Enter interest received on U.S. treasury bills, notes and bonds, savings bonds or other obligations of the United States, including its territories or dependencies. Such interest is tax-exempt in Massachusetts. For further information concerning exempt organizations 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 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 Massachusetts or its political subdivisions;

- ▶ Any interest or dividends from obligations of the Commonwealth of Massachusetts or its political subdivisions held by you;

- ▶ 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;

- ▶ Any interest on pre-retirement distributions from state and municipal contributory pension plans;

► **Nonresidents.** Any amounts included in lines 1, 2 and 3 which you received from sources other than Massachusetts; or

► **Part-year residents.** Any amounts included in lines 1, 2 or 3 which you received while legally domiciled in another state or country.

Do not enter in line 7 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.

8 Subtotal Interest and Dividend Income

Subtract the total of lines 5, 6 and 7 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; 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; or excess exemptions, omit lines 9–20. Enter the amount from line 8 in line 21 of Schedule B and on Form 1-NR/PY, line 25a.

Part 2. Short-Term Capital Gains and Losses and Long-Term Gains on Collectibles

If there are any differences between U.S. and Mass. amounts reported in lines 9, 10, 11, 15 and 16, be sure to enter the Mass. amount and attach a statement that includes the line item 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;

► 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 1996 Massachusetts Income Taxes*.

► **Nonresidents.** Any short-term capital gains and losses and long-term gains on collectibles which are not Massachusetts source income are not taxable to you as a nonresident and should not be reported in lines 9, 10, 11, 15 and 16. A nonresident's short-term capital gains and losses and gains on the sale of collectibles are subject to tax if the gain or loss resulted from the

sale or exchange of property connected with a Massachusetts trade or business or from the ownership of real or tangible personal property located in Massachusetts.

► **Part-year residents.** Any short-term capital gains and losses and long-term gains on collectibles that occurred while you were legally domiciled in another state or country during the taxable year are not taxable and should not be reported in lines 9, 10, 11, 15 and 16.

9 Short-Term Capital Gains

Enter the net short-term capital gain from U.S. Schedule D, line 7, column (g).

10 Long-Term Capital Gains on Collectibles

Enter the amount of long-term capital gains on collectibles from Mass. Schedule D, line 5.

11 Gain on Sale of Business Property

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

12 Gross Short-Term Capital Gains and Long-Term Capital Gains on Collectibles

Add lines 8, 9, 10 and 11.

13 Allowable Deductions From Your Trade or Business

Enter the amount from Mass. Schedule C-2, line 10 if you qualify for an excess trade or business deduction. See the instructions for Mass. Schedule C-2.

14 Subtotal Short-Term Capital Gains and Long-Term Capital Gains on Collectibles

Subtract line 13 from line 12.

15 Short-Term Capital Losses

Enter the net short-term capital loss from U.S. Schedule D, line 7, column (f) — add to this figure as a positive amount any U.S. capital loss carryover claimed in U.S. line 6.

16 Loss on Sale of Business Property

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

17 Prior Years Short-Term Unused Losses

You may use short-term losses accumulated in the previous taxable years beginning after 1981 in the computation of short-term gain or loss for the current year. Enter here the amount from your 1995 Mass. Schedule D, line 11, column a.

Schedule D

6 Percentage of 12% Tax Attributable to Interest and Dividends

Divide line 4 by line 3. This is the percentage of 12% tax attributable to interest and dividends.

7 Excess Exemptions Applied Against Interest and Dividends

Multiply Schedule B, line 20 (amount of excess exemptions) by line 6 above.

8 Amount of 12% Tax Reduced by Excess Exemptions Applied Against Interest and Dividends

Multiply line 7 by .12 (12%). This is the amount of 12% tax reduced by excess exemptions applied against interest and dividends.

9 Excess Deductions Applied Against 12% Interest and Dividends

Multiply the smaller of Schedule C-2, line 7 or line 10 by .12 (12%). This is the amount of 12% tax attributable to excess deductions applied against 12% interest and dividends effectively connected with trade or business income.

10 12% Tax Attributable to Capital Gains After Adjustments

Add lines 5, 8 and 9. This is the total of 12% tax attributable to capital gains, excess exemptions and excess deductions applied against 12% trade or business income.

11 Long-Term Capital Gains Tax Credit Applied Against 12% Income

Enter the smaller of line 1, line 3 or line 10 here and on Schedule D, line 12 and on Form 1-NR/PY, line 30. Be sure to fill in the appropriate oval.

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

Nonresidents. The long-term gain or loss realized from the transaction of assets being sold or exchanged which are considered to be from Massachusetts sources must be reported on Mass. Schedule D. Long-term capital gains are gains on the sale or exchange of capital assets that have been held for more than one year on the date of sale or exchange. Long-term capital losses are losses on the sale or exchange of capital assets that have been held for more than one year on the date of sale or exchange. Holding periods will be deemed to have begun on January 1, 1995 or the date of acquisition, whichever is later. Massachusetts source assets are (1) real or tangible personal property located in Massachusetts and (2) property connected with a Massachusetts trade, business or employment.

Part-year residents. The long-term gains or losses realized while you were a resident of Massachusetts, whether received from sources inside or outside of Massachusetts, from the sale or exchange of capital assets or from similar transactions which are granted capital gain or loss treatment on your U.S. return or, any capital gains distributions received, must be reported on Mass. Schedule D. Include gains from all property, wherever located. Long-term capital gains are gains on the sale or exchange of capital assets that have been held for more than one year on the date of sale or exchange. Long-term capital losses are losses on the sale or exchange of capital assets that have been held for more than one year on the date of sale or exchange. Holding periods will be deemed to have begun on January 1, 1995 or the date of acquisition, whichever is later.

“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, (2) property held in a trade or business within the meaning of IRC section 1231(b) without regard to the holding period set out in said section 1231(b) or (3) property that is subject to compulsory or involuntary conversions within the meaning of IRC section 1231(a) without regard to the federal holding periods prescribed in those sections.

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

- ▶ Carryover losses must first be used to reduce current year capital gains;
- ▶ 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
- ▶ Any gain realized from the sale of publicly traded securities where the proceeds were used to buy stock or a partnership in-

terest in a specialized small business investment company if such gain was deferred for U.S. income tax purposes.

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

Sale of a Principal Residence

If you are entitled to such an exclusion from your federal gross income, Massachusetts allows a one-time exclusion of \$125,000 on the sale of your principal residence for taxpayers who are age 55 or over at the date of sale. The replacement period for gain deferral is 24 months. Enclose a copy of U.S. Form 2119.

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. 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) 621-5249.

1 Net Gains or Losses

Enter the net long-term gain or loss from U.S. Schedule D, line 17 — add to this figure, as a positive amount, any capital loss carryover claimed in U.S. line 15.

NOTE: U.S. Schedule D, line 15 represents any unused capital loss carryover. Massachusetts law does not recognize this loss carryover. However, see the Massachusetts unused capital loss carryover in Mass. Schedule D, line 7.

If you are not filing U.S. Schedule D, report 100% of capital gain distributions in line 1.

2 Loss on Sale of Business Property

Enter from U.S. Form 4797 the amount of loss from the sale, exchange or involuntary conversion of property used in a trade or business and held for more than one year, not included in line 1. Be sure to enclose U.S. Form 4797 with your return.

3 Subtotal Long-Term Capital Gains or Losses

Combine line 1 and line 2.

4 Non-Massachusetts Source Net Gains or Losses to Be Excluded and Other Differences

Nonresidents. Enter in line 4 any long-term capital gains and losses included on Schedule D, line 1, which are not Massachusetts source income and thus not taxable to you as a nonresi-

dent. A nonresident's capital gains and losses are subject to tax if the gain or loss resulted from the sale or exchange of property connected with a Massachusetts trade or business or from the ownership of real or tangible personal property located in Massachusetts.

Part-year residents. Enter in line 4 any long-term capital gains or losses that occurred while you were legally domiciled in another state or country during the taxable year.

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

- ▶ 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 1.

- ▶ **Part-year residents.** Do not enter gains or losses received while a resident from any grantor-type trust or from an estate or trust that is not subject to taxation in Massachusetts.

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

- ▶ any gain realized from the sale of publicly traded securities where the proceeds were used to buy stock or a partnership interest in a specialized small business investment company, if such gain was deferred for U.S. income tax purposes;

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

Any entry in line 4 must be clearly explained in an attached statement.

5 Long-Term Gains on Collectibles

Enter here the amount of long-term gains on collectibles subject to tax by Massachusetts that are included in line 1 and not excluded in line 4. These are taxed at the 12% rate and should be entered on Schedule B, line 10.

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, alcoholic beverages, certain coins, and any other items treated as collectibles for federal tax purposes.

6 Subtotal

Exclude/subtract the total of line 4 and line 5 from line 3. If the total of lines 4 and 5 is a loss, add loss as a positive number to the amount recorded in line 3. The following examples demonstrate the arithmetic involved:

Sch D Line	Example A	Example B	Example C	Example D
3	\$1,000	\$1,000	\$700*	\$700*
4	500	300*	500	500*
5	300	1,700	300	300
6	200	400*	1500*	500*

*denotes loss

7 Prior Years Long-Term Unused Losses

You may use losses accumulated in the previous taxable years beginning after 1981 in the computation of gain or loss for the current year. You should enter your long-term losses for 1982 through 1995 in line 7 from your 1995 Massachusetts Schedule D, line 11, column b.

NOTE: A new resident of Massachusetts who has unused losses from years when he/she was not subject to Massachusetts taxation may not use such losses.

8 1996 Adjusted Gross Long-Term Capital Gains, Before Excess Exemptions

Combine lines 6 and 7 and enter total here.

9 Excess Exemptions

Enter in line 9 the amount from item J of the Excess Exemption Worksheet on page 18 of the instructions.

10 1996 Adjusted Long-Term Capital Gains and Losses

Subtract line 9 from line 8. If the result is a positive amount, enter on Form 1-NR/PY, line 26a; if a negative, complete lines 11–13.

11 Long-Term Capital Gains Tax Credit Available

If line 10 is a loss, multiply line 10 by .05 (5%) and enter the result here and as a positive amount in Schedule B-1, line 1.

12 Current Year Long-Term Capital Gains Tax Credit

Enter the amount from Schedule B-1, line 11, if applicable; otherwise enter "0."

13 Long-Term Capital Gains Tax Credit Available for Carryover in 1997

Combine line 11 and line 12.

Schedule C

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, attach a copy of U.S. Form 8829.

Massachusetts Differences

Massachusetts personal income tax law references the Internal Revenue Code (IRC) of January 1, 1988. Massachusetts does not adopt federal tax law changes enacted after that date. Some of these changes include: increased Sec. 179 expensing allowance; new rules for amortization of goodwill and other intangibles; increased recovery period for depreciation of non-residential real property; reduced business meals and entertainment deduction; elimination of the business deductions for club dues and spousal travel expenses; new rules for passive activity losses; and exclusion of income from the discharge of qualified real property business indebtedness. For further information on any of these topics, refer to *Guide to Filing Your 1996 Massachusetts Income Taxes*.

Also, as a result of differences in U.S. and Massachusetts rules in 1987, the calculations you made for passive losses, depreciation, home office expenses, Section 179 expenses or at-risk losses on your 1987 U.S. and Massachusetts returns may have differed. Differences in 1987 and 1996 amounts reported for U.S. and Massachusetts tax purposes should be adjusted for when the property is disposed of or the deduction is used up. For more information, see *Guide to Filing Your 1996 Massachusetts Income Taxes*.

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 12% income that is effectively connected with the active conduct of your trade or business and any 12% 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.

Address

Enter your business address. Show a street address instead of a box number. Include the suite or room number, if any.

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 four-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 1996, 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 1996. 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 classified as taxable at the 12% rate, 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 12% income are interest received on loans, notes receivable or charge accounts that you accept in the ordinary course of business and, dividends on stocks received in payment for goods and services. Capital gains from the sale or exchange of assets used in your business are not reported on Schedule C. Use U.S. Form 4797 and report the amount in Form 1-NR/PY, Schedule B and/or Schedule D. You must also exclude from Schedule C any income and expenses that pertain to activities for yourself as distinguished from those performed for your customers. Such income must be reported by class of income in Schedules B and D. Personal expenses are not deductible. If you received Form W-2 and the

“Statutory employee” box in item 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.

1b Returns and Allowances

In the boxes provided for line 1b, enter such items as returned sales, rebates and allowances from the sales price.

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 and dividends taxed at 12% 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

For federal tax purposes the Section 179 expensing allowance of \$10,000 has been increased to \$17,500 for property placed in service in tax years after 1992. For Massachusetts purposes, Section 179 expense deductions are capped at \$10,000 for 1996. Under a federal provision the recovery period for the depreciation of nonresidential real property is increased to 39 years for qualifying property placed in service on or after May 14, 1993. For Massachusetts purposes the recovery period will remain at 31.5 years.

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 have generally been disallowed as a business deduction on the federal level. For Massachusetts purposes, these expenses will continue to be allowed.

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 no longer allowed as a business deduction for federal tax purposes. For Massachusetts purposes, these expenses will continue to be allowed.

Line 23b. Generally, you may deduct only 80% 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 80% limit. Then, enter 20% of that amount on line 23b. This amount should be subtracted from the amount in line 23a. Enter the result in line 23 of Massachusetts Schedule C.

25 Wages

Enter the total salaries and wages paid or incurred for the tax year. Do not include salaries and wages deducted elsewhere on your return or amounts paid to yourself.

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 further information, contact the Massachusetts Office of Business Development, One Ashburton Place, Room 2101, Boston, MA 02108.

In line 30 enter 10% of the costs of renovating a qualifying abandoned building. Attach 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-NR/PY, line 8 **unless** you answered "no" to the question on material participation on the front of Schedule C. If you answered "no" to this question, complete and attach a pro forma copy of U.S. Form 8582 that reflects only income being reported on your Mass. return. Enter in Mass. 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 attach 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 zero or less, enter zero in line 31.

1996 Massachusetts Income Tax Table at the 5.95% Rate

Use this table to calculate tax for taxable 5.95% income (line 23) of not more than \$80,000.

Line 24 Instructions: To find your **Tax on 5.95% Income** (line 24), read down the tax table income column to the line containing the amount you entered in line 23. Then read across to the **TAX** column and enter this amount in line 24. If your taxable 5.95% income in line 23 is greater than \$80,000, multiply the amount by .0595. Enter the result in line 24.

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	\$ 477	\$12,000 - \$12,050	\$ 715	\$ 953	\$20,000 - \$20,050	\$1,191	\$1,194	\$16,050 - \$16,100	\$ 956	\$ 959	\$20,050 - \$20,100	\$1,194	\$1,197	\$16,100 - \$16,150	\$ 959	\$ 962	\$20,100 - \$20,150	\$1,197	\$ 965	\$20,150 - \$20,200	\$1,200	\$ 968	\$20,200 - \$20,250	\$1,203	\$ 971	\$20,250 - \$20,300	\$1,206	\$ 974	\$20,300 - \$20,350	\$1,209	\$ 977	\$20,350 - \$20,400	\$1,212	\$ 980	\$20,400 - \$20,450	\$1,215	\$ 983	\$20,450 - \$20,500	\$1,218	\$ 986	\$20,500 - \$20,550	\$1,221	\$ 989	\$20,550 - \$20,600	\$1,224	\$ 992	\$20,600 - \$20,650	\$1,227	\$ 995	\$20,650 - \$20,700	\$1,230	\$ 998	\$20,700 - \$20,750	\$1,233	\$1,001	\$20,750 - \$20,800	\$1,236	\$1,004	\$20,800 - \$20,850	\$1,239	\$1,007	\$20,850 - \$20,900	\$1,242	\$1,010	\$20,900 - \$20,950	\$1,245	\$1,013	\$20,950 - \$21,000	\$1,248	\$1,016	\$21,000 - \$21,050	\$1,251	\$1,019	\$21,050 - \$21,100	\$1,254	\$1,022	\$21,100 - \$21,150	\$1,257	\$1,025	\$21,150 - \$21,200	\$1,260	\$1,028	\$21,200 - \$21,250	\$1,263	\$1,031	\$21,250 - \$21,300	\$1,266	\$1,034	\$21,300 - \$21,350	\$1,269	\$1,037	\$21,350 - \$21,400	\$1,272	\$1,040	\$21,400 - \$21,450	\$1,275	\$1,043	\$21,450 - \$21,500	\$1,278	\$1,046	\$21,500 - \$21,550	\$1,281	\$1,049	\$21,550 - \$21,600	\$1,284	\$1,052	\$21,600 - \$21,650	\$1,287	\$1,055	\$21,650 - \$21,700	\$1,290	\$1,058	\$21,700 - \$21,750	\$1,293	\$1,061	\$21,750 - \$21,800	\$1,296	\$1,064	\$21,800 - \$21,850	\$1,299	\$1,067	\$21,850 - \$21,900	\$1,302	\$1,070	\$21,900 - \$21,950	\$1,305	\$1,073	\$21,950 - \$22,000	\$1,308	\$1,076	\$22,000 - \$22,050	\$1,311	\$1,079	\$22,050 - \$22,100	\$1,314	\$1,082	\$22,100 - \$22,150	\$1,317	\$1,085	\$22,150 - \$22,200	\$1,320	\$1,088	\$22,200 - \$22,250	\$1,323	\$1,091	\$22,250 - \$22,300	\$1,326	\$1,094	\$22,300 - \$22,350	\$1,329	\$1,097	\$22,350 - \$22,400	\$1,332	\$1,100	\$22,400 - \$22,450	\$1,335	\$1,103	\$22,450 - \$22,500	\$1,338	\$1,106	\$22,500 - \$22,550	\$1,341	\$1,109	\$22,550 - \$22,600	\$1,344	\$1,112	\$22,600 - \$22,650	\$1,347	\$1,115	\$22,650 - \$22,700	\$1,350	\$1,118	\$22,700 - \$22,750	\$1,353	\$1,121	\$22,750 - \$22,800	\$1,356	\$1,124	\$22,800 - \$22,850	\$1,359	\$1,127	\$22,850 - \$22,900	\$1,362	\$1,130	\$22,900 - \$22,950	\$1,365	\$1,133	\$22,950 - \$23,000	\$1,368	\$1,136	\$23,000 - \$23,050	\$1,371	\$1,139	\$23,050 - \$23,100	\$1,374	\$1,142	\$23,100 - \$23,150	\$1,377	\$1,145	\$23,150 - \$23,200	\$1,380	\$1,148	\$23,200 - \$23,250	\$1,383	\$1,151	\$23,250 - \$23,300	\$1,386	\$1,154	\$23,300 - \$23,350	\$1,389	\$1,157	\$23,350 - \$23,400	\$1,392	\$1,160	\$23,400 - \$23,450	\$1,395	\$1,163	\$23,450 - \$23,500	\$1,398	\$1,166	\$23,500 - \$23,550	\$1,401	\$1,169	\$23,550 - \$23,600	\$1,404	\$1,172	\$23,600 - \$23,650	\$1,407	\$1,175	\$23,650 - \$23,700	\$1,410	\$1,178	\$23,700 - \$23,750	\$1,413	\$1,181	\$23,750 - \$23,800	\$1,416	\$1,184	\$23,800 - \$23,850	\$1,419	\$1,187	\$23,850 - \$23,900	\$1,422	\$1,190	\$23,900 - \$23,950	\$1,425	\$1,193	\$23,950 - \$24,000	\$1,428

If your 5.95% income for the Tax Table is less than \$9, your tax is "0."

1996 Massachusetts Income Tax Table at the 5.95% Rate

INCOME																	
More than	But not more than	TAX	More than	But not more than	TAX	More than	But not more than	TAX	More than	But not more than	TAX	More than	But not more than	TAX	More than	But not more than	TAX
\$24,000 - \$24,050		1,429	\$28,750 - \$28,800		1,712	\$33,500 - \$33,550		1,995	\$38,250 - \$38,300		2,277	\$43,000 - \$43,050		2,560	\$47,750 - \$47,800		2,843
24,050 - 24,100		1,432	28,800 - 28,850		1,715	33,550 - 33,600		1,998	38,300 - 38,350		2,280	43,050 - 43,100		2,563	47,800 - 47,850		2,846
24,100 - 24,150		1,435	28,850 - 28,900		1,718	33,600 - 33,650		2,001	38,350 - 38,400		2,283	43,100 - 43,150		2,566	47,850 - 47,900		2,849
24,150 - 24,200		1,438	28,900 - 28,950		1,721	33,650 - 33,700		2,004	38,400 - 38,450		2,286	43,150 - 43,200		2,569	47,900 - 47,950		2,852
24,200 - 24,250		1,441	28,950 - 29,000		1,724	33,700 - 33,750		2,007	38,450 - 38,500		2,289	43,200 - 43,250		2,572	47,950 - 48,000		2,855
24,250 - 24,300		1,444	29,000 - 29,050		1,727	33,750 - 33,800		2,010	38,500 - 38,550		2,292	43,250 - 43,300		2,575	48,000 - 48,050		2,857
24,300 - 24,350		1,447	29,050 - 29,100		1,730	33,800 - 33,850		2,013	38,550 - 38,600		2,295	43,300 - 43,350		2,578	48,050 - 48,100		2,860
24,350 - 24,400		1,450	29,100 - 29,150		1,733	33,850 - 33,900		2,016	38,600 - 38,650		2,298	43,350 - 43,400		2,581	48,100 - 48,150		2,863
24,400 - 24,450		1,453	29,150 - 29,200		1,736	33,900 - 33,950		2,019	38,650 - 38,700		2,301	43,400 - 43,450		2,584	48,150 - 48,200		2,866
24,450 - 24,500		1,456	29,200 - 29,250		1,739	33,950 - 34,000		2,022	38,700 - 38,750		2,304	43,450 - 43,500		2,587	48,200 - 48,250		2,869
24,500 - 24,550		1,459	29,250 - 29,300		1,742	34,000 - 34,050		2,024	38,750 - 38,800		2,307	43,500 - 43,550		2,590	48,250 - 48,300		2,872
24,550 - 24,600		1,462	29,300 - 29,350		1,745	34,050 - 34,100		2,027	38,800 - 38,850		2,310	43,550 - 43,600		2,593	48,300 - 48,350		2,875
24,600 - 24,650		1,465	29,350 - 29,400		1,748	34,100 - 34,150		2,030	38,850 - 38,900		2,313	43,600 - 43,650		2,596	48,350 - 48,400		2,878
24,650 - 24,700		1,468	29,400 - 29,450		1,751	34,150 - 34,200		2,033	38,900 - 38,950		2,316	43,650 - 43,700		2,599	48,400 - 48,450		2,881
24,700 - 24,750		1,471	29,450 - 29,500		1,754	34,200 - 34,250		2,036	38,950 - 39,000		2,319	43,700 - 43,750		2,602	48,450 - 48,500		2,884
24,750 - 24,800		1,474	29,500 - 29,550		1,757	34,250 - 34,300		2,039	39,000 - 39,050		2,322	43,750 - 43,800		2,605	48,500 - 48,550		2,887
24,800 - 24,850		1,477	29,550 - 29,600		1,760	34,300 - 34,350		2,042	39,050 - 39,100		2,325	43,800 - 43,850		2,608	48,550 - 48,600		2,890
24,850 - 24,900		1,480	29,600 - 29,650		1,763	34,350 - 34,400		2,045	39,100 - 39,150		2,328	43,850 - 43,900		2,611	48,600 - 48,650		2,893
24,900 - 24,950		1,483	29,650 - 29,700		1,766	34,400 - 34,450		2,048	39,150 - 39,200		2,331	43,900 - 43,950		2,614	48,650 - 48,700		2,896
24,950 - 25,000		1,486	29,700 - 29,750		1,769	34,450 - 34,500		2,051	39,200 - 39,250		2,334	43,950 - 44,000		2,617	48,700 - 48,750		2,899
25,000 - 25,050		1,489	29,750 - 29,800		1,772	34,500 - 34,550		2,054	39,250 - 39,300		2,337	44,000 - 44,050		2,619	48,750 - 48,800		2,902
25,050 - 25,100		1,492	29,800 - 29,850		1,775	34,550 - 34,600		2,057	39,300 - 39,350		2,340	44,050 - 44,100		2,622	48,800 - 48,850		2,905
25,100 - 25,150		1,495	29,850 - 29,900		1,778	34,600 - 34,650		2,060	39,350 - 39,400		2,343	44,100 - 44,150		2,625	48,850 - 48,900		2,908
25,150 - 25,200		1,498	29,900 - 29,950		1,781	34,650 - 34,700		2,063	39,400 - 39,450		2,346	44,150 - 44,200		2,628	48,900 - 48,950		2,911
25,200 - 25,250		1,501	29,950 - 30,000		1,784	34,700 - 34,750		2,066	39,450 - 39,500		2,349	44,200 - 44,250		2,631	48,950 - 49,000		2,914
25,250 - 25,300		1,504	30,000 - 30,050		1,786	34,750 - 34,800		2,069	39,500 - 39,550		2,352	44,250 - 44,300		2,634	49,000 - 49,050		2,917
25,300 - 25,350		1,507	30,050 - 30,100		1,789	34,800 - 34,850		2,072	39,550 - 39,600		2,355	44,300 - 44,350		2,637	49,050 - 49,100		2,920
25,350 - 25,400		1,510	30,100 - 30,150		1,792	34,850 - 34,900		2,075	39,600 - 39,650		2,358	44,350 - 44,400		2,640	49,100 - 49,150		2,923
25,400 - 25,450		1,513	30,150 - 30,200		1,795	34,900 - 34,950		2,078	39,650 - 39,700		2,361	44,400 - 44,450		2,643	49,150 - 49,200		2,926
25,450 - 25,500		1,516	30,200 - 30,250		1,798	34,950 - 35,000		2,081	39,700 - 39,750		2,364	44,450 - 44,500		2,646	49,200 - 49,250		2,929
25,500 - 25,550		1,519	30,250 - 30,300		1,801	35,000 - 35,050		2,084	39,750 - 39,800		2,367	44,500 - 44,550		2,649	49,250 - 49,300		2,932
25,550 - 25,600		1,522	30,300 - 30,350		1,804	35,050 - 35,100		2,087	39,800 - 39,850		2,370	44,550 - 44,600		2,652	49,300 - 49,350		2,935
25,600 - 25,650		1,525	30,350 - 30,400		1,807	35,100 - 35,150		2,090	39,850 - 39,900		2,373	44,600 - 44,650		2,655	49,350 - 49,400		2,938
25,650 - 25,700		1,528	30,400 - 30,450		1,810	35,150 - 35,200		2,093	39,900 - 39,950		2,376	44,650 - 44,700		2,658	49,400 - 49,450		2,941
25,700 - 25,750		1,531	30,450 - 30,500		1,813	35,200 - 35,250		2,096	39,950 - 40,000		2,379	44,700 - 44,750		2,661	49,450 - 49,500		2,944
25,750 - 25,800		1,534	30,500 - 30,550		1,816	35,250 - 35,300		2,099	40,000 - 40,050		2,382	44,750 - 44,800		2,664	49,500 - 49,550		2,947
25,800 - 25,850		1,537	30,550 - 30,600		1,819	35,300 - 35,350		2,102	40,050 - 40,100		2,384	44,800 - 44,850		2,667	49,550 - 49,600		2,950
25,850 - 25,900		1,540	30,600 - 30,650		1,822	35,350 - 35,400		2,105	40,100 - 40,150		2,387	44,850 - 44,900		2,670	49,600 - 49,650		2,953
25,900 - 25,950		1,543	30,650 - 30,700		1,825	35,400 - 35,450		2,108	40,150 - 40,200		2,390	44,900 - 44,950		2,673	49,650 - 49,700		2,956
25,950 - 26,000		1,546	30,700 - 30,750		1,828	35,450 - 35,500		2,111	40,200 - 40,250		2,393	44,950 - 45,000		2,676	49,700 - 49,750		2,959
26,000 - 26,050		1,548	30,750 - 30,800		1,831	35,500 - 35,550		2,114	40,250 - 40,300		2,396	45,000 - 45,050		2,679	49,750 - 49,800		2,962
26,050 - 26,100		1,551	30,800 - 30,850		1,834	35,550 - 35,600		2,117	40,300 - 40,350		2,399	45,050 - 45,100		2,682	49,800 - 49,850		2,965
26,100 - 26,150		1,554	30,850 - 30,900		1,837	35,600 - 35,650		2,120	40,350 - 40,400		2,402	45,100 - 45,150		2,685	49,850 - 49,900		2,968
26,150 - 26,200		1,557	30,900 - 30,950		1,840	35,650 - 35,700		2,123	40,400 - 40,450		2,405	45,150 - 45,200		2,688	49,900 - 49,950		2,971
26,200 - 26,250		1,560	30,950 - 31,000		1,843	35,700 - 35,750		2,126	40,450 - 40,500		2,408	45,200 - 45,250		2,691	49,950 - 50,000		2,974
26,250 - 26,300		1,563	31,000 - 31,050		1,846	35,750 - 35,800		2,129	40,500 - 40,550		2,411	45,250 - 45,300		2,694	50,000 - 50,050		2,976
26,300 - 26,350		1,566	31,050 - 31,100		1,849	35,800 - 35,850		2,132	40,550 - 40,600		2,414	45,300 - 45,350		2,697	50,050 - 50,100		2,979
26,350 - 26,400		1,569	31,100 - 31,150		1,852	35,850 - 35,900		2,135	40,600 - 40,650		2,417	45,350 - 45,400		2,700	50,100 - 50,150		2,982
26,400 - 26,450		1,572	31,150 - 31,200		1,855	35,900 - 35,950		2,138	40,650 - 40,700		2,420	45,400 - 45,450		2,703	50,150 - 50,200		2,985
26,450 - 26,500		1,575	31,200 - 31,250		1,858	35,950 - 36,000		2,141	40,700 - 40,750		2,423	45,450 - 45,500		2,706	50,200 - 50,250		2,988
26,500 - 26,550		1,578	31,250 - 31,300		1,861	36,000 - 36,050		2,143	40,750 - 40,800		2,426	45,500 - 45,550		2,709	50,250 - 50,300		2,991
26,550 - 26,600																	

1996 Massachusetts Income Tax Table at the 5.95% Rate

INCOME																	
More than	But not more than	TAX	More than	But not more than	TAX	More than	But not more than	TAX	More than	But not more than	TAX	More than	But not more than	TAX	More than	But not more than	TAX
\$52,500 - \$52,550		3,125	\$57,250 - \$57,300		3,408	\$62,000 - \$62,050		3,690	\$66,750 - \$66,800		3,973	\$71,500 - \$71,550		4,256	\$76,250 - \$76,300		4,538
52,550 - 52,600		3,128	57,300 - 57,350		3,411	62,050 - 62,100		3,693	66,800 - 66,850		3,976	71,550 - 71,600		4,259	76,300 - 76,350		4,541
52,600 - 52,650		3,131	57,350 - 57,400		3,414	62,100 - 62,150		3,696	66,850 - 66,900		3,979	71,600 - 71,650		4,262	76,350 - 76,400		4,544
52,650 - 52,700		3,134	57,400 - 57,450		3,417	62,150 - 62,200		3,699	66,900 - 66,950		3,982	71,650 - 71,700		4,265	76,400 - 76,450		4,547
52,700 - 52,750		3,137	57,450 - 57,500		3,420	62,200 - 62,250		3,702	66,950 - 67,000		3,985	71,700 - 71,750		4,268	76,450 - 76,500		4,550
52,750 - 52,800		3,140	57,500 - 57,550		3,423	62,250 - 62,300		3,705	67,000 - 67,050		3,988	71,750 - 71,800		4,271	76,500 - 76,550		4,553
52,800 - 52,850		3,143	57,550 - 57,600		3,426	62,300 - 62,350		3,708	67,050 - 67,100		3,991	71,800 - 71,850		4,274	76,550 - 76,600		4,556
52,850 - 52,900		3,146	57,600 - 57,650		3,429	62,350 - 62,400		3,711	67,100 - 67,150		3,994	71,850 - 71,900		4,277	76,600 - 76,650		4,559
52,900 - 52,950		3,149	57,650 - 57,700		3,432	62,400 - 62,450		3,714	67,150 - 67,200		3,997	71,900 - 71,950		4,280	76,650 - 76,700		4,562
52,950 - 53,000		3,152	57,700 - 57,750		3,435	62,450 - 62,500		3,717	67,200 - 67,250		4,000	71,950 - 72,000		4,283	76,700 - 76,750		4,565
53,000 - 53,050		3,155	57,750 - 57,800		3,438	62,500 - 62,550		3,720	67,250 - 67,300		4,003	72,000 - 72,050		4,285	76,750 - 76,800		4,568
53,050 - 53,100		3,158	57,800 - 57,850		3,441	62,550 - 62,600		3,723	67,300 - 67,350		4,006	72,050 - 72,100		4,288	76,800 - 76,850		4,571
53,100 - 53,150		3,161	57,850 - 57,900		3,444	62,600 - 62,650		3,726	67,350 - 67,400		4,009	72,100 - 72,150		4,291	76,850 - 76,900		4,574
53,150 - 53,200		3,164	57,900 - 57,950		3,447	62,650 - 62,700		3,729	67,400 - 67,450		4,012	72,150 - 72,200		4,294	76,900 - 76,950		4,577
53,200 - 53,250		3,167	57,950 - 58,000		3,450	62,700 - 62,750		3,732	67,450 - 67,500		4,015	72,200 - 72,250		4,297	76,950 - 77,000		4,580
53,250 - 53,300		3,170	58,000 - 58,050		3,452	62,750 - 62,800		3,735	67,500 - 67,550		4,018	72,250 - 72,300		4,300	77,000 - 77,050		4,583
53,300 - 53,350		3,173	58,050 - 58,100		3,455	62,800 - 62,850		3,738	67,550 - 67,600		4,021	72,300 - 72,350		4,303	77,050 - 77,100		4,586
53,350 - 53,400		3,176	58,100 - 58,150		3,458	62,850 - 62,900		3,741	67,600 - 67,650		4,024	72,350 - 72,400		4,306	77,100 - 77,150		4,589
53,400 - 53,450		3,179	58,150 - 58,200		3,461	62,900 - 62,950		3,744	67,650 - 67,700		4,027	72,400 - 72,450		4,309	77,150 - 77,200		4,592
53,450 - 53,500		3,182	58,200 - 58,250		3,464	62,950 - 63,000		3,747	67,700 - 67,750		4,030	72,450 - 72,500		4,312	77,200 - 77,250		4,595
53,500 - 53,550		3,185	58,250 - 58,300		3,467	63,000 - 63,050		3,750	67,750 - 67,800		4,033	72,500 - 72,550		4,315	77,250 - 77,300		4,598
53,550 - 53,600		3,188	58,300 - 58,350		3,470	63,050 - 63,100		3,753	67,800 - 67,850		4,036	72,550 - 72,600		4,318	77,300 - 77,350		4,601
53,600 - 53,650		3,191	58,350 - 58,400		3,473	63,100 - 63,150		3,756	67,850 - 67,900		4,039	72,600 - 72,650		4,321	77,350 - 77,400		4,604
53,650 - 53,700		3,194	58,400 - 58,450		3,476	63,150 - 63,200		3,759	67,900 - 67,950		4,042	72,650 - 72,700		4,324	77,400 - 77,450		4,607
53,700 - 53,750		3,197	58,450 - 58,500		3,479	63,200 - 63,250		3,762	67,950 - 68,000		4,045	72,700 - 72,750		4,327	77,450 - 77,500		4,610
53,750 - 53,800		3,200	58,500 - 58,550		3,482	63,250 - 63,300		3,765	68,000 - 68,050		4,047	72,750 - 72,800		4,330	77,500 - 77,550		4,613
53,800 - 53,850		3,203	58,550 - 58,600		3,485	63,300 - 63,350		3,768	68,050 - 68,100		4,050	72,800 - 72,850		4,333	77,550 - 77,600		4,616
53,850 - 53,900		3,206	58,600 - 58,650		3,488	63,350 - 63,400		3,771	68,100 - 68,150		4,053	72,850 - 72,900		4,336	77,600 - 77,650		4,619
53,900 - 53,950		3,209	58,650 - 58,700		3,491	63,400 - 63,450		3,774	68,150 - 68,200		4,056	72,900 - 72,950		4,339	77,650 - 77,700		4,622
53,950 - 54,000		3,212	58,700 - 58,750		3,494	63,450 - 63,500		3,777	68,200 - 68,250		4,059	72,950 - 73,000		4,342	77,700 - 77,750		4,625
54,000 - 54,050		3,214	58,750 - 58,800		3,497	63,500 - 63,550		3,780	68,250 - 68,300		4,062	73,000 - 73,050		4,345	77,750 - 77,800		4,628
54,050 - 54,100		3,217	58,800 - 58,850		3,500	63,550 - 63,600		3,783	68,300 - 68,350		4,065	73,050 - 73,100		4,348	77,800 - 77,850		4,631
54,100 - 54,150		3,220	58,850 - 58,900		3,503	63,600 - 63,650		3,786	68,350 - 68,400		4,068	73,100 - 73,150		4,351	77,850 - 77,900		4,634
54,150 - 54,200		3,223	58,900 - 58,950		3,506	63,650 - 63,700		3,789	68,400 - 68,450		4,071	73,150 - 73,200		4,354	77,900 - 77,950		4,637
54,200 - 54,250		3,226	58,950 - 59,000		3,509	63,700 - 63,750		3,792	68,450 - 68,500		4,074	73,200 - 73,250		4,357	77,950 - 78,000		4,640
54,250 - 54,300		3,229	59,000 - 59,050		3,512	63,750 - 63,800		3,795	68,500 - 68,550		4,077	73,250 - 73,300		4,360	78,000 - 78,050		4,642
54,300 - 54,350		3,232	59,050 - 59,100		3,515	63,800 - 63,850		3,798	68,550 - 68,600		4,080	73,300 - 73,350		4,363	78,050 - 78,100		4,645
54,350 - 54,400		3,235	59,100 - 59,150		3,518	63,850 - 63,900		3,801	68,600 - 68,650		4,083	73,350 - 73,400		4,366	78,100 - 78,150		4,648
54,400 - 54,450		3,238	59,150 - 59,200		3,521	63,900 - 63,950		3,804	68,650 - 68,700		4,086	73,400 - 73,450		4,369	78,150 - 78,200		4,651
54,450 - 54,500		3,241	59,200 - 59,250		3,524	63,950 - 64,000		3,807	68,700 - 68,750		4,089	73,450 - 73,500		4,372	78,200 - 78,250		4,654
54,500 - 54,550		3,244	59,250 - 59,300		3,527	64,000 - 64,050		3,809	68,750 - 68,800		4,092	73,500 - 73,550		4,375	78,250 - 78,300		4,657
54,550 - 54,600		3,247	59,300 - 59,350		3,530	64,050 - 64,100		3,812	68,800 - 68,850		4,095	73,550 - 73,600		4,378	78,300 - 78,350		4,660
54,600 - 54,650		3,250	59,350 - 59,400		3,533	64,100 - 64,150		3,815	68,850 - 68,900		4,098	73,600 - 73,650		4,381	78,350 - 78,400		4,663
54,650 - 54,700		3,253	59,400 - 59,450		3,536	64,150 - 64,200		3,818	68,900 - 68,950		4,101	73,650 - 73,700		4,384	78,400 - 78,450		4,666
54,700 - 54,750		3,256	59,450 - 59,500		3,539	64,200 - 64,250		3,821	68,950 - 69,000		4,104	73,700 - 73,750		4,387	78,450 - 78,500		4,669
54,750 - 54,800		3,259	59,500 - 59,550		3,542	64,250 - 64,300		3,824	69,000 - 69,050		4,107	73,750 - 73,800		4,390	78,500 - 78,550		4,672
54,800 - 54,850		3,262	59,550 - 59,600		3,545	64,300 - 64,350		3,827	69,050 - 69,100		4,110	73,800 - 73,850		4,393	78,550 - 78,600		4,675
54,850 - 54,900		3,265	59,600 - 59,650		3,548	64,350 - 64,400		3,830	69,100 - 69,150		4,113	73,850 - 73,900		4,396	78,600 - 78,650		4,678
54,900 - 54,950		3,268	59,650 - 59,700		3,551	64,400 - 64,450		3,833	69,150 - 69,200		4,116	73,900 - 73,950		4,399	78,650 - 78,700		4,681
54,950 - 55,000		3,271	59,700 - 59,750		3,554	64,450 - 64,500		3,836	69,200 - 69,250		4,119	73,950 - 74,000		4,402	78,700 - 78,750		4,684
55,000 - 55,050		3,274	59,750 - 59,800		3,557	64,500 - 64,550		3,839	69,250 - 69,300		4,122	74,000 - 74,050		4,404	78,750 - 78,800		4,687
55,050 - 55,100		3,277	59,800 - 59,850		3,560	64,550 - 64,600		3,842	69,300 - 69,350		4,125	74,050 - 74,100		4,407	78,800 - 78,850		4,690
55,100 - 55,150		3,280	59,850 - 59,900		3,563	64,600 - 64,650		3,845	69,350 - 69,400		4,128	74,100 - 74,150		4,410	78,850 - 78,900		<

Department of Revenue Resources

DOR Locations in Massachusetts

100 Cambridge Street
Boston 02204
(617) 887-MDOR

218 S. 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

999 Peachtree St., Suite 1640
Atlanta, GA 30309
(404) 874-2922

101 South First St., 4th Floor
Burbank, CA 91502
(818) 840-9059

150 N. Michigan Ave., Suite 2035
Chicago, IL 60601
(312) 899-9040

1201 Louisiana St., Suite 3322
Houston, TX 77002
(713) 650-0390

1212 Ave. of the Americas
9th Floor
New York, NY 10036
(212) 768-2750

355 Fifth Ave., 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 new 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 1996 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 16 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 available via the Internet. The address for the Department's home page is <http://www.magnet.state.ma.us/dor/dorpg.htm>



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.

Note: The 1996 Form 1, Form 1-NR/PY and Form M-4868 available on the Internet and through the Fax on Demand system are for informational purposes only. Due to the sensitivity of the Department's imaging equipment for tax return processing, only an original or approved computer-generated version of these forms will be accepted for filing purposes.

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:

- ▶ abatements
- ▶ bills and payments
- ▶ 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

Please call the number listed below.

- ▶ Certificates of Good Standing (617) 887-6550
- ▶ Federal changes (617) 621-5300
- ▶ Installment sales (617) 621-5249
- ▶ Small Business Workshop (617) 887-6100

▶ Teletype (TTY): (617) 887-6140

▶ Vision-impaired taxpayers are welcome to make an appointment at any DOR office listed on this page to receive assistance in preparing their tax forms.

▶ Upon request, this publication is available in an alternative format.

To report allegations of suspected misconduct or impropriety involving Department of Revenue employees, please call the Inspectional Services Division's Integrity Hot Line at 1-800-568-0085 or write to P.O. Box 6040, Boston, MA 02114.

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Dear Taxpayer:

Across the country, information technology has revolutionized the way work is done, permitting efficiencies never before possible. The Department of Revenue is a very good example.

Imaging/data recognition, electronic funds transfer, interactive voice response, computer-assisted audit, PC filing and Telefile are now in full use. This extensive array of cutting-edge systems has permitted us to downsize from 2,000 employees to 1,500, while productivity has virtually doubled — from \$4.5 million in revenue per employee in FY91 to \$8 million in FY96. Service has never been better. Half a million taxpayers received their refunds in 4 days or less last year, and waiting time on the telephones was cut to near zero at peak tax season.

Our pledge is to keep our leadership role in these technologies, because it will mean lower costs, and even better performance and service for Massachusetts taxpayers.

Sincerely,

[Handwritten signature of Mitchell Adams]

Mitchell Adams
Commissioner

