



DRAFT AS OF 12.13.21

Department of Revenue | Commonwealth of Massachusetts

Form 1 2021 Massachusetts Resident Income Tax

Mass.gov/eFile

Before using paper, consider

eFile



Fast — Filing electronically, rather than on paper, can mean much faster processing of your refund and money in your account sooner.



Accurate — Generally, there are fewer errors with electronic filings than paper forms. Online programs make it easy to ensure that you don't miss anything important.



Ecofriendly — A great majority of Massachusetts taxpayers file electronically. Help us to continue reducing our carbon footprint.



Affordable — About 70% of Massachusetts taxpayers qualify to use commercial tax preparation software at no charge. Or, you may have the option to file through MassTaxConnect for free.

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Give E-file a try this year!

C'mon, admit it — filing paper tax returns is no fun! So forget about longer refund wait times and calculation mistakes. E-file this year!



There are three easy and convenient ways to do it.

1

File Electronically for Free

Approximately 70% of Massachusetts taxpayers likely qualify to file both federal and state returns for free, enhancing fraud protection and cutting down on identity theft. Massachusetts joined the Free File Alliance, a nonprofit partnership between tax preparation companies, the IRS and the states to increase opportunities for taxpayers to E-file their tax returns for free. Check out the free filing options available to taxpayers at mass.gov/efile.

You may also be able to file your tax return online through DOR's MassTaxConnect. You qualify for this option if you were a Massachusetts resident for the entire 2021 tax year, previously filed a Massachusetts return, and the forms you file are supported by the program.

2

Commercial Tax Preparation Software

You can also E-file using commercial tax filing products. Visit our website for a complete listing of approved products. Although some of these products offer a paper filing option, you may only use that option if it incorporates a 2D barcode in the right-hand corner of all pages. If you have a 2D printing issue, be sure to contact the software manufacturer for instructions before filing to avoid having your return rejected. Also, be sure to use the correct 2D barcode mailing address: PO Box 7000 for refunds/no payments or PO Box 7003 for payments. See DOR's online tax form instructions for more information.

3

Tax Preparers

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

You may qualify for assistance with preparing your tax returns. Check out options at mass.gov/taxassistance.

mass.gov/efile

Major 2021 Tax Changes

For more up-to-date and detailed information on (i) tax changes and federal conformity, (ii) the Department of Revenue's response to the COVID-19 pandemic, and (iii) to view all of the public written statements referenced in these instructions, please visit mass.gov/dor.

Filing Due Dates

For tax year 2021, Form 1 must be filed on or before April 19, 2022.

Because of the observance of Emancipation Day in Washington D.C. on Friday, April 15, 2022, federal returns otherwise due on April 15 will generally be treated as timely if filed by Monday, April 18, 2022. However, Monday, April 18, 2022, is Patriot's Day, a legal holiday in the Commonwealth of Massachusetts. Therefore, Massachusetts personal income tax returns and payments with a due date of April 15, 2022, shall be treated as timely if filed and paid on or before April 19, 2022.

2021 Personal Income Tax Rates

Effective for tax years beginning on or after January 1, 2020, the tax rate on most classes of taxable income is changed to 5%. The tax rate on short-term gains from the sale or exchange of capital assets and on long-term gains from the sale or exchange of collectibles (after a 50% deduction) remains at 12%.

Expansion of Certain Electronic Filing and Payment Requirements

TIR 21-9 announced the expansion of electronic filing and payment requirements for certain tax types. The changes for partnerships and fiduciaries are effective for tax periods ending on or after December 31, 2021, and for payments made on or after January 1, 2022. It also announced an expansion of the Department's two-dimensional ("2D") bar code requirements for paper forms produced by tax preparation software programs effective for tax periods ending on or after December 31, 2021.

Revised Guidance on the Massachusetts Tax Implications of an Employee Working Remotely due to the COVID-19 Pandemic

In response to the COVID-19 pandemic, several states, including Massachusetts, declared a state of emergency, and many businesses implemented work-from-home requirements for their employees in response to government orders and public health recommendations. Due to Massachusetts' COVID-19 state of emergency, all compensation paid for services performed prior to September 16, 2021, to non-residents who would generally perform such services in Massachusetts

but for a Pandemic-Related Circumstance will be treated as Massachusetts source income subject to Massachusetts personal income tax. The state of emergency was terminated by Executive Order effective June 15, 2021, and the foregoing rule only applied during the state of emergency and for 90 days after its conclusion. Additionally, in consideration of the fact that other states have adopted similar sourcing rules, for tax year 2021 Massachusetts residents who immediately prior to the Massachusetts COVID-19 state of emergency were employees engaged in performing services from a location outside of Massachusetts, and who began performing such services in Massachusetts due to their employing state's COVID-19 state of emergency or other Pandemic-Related Circumstance, will be eligible to claim a credit for taxes paid to that other state, to the extent generally provided under Massachusetts law. For more information about this change, see TIR 20-15.

Penalty for Failure to Obtain Health Insurance

Massachusetts requires most adults 18 and over with access to affordable health insurance to obtain it. In 2021, individuals must be enrolled in health insurance policies that meet minimum creditable coverage standards defined in regulations adopted by the Commonwealth Health Insurance Connector Authority (Health Connector). Individuals who are deemed able to afford health insurance but fail to obtain it are generally subject to penalties in Massachusetts for each month of noncompliance in the tax year. The monthly penalties, which will be imposed through the individual's personal income tax return, are set out in Technical Information Release (TIR) 21-1 and are based on half of the minimum monthly insurance premium for which an individual would have qualified through the Health Connector.

Dependent Care Tax Credit

Starting with the 2021 tax year, individuals subject to tax under MGL ch 62 are eligible to receive a Dependent Care Tax Credit (DCTC) equal to employment-related expenses for the care of a qualified child under the age of 13, a disabled dependent, or a disabled spouse. To claim the credit a taxpayer must be eligible for the federal Dependent Care Tax Credit allowed under IRC § 21. For taxpayers filing a joint U.S. Form 1040 that are filing separately for Massachusetts purposes, either spouse may claim the DCTC he or she incurred, but their combined DCTC cannot exceed \$240 for one qualifying individual or \$480 for two or more qualifying individuals. The DCTC is refundable but is not transferrable. A taxpayer claiming the DCTC may not also claim the Household Dependent Tax Credit.

This credit replaces the Dependent Care Deduction for employment related expenses incurred in caring for dependents, which was repealed for tax years beginning on or after January 1, 2021.

Household Dependent Tax Credit

Starting with the 2021 tax year, individuals subject to tax under MGL ch 62 may claim the Household Dependent Tax Credit (HDTC) if they maintain a household as provided under IRC § 21 that includes a dependent that qualifies as a dependent under IRC § 152 and who is under the age of 12, age 65 or over, or is disabled. The amount of the HDTC is \$180 if the taxpayer has one dependent or \$360 if the taxpayer has two or more dependents. A taxpayer claiming the HDTC may not also claim the Dependent Care Tax Credit.

This credit replaces the deduction for household dependents, which was repealed for tax years beginning on or after January 1, 2021.

Cranberry Bog Renovation Tax Credit

For tax years beginning on or after January 1, 2020, individuals subject to tax under MGL ch 62 that are primarily engaged in cranberry production may be eligible for a Cranberry Bog Renovation Tax Credit (CBRTC), which is equal to 25% of the taxpayer's total qualified renovation expenditures incurred for the qualified renovation of a cranberry bog for the cultivation, harvesting or production of cranberries. The CBRTC is refundable but is not transferrable. However, in lieu of claiming the CBRTC as a refundable tax credit, the taxpayer may carryover unused CBRTC for the next 5 years.

Disability Hire Tax Credit

For tax years beginning on or after January 1, 2023, businesses subject to tax under MGL ch 62 that hire employees with a disability who live and work in Massachusetts may be eligible for a Disability Hire Tax Credit (DHTC). The credit is equal to the lesser of \$5,000 or 30% of the wages paid to a qualified employee in the first year of employment, and the lesser of \$2,000 or 30% of the wages paid to a qualified employee in each subsequent year of employment. To qualify for the DHTC, the employee must be certified by the Massachusetts Rehabilitation Commission as being disabled under the federal American Disabilities Act, 42 USC § 12102, be capable of working independently, have a mental or physical disability that constitutes or results in a substantial impediment to employment, be hired after July 1, 2021, and be employed by the business for at least 12 consecutive months prior to and in the taxable year in which the DHTC is claimed. The business must be certified by the Massachusetts Rehabilitation Commission. The DHTC is refundable but is not transferrable.

New Optional Pass-Through Entity Excise

For taxable years beginning on or after January 1, 2021, pass-through entities, including S-corporations, partnerships, and certain trusts may elect to pay an optional 5% excise on the income that flows through to shareholders, partners, or beneficiaries subject to the personal income tax. The shareholders, partners, or beneficiaries of the pass-through entity may claim a nontransferable, refundable credit equal to 90% of their allocable share of the entity's excise due. The credit may be claimed in the taxable year in which the pass-through entity's taxable year ends.

Annual Update of Circuit Breaker Tax Credit

Taxpayers age 65 or older who own or rent residential property located in Massachusetts are allowed a credit equal to the amount by which their real estate tax payments, or 25% of the rent constituting a real estate tax payment, exceeds 10% of the taxpayer's total income, not to exceed \$1,170. The amount of the credit is subject to limitations based on the taxpayer's total income and the assessed value of the real estate, which for tax year 2021 must not exceed \$884,000. For purposes of calculating the credit, total income and maximum credit thresholds are adjusted annually. For tax year 2021, an eligible taxpayer's total income cannot exceed \$62,000 in the case of a single filer who is not a head of household filer; \$78,000 for a head of household filer; and \$93,000 for joint filers. To qualify for the credit, a taxpayer must be age 65 or older and must occupy the property as his or her principal residence. See TIR 21-11 for more information.

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

Massachusetts adopts Internal Revenue Code ("IRC") § 132(f) as amended and in effect on January 1, 2005, which excludes from an employee's gross income (subject to a monthly maximum) employer-provided parking, transit pass, and commuter highway vehicle transportation benefits. For tax year 2021, the IRS has calculated, based on inflation adjustments contained in IRC § 132(f) as effective on January 1, 2005, the 2021 monthly exclusion amounts of \$275 for employer-provided parking and \$140 for combined transit pass and commuter highway vehicle transportation benefits. Massachusetts adopts these 2021 monthly exclusion amounts as they are based on the IRC as effective on January 1, 2005. See TIR 20-16.

Taxation of Unemployment Compensation Received in 2020 and 2021

On April 1, 2021, "An Act financing a program for improvements to the Unemployment Insurance Trust Fund and providing relief to

employers and workers in the Commonwealth" (the "UI Trust Fund Act") was signed into law. Section 26 of the UI Trust Fund Act, provides that, for the taxable years beginning on January 1, 2020 and January 1, 2021, up to \$10,200 of unemployment compensation that was or is included in a taxpayer's federal gross income shall be deducted from federal gross income for purposes of determining Massachusetts gross income for taxpayers, whose household income is not more than 200% of the federal poverty level. The deduction is not limited to \$10,200 per return, rather, a deduction of up to \$10,200 may be claimed by each eligible individual for unemployment compensation received by that individual. Taxpayers who already filed their 2020 personal income tax returns and reported unemployment compensation as income should not file amended returns at this time. DOR will send notices to taxpayers who reported unemployment to explain whether those persons may be eligible for relief. See TIR 21-6 for more information.

Section 8 of the UI Trust Fund Act provides that until January 1, 2022, no penalty shall be assessed against a taxpayer solely for failure to remit taxes imposed on unemployment compensation received during the 2020 tax year (i.e., unemployment compensation in excess of \$10,200). See TIR 21-6 for more information.

Delay in reinstatement of the personal income tax deduction for charitable contributions

The Massachusetts charitable deduction, which has been suspended since the 2002 tax year, was scheduled to be reinstated for tax years beginning on or after January 1, 2021. However, this reinstatement has been delayed, and will be available for tax years beginning on or after January 1, 2022. See TIR 21-4 for additional information.

Small Business Loan Forgiveness

Section 1106 of Public Law 116-136, the Coronavirus Aid, Relief, and Economic Security Act (the CARES Act) provides loan forgiveness to small businesses for certain loans made pursuant to the Paycheck Protection Program ("PPP") under the Small Business Act. Furthermore, any amount of cancelled indebtedness resulting from these loans that would otherwise be includable in the gross income for federal income taxes will be excluded from federal gross income. Section 12 of the UI Trust Fund Act provides a deduction for cancellation of debt ("COD") income related to forgiven PPP loans made under § 1102(a) of the CARES Act. The deduction applies to the taxable year beginning January 1, 2020. PPP loan borrowers subject to the Massachusetts personal income tax, including Schedule C filers, certain partners in a partnership, and S corporation

shareholders should not include in Massachusetts gross income the amount of a PPP loan forgiven under § 1106(b) of the CARES Act during the 2020 tax year. Taxpayers who have already filed their 2020 personal income tax returns and included forgiven PPP loans in Massachusetts gross income should file an amended return to exclude these amounts. See TIR 21-6 for more information.

Consistent with the federal rules, a deduction is allowed for otherwise deductible expenses that are paid with the proceeds of a PPP loan that is forgiven. See TIR 21-6 for more information.

Taxation of Certain Federal COVID-Related Relief Payments

Section 12 of the UI Trust Fund Act provides that (i) the amount of any advance received as an Economic Injury Disaster Loan pursuant to § 1110(e) of the CARES Act; (ii) the amount of any Small Business Administration payment described in § 1112(c) of the CARES Act; and (iii) the amount of any funding received as an Economic Injury Disaster Loan pursuant to § 331 of the federal Economic Aid to Hard-Hit Small Businesses, Nonprofits, and Venues Act should be deducted from federal gross income for purposes of determining Massachusetts gross income for taxable years beginning January 1, 2020 and January 1, 2021. Accordingly, taxpayers who received such federal payments in 2020 or 2021 should exclude these amounts from their Massachusetts gross income. Taxpayers who have already filed their 2020 personal income tax returns and included such federal payments in taxable income should file an amended return to exclude these amounts. See TIR 21-6 for more information.

Changes Related to Federal Tax Reform

As a general rule, Massachusetts does not adopt any federal personal income tax law changes incorporated into the IRC after January 1, 2005. However, certain specific Massachusetts personal income tax provisions, as set forth in MGL c. 62, § 1(c), automatically conform to the current IRC. The provisions of the IRC Massachusetts adopts on a current basis are:

- ▶ Roth IRAs;
- ▶ IRAs;
- ▶ The exclusion for gain on the sale of a principal residence;
- ▶ Trade or business expenses;
- ▶ Travel expenses;
- ▶ Meals and entertainment expenses;
- ▶ The maximum deferral amount of government employees' deferred compensation plans;
- ▶ The deduction for health insurance costs of self-employed taxpayers;

- ▶ Medical and dental expenses;
- ▶ Annuities;
- ▶ Health savings accounts;
- ▶ Employer-provided health insurance coverage;
- ▶ Amounts received by an employee under a health and accident plan; and
- ▶ Contributions to qualified tuition programs. See TIRs 98-8, 02-11, 02-18, 07-4 and 09-21 for further details.

In recent years there have been a few federal acts that have had significant impacts on the Massachusetts personal income tax. Most recently, the enactment of (i) the Federal Consolidated Appropriations Act, 2021 omnibus legislation, which includes the COVID-Related Tax Relief Act of 2020 and the Taxpayer Certainty and Disaster Tax Relief Act of 2020, and (ii) the American Rescue Plan Act of 2021 on December 27, 2020, resulted in several modifications to the Massachusetts personal income tax including (1) an expansion of the federal EITC that impacts the calculation of the Massachusetts EITC, (2) the timing of inclusion in gross income of withdrawals from certain retirement accounts, (3) an exclusion from gross income of a federal tax credit, (4) an exclusion from gross income of discharges of certain student loans, and (5) an exclusion from gross income of child tax credits, (6) a modification to the depreciation period for certain residential rental property from 40 years to 30 years, (6) the treatment of debt forgiven and expenses incurred pursuant to PPP loans, (7) the treatment of expenses paid using proceeds from Shuttered Venue Operator Grants or Restaurant Revitalization Grants, (8) an expansion of the limitation on the deduction of executive compensation paid by publicly traded corporations, and (9) a temporary allowance for businesses to deduct as a business expense the full amount of the cost of food and beverages provided by a restaurant. For more information see Working Draft TIR 21-XX: Massachusetts Tax Implications of Selected Provisions of the Federal Consolidated Appropriations Act, 2021 and the American Rescue Plan Act of 2021. Prior to that, in 2017 and 2020, Public Law 115-97, commonly known as the Tax Cuts and Jobs Act ("TCJA"), and the CARES Act, also provided for federal changes to a variety of provisions in the IRC that affect the Massachusetts personal income tax. Included among these are changes to the tax treatment of certain medical expenses incurred, treatment of income generated by U.S. individual shareholders of a controlled foreign corporation (CFC), modifications to the tax treatment of retirement funds, plans, and accounts, increases to the allowable charitable deduction, exclusion of certain employer payments from taxable income, and changes to depreciation scheduled and loss limitations. For more information

about the TCJA's and CARES Act's changes, see DOR's public written guidance, including TIRs 18-14, 19-6, 19-7, 19-11, and 20-9.

For more information on the differences between federal and Massachusetts income tax rules, please see:

[mass.gov/info-details/differences-between-massachusetts-state-tax-law-and-federal-tax-law-for-personal-income](https://www.mass.gov/info-details/differences-between-massachusetts-state-tax-law-and-federal-tax-law-for-personal-income)

Privacy Act Notice

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

Filing Your Massachusetts Return

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

If you did not live in Massachusetts but received Massachusetts source income in excess of your personal exemption amount multiplied by the ratio of your Massachusetts income to your total income, you must file as a nonresident on the Nonresident/Part-Year Resident Income Tax Return, Form 1-NR/PY.

If, during the taxable year, you either moved to Massachusetts or terminated your status as a Massachusetts resident to establish residency outside the state, and your gross income was more than \$8,000 — whether received from sources inside or outside of Massachusetts — you must file as a part-year resident on the Form 1-NR/PY.

What Is Gross Income?

Massachusetts gross income includes the following:

- ▶ All wages, salaries, tips, bonuses, fees and other compensation;
- ▶ Taxable pensions and annuities;
- ▶ Pension income from another state or political subdivision before any deduction;
- ▶ Taxable IRA/Keogh and Roth IRA distributions;
- ▶ Alimony;
- ▶ Income from a business, trade, profession, partnership, S corporation, trust or estate;
- ▶ Rental, royalty and REMIC income;
- ▶ Unemployment compensation;
- ▶ Taxable interest and dividends;
- ▶ Gambling winnings;
- ▶ Capital gains;
- ▶ Forgiveness of debt;
- ▶ Mortgage forgiveness;
- ▶ Taxable portion of scholarships and fellowships; and
- ▶ Any other income not specifically exempt.

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

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

Massachusetts gross income does not include:

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

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

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

- ▶ You are a full-year resident if your residence (domicile) is in Massachusetts or if you maintain

a permanent place of abode in Massachusetts and during the year spend more than 183 days, in the aggregate, in the state. If you fit this description you should file a Massachusetts Resident Income Tax Return, Form 1.

▶ You are a nonresident if you were not a resident of Massachusetts but earned Massachusetts income (e.g., from a job in Massachusetts). You must report such income by filing a Massachusetts Form 1-NR/PY.

▶ You are a part-year resident if you either moved into or moved out of Massachusetts during the taxable year. In this case, you must reduce certain income, deductions and exemptions based on the number of days you were a resident or on the amount of your income that is subject to Massachusetts tax. Part-year residents must file a Massachusetts Form 1-NR/PY.

▶ You are both a nonresident and part-year resident if you meet the criteria above for both the part-year resident and nonresident categories. If filing as a nonresident and part-year resident, the Schedule R/NR must be completed.

Are Military Personnel Required to File?

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

Military Spouses. The Military Spouses Residency Relief Act (P.L. 111-97) prohibits a service-member's spouse from either losing or acquiring a residence or domicile for purposes of taxation because of being absent or present in any U.S. tax jurisdiction solely to be with the service-member in compliance with the servicemember's military orders. In general, for Massachusetts tax purposes, the law affects only servicemembers and their spouses who are domiciled in a state other than Massachusetts.

Under federal law, a military spouse is allowed, in some circumstances, to elect to use the same residence for purposes of taxation as the servicemember regardless of the date on which the marriage of the spouse and the servicemember occurred. For further information on the Massachusetts implications of the federal law, see TIR 19-14.

What Are the Rules for Filing a Joint Return?

A joint Form 1 is not allowed if both spouses were not Massachusetts residents for the same portion of 2021.

If your spouse died during 2021, you may still choose to file a joint return.

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

▶ A credit of \$180 (\$360 for two or more dependents) for a dependent member of household under age 12, or dependent age 65 or over as of December 31, 2021 (not you or your spouse) or a disabled dependent;

▶ No Tax Status if joint Massachusetts AGI was \$16,400 or less plus \$1,000 for each dependent;

▶ Limited Income Credit if joint Massachusetts AGI is between \$16,400 and \$28,700 plus \$1,750 for each dependent;

▶ Excess unused exemptions against interest income (other than interest from Massachusetts banks), dividends or capital gain income; and

▶ A senior circuit breaker tax credit allows senior citizens meeting certain eligibility criteria to claim a refundable credit on their state income taxes for the real estate taxes paid on the Massachusetts residential property they own or rent, and which they occupy as their principal residence. The credit is the amount by which the real estate tax payment or 25% of the rent constituting real estate tax payments exceeds 10% of their total income, but not more than \$1,170. The credit is refundable to the extent the credit exceeds the taxpayer's tax liability.

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. This return should include income received until date of death. It must be signed and filed by his/her personal representative, administrator or surviving spouse for the portion of the year before the taxpayer's death. Be sure to fill in oval 1 if the taxpayer who was listed first on last year's income tax return is deceased, or oval 2 if the taxpayer who was listed second on last year's income tax return is deceased. Also, enclose Form M-1310, Statement of Claimant to Refund Due on Behalf of Deceased Taxpayer, with the refund claimant's name and Social Security number clearly printed.

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

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

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 must be enclosed with the return so the refund check may be made payable to the proper person.

Should I Make Estimated Tax Payments in 2022?

Every resident or nonresident who expects to pay more than \$400 in Massachusetts income tax on income which is not covered by Massachusetts withholding must pay Massachusetts estimated taxes. Estimated tax payments can be made online by using MassTaxConnect at www.mass.gov/masstaxconnect or by filing Massachusetts Form 1-ES. See line 40 instructions and TIR 04-25 for more information.

When to File Your Return

Your 2021 Massachusetts Form 1 is due on or before April 19, 2022.

Automatic Extensions

All taxpayers filing personal income tax returns are automatically granted a six-month extension of time to file their tax return as long as at least 80% of the total amount of tax ultimately due on or before the due date prescribed for payment of the tax has been paid. See TIR 16-10.

Also, if you are making a payment of \$5,000 or more, you are required to submit your extension payment electronically. Failure to do so will result in a penalty. If you are making a payment of less than \$5,000, you also have the option of filing your extension electronically. If there is a tax due with your extension, payment can be made through Electronic Funds Withdrawal.

Form 1 Extension Worksheet

1. Enter amount from Form 1, line 32

2. Enter the total of Form 1, lines 38 through 40 and 43 through 47

3. Amount due. Subtract line 2 from line 1, not less than 0

continue on next page ...

Note: Your extension will not be valid if you fail to pay 80% of your total tax liability through withholding, estimated tax payments or with your extension.

Must I File on a Calendar Year Basis?

No. You may file on a fiscal year basis if you keep your books and records on that fiscal year basis and if you receive permission from the Commissioner of Revenue. If you file on a fiscal year basis, you must file on or before the fifteenth day of the fourth month after the end of your fiscal year. Taxpayers filing on a fiscal year basis must complete and file Form 13, Notice of Designation of Fiscal Year, available at mass.gov/dor or by calling (617) 887-6367 or toll-free in Massachusetts (800) 392-6089.

Fiscal Year Filers

File the 2021 return for calendar year 2021 and fiscal years that began in 2021 and ended in 2022. For a fiscal year return, fill in the tax year space at the top of page 1. Short year filers should file using the tax form for the calendar year within which the short year falls. If the short year spans more than one calendar year, the filer should file using the tax form for the calendar year in which the short year began. If the current form is not available at the time the short year filer must file, the filer should follow the rules explained in TIR 11-12.

What If I am Unable to Pay?

If you are unable to pay the full amount of tax that you owe, you should pay as much of your tax liability as possible with this return. You will receive a bill from DOR for the remaining amount of tax due plus accrued interest and penalty charges. If the amount of that bill is less than \$10,000 and you still cannot pay it in full, you must apply formally to DOR for a small payment agreement in order to avoid collection activity. You can apply for a small payment agreement by visiting MassTaxConnect at mass.gov/masstaxconnect.

Note: Do not mail your request for a payment agreement with your tax return. Requests can be made once a bill is issued through DOR's MassTaxConnect application at mass.gov/dor or by calling DOR at (617) 887-6367. Setting up a small payment agreement will allow you to make monthly payments within a set time period to satisfy your unpaid liability.

Name and Address

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

Social Security Number(s)

Be sure to enter your Social Security number(s) on your return. Also, enter your Social Security number on pages 2 through 4 of Form 1 and on page 2 of Schedule B or Schedule C, if filed. Fail-

ure to show the correct Social Security number in the space provided will delay the processing of your return. If filing jointly, list your number and your spouse's number in the order they appear on your federal return. Taxpayers filing their U.S. return using an Individual Taxpayer Identification number (ITIN) should enter that ITIN as their Social Security number in the appropriate space. 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 name and Social Security number even if you are filing a separate return.

To apply for an SSN, you must complete Form SS-5. Form SS-5 is available online at socialsecurity.gov, from your local Social Security Administration (SSA) office, or by calling the SSA at (800) 772-1213. It usually takes about two weeks to receive an SSN. If you are a nonresident or resident alien and you do not have and are not eligible for an SSN, you must apply for an ITIN. For details on how to do so, see Form W-7 and its instructions. Form W-7 is available online at irs.gov or by calling the IRS at (800) 829-1040. It usually takes about four to six weeks to receive an ITIN.

Note: You must wait until you receive an ITIN or SSN to file your Massachusetts return.

Filing an Amended Return

Filing an Amended Return

If you need to change a line item on your return, complete a new return with the corrected information and fill in the **Amended return** oval. Your amended return must include all schedules filed with the original return even if there are no changes to the schedules. Mail your amended return to the same address used for original returns. Do not file Form ABT with your amended return. An amended return can be filed to either increase or decrease your tax. An amended return should also be filed to correct a credit amount (such as withholding) or to dispute a health care penalty. Generally, an amended return must be filed within three years of the date that your original return was filed. Visit mass.gov/dor/amend for more information about filing an amended return.

Federal Changes

If your amended return includes changes you have reported on an amended federal return filed with the IRS for the same tax year or if you are amending due to changes as a result of a federal audit, check the **Amended return due to federal change** oval.

If your amended return does not report changes that result from the filing of a federal amended return or from a federal audit (for example, if the amended Massachusetts return is reporting a rental deduction not claimed on the original return) fill in only the **Amended return** oval.

Other Jurisdiction Change

If your amended return includes changes resulting from another state or jurisdiction audit or change, fill in the Other Jurisdiction change oval.

Amended return due to IRS BBA Partnership Audit

If your amended return includes changes made due to an IRS BBA Audit, fill in the Amended return due to IRS BBA Partnership Audit oval.

Consent to Extend the Time to Act on an Amended Return treated as Abatement Application

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

Filing an Application for Abatement

File an Application for Abatement only to dispute one of the following:

- ▶ Penalties
- ▶ Audit assessments
- ▶ Responsible person determinations

For the fastest response time, file your dispute online at mass.gov/masstaxconnect. If you cannot file online, use Form ABT.

Visit mass.gov/dor/amend for additional information about filing an amended return, or filing an application for abatement.

Form 1 Frequent Errors

Not entering the information below correctly may result in an item being adjusted or removed.

- ▶ **Line 2c** – You must fill in the bubble for each spouse over 65 and enter a “1” or “2” in the Total box accordingly.
- ▶ **Line 3** – If you are a Massachusetts state, city, town, or county employee, you must report the State wages, tips etc. amount from box 16 of Form W-2.
- ▶ **Line 14** – Enter the total qualified rent paid in 2021 in the box, then divide by 2.
- ▶ **Line 38** – You must submit all documents that have Massachusetts withholding, including pass-through entity or K-1 withholding.
- ▶ **Lines 39 and 40** – Be sure to differentiate any overpayment from 2020 as a credit carry forward

on line 39 and do not list it as 2021 estimated tax payment on line 40.

▶ **Line 44** – Schedule CB must be completed and submitted with your return.

▶ **Line 48** – Excess Paid Family Leave withholding (PFML) is not the amount shown on your Form W-2. You must use the worksheet for line 48 to see if you qualify and to calculate the excess amount. Each taxpayer would need to have multiple W-2's and to have paid PFML greater than \$539.78 to qualify. Or, have paid on the gross amount of self-employment income, not the net.

▶ **Schedules B, C, D** – Entries should be positive values unless there is a box to mark to indicate a negative value.

▶ **Schedule HC** – You must complete and submit Schedule HC showing the FEIN and subscriber number. Form 1095 is a federal form and cannot be used to report health care coverage in Massachusetts.

Voluntary Contribution to State Election Campaign Fund

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

Veterans Benefits

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

Deceased Taxpayer

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

Under Age 18

If you are under age 18 as of January 1, 2022, be sure to fill in the oval(s).

Name Change

If you legally changed your name in 2021, fill in the oval. 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.

a. Total Federal Income

Enter your total federal income (from U.S. Form 1040, line 9). If married filing separately and living in the same household, each spouse must combine their income figures from their separate U.S. returns when completing this section. If you did not have a requirement to file a U.S. return, you must enter 0 in this section.

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

b. Federal Adjusted Gross Income

Enter your federal adjusted gross income (from U.S. Form 1040, line 11) If married filing separately and living in the same household, each spouse must combine their income figures from their separate U.S. returns when completing this section. If you did not have a requirement to file a U.S. return, you must enter 0 in this section.

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

Noncustodial Parent

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

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

Schedule TDS. Inconsistent Filing Position Penalty

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

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

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

Line 1. Filing Status

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

Single

Fill in the **Single** oval if you were single as of December 31, 2021. This status applies to you if at the close of the taxable year you fit into any of the following categories:

- ▶ You were unmarried;
 - ▶ You were a widow or widower whose spouse died before 2021; or
 - ▶ You were legally separated under a final judgment of the probate court.
- Note that you are not single if:
- ▶ You have obtained a judgment of divorce which has not yet become final;
 - ▶ You have a temporary support order; or
 - ▶ 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, 2021. Both spouses are responsible for the accuracy of all information entered on a joint return and both must sign. A joint return is allowed even if only one spouse had income or if one spouse died during 2021. For further information, refer to the section "What Are the Rules for Filing a Joint Return?"

Married Filing Separate Return

Fill in the **Married filing separate return** oval if you were legally married as of December 31, 2021, and if you and your spouse are not filing a joint return. Be sure to enter your spouse's name and Social Security number in the space provided.

Head of Household

Fill in the **Head of household** oval if you qualify to file this status federally. This status is for unmarried people who paid over half the cost of keeping up a home for a qualifying person, such as a child who lived with you or your dependent parent. Be sure to include such qualifying person on Schedule DI, Dependent Information. Certain married people who lived apart from their spouse for the last six months of 2021 and who meet all of the other federal requirements may also be able to use this status. See IRS Publication 501, Exemptions, Standard Deduction, and Filing Information, for more information.

Custodial Parent

Fill in the **Custodial parent who has released claim to exemption for child(ren)** oval if you are claiming the head of household filing sta-

tus and you have released your claim to one or more dependent exemptions on U.S. Form 8332, or participated in a decree or agreement to allow the noncustodial parent to claim a dependency exemption.

Whole Dollar Method Required

DOR requires that the whole dollar method be used for entries made on forms or schedules. For example, amounts between \$1.00 and \$1.49 should be entered as \$1.00 and amounts between \$1.50 and \$2.00 should be entered as \$2.00. However, calculations on worksheets used to reach amounts shown on the return may be made in one of two ways:

- ▶ Round amounts before adding them up and enter the resulting total on the form; or
- ▶ Add amounts to the penny, and then round to the whole dollar for entry on the form. Either method is acceptable as long as one method is used consistently throughout the return.

Line 2. Exemptions

Line 2a. Personal Exemptions

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

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

Line 2b. Number of Dependents

You may claim a \$1,000 exemption for each of your dependents if you claimed them on your U.S. return. Enter in the box in item b the number of dependents you listed on U.S. Form 1040. Do not include yourself or your spouse. Then, multiply that total by \$1,000 and enter the total amount in line 2b. Be sure to fill out Schedule DI, Dependent Information, if you are claiming a dependent exemption(s). Failure to do so will delay the processing of your return.

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

In a few cases, the number of dependents claimed for Massachusetts purposes and for U.S. purposes may differ. Massachusetts allows a dependent exemption for each individual who qualifies for exemption as a dependent under § 151(c) of the Code. For purposes of § 151(c), the definition of dependent in § 152 is adopted. Under federal law, there are additional restrictions on the dependent exemption beyond the rules of § 152 that are not adopted by Massachusetts. For Massachusetts tax purposes, if an individual qualifies

as a dependent under the rules of § 152, you can claim a dependent exemption for such a person. If you claim such a dependent in Massachusetts, increase the number reported in item b from your U.S. return by the number of such additional dependents.

Line 2c. Age 65 or Over Before 2022

You are allowed an additional \$700 exemption if you were age 65 or over before January 1, 2022. 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. Multiply that total by \$700 and enter the total in line 2c.

Line 2d: Blindness Exemption

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

Legal Definition of Blindness

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

Line 2e. Medical/Dental Expenses

You may claim an exemption for medical and dental expenses paid during 2021 only if you itemized these expenses on your U.S. Form 1040, Schedule A. If you are married filing a joint U.S. Form 1040, you must file a joint Massachusetts Form 1 to claim this exemption. Enter in line 2e, item 1 the amount reported on your U.S. Form 1040, Schedule A, line 4.

Line 2f. Adoption Agency Fee

If you paid adoption fees to a licensed adoption agency during 2021, you are eligible for an exemption of the total amount of the fees paid during the year. Fees paid during 2021 to an agency licensed to place children for adoption on account of the adoption process of a minor child regardless of whether an adoption actually took place during 2021 should also be included for this exemption. Enter this amount in line 2f.

5.0% Income

Note: 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.

Line 3. Wages, Salaries, Tips and Other Employee Compensation

Report in line 3 total state wages and allocated tips from Form(s) W-2. Generally, your total wages and allocated tips will be the same amount reported on your U.S. Form 1040, line 1.

Note: Following are instances that require an adjustment to these amounts:

Massachusetts Residents Working in a Foreign Country

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

State or Local Employees Contributing to Pension Plans

If you are a Massachusetts state, city, town or county employee and contributed to your pension plan, enter in line 3 the Massachusetts W-2 state wage amount. This is generally box 16 of Form W-2. This amount will be higher than the U.S. amount because your pension contributions are excluded from your income for U.S. tax purposes. Contributions up to \$2,000 per taxpayer may be deducted in lines 11a and/or 11b.

Line 4. Taxable Pensions and Annuities

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

If your pension is not exempt, you should generally enter in line 4 the taxable amount reported on your U.S. Form 1040, line 5b. 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 §§ 403(b) and 404 of the 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 5a) the amount of your contributions which was previously taxed by Massachusetts until the total of your taxed contributions is received. If your pension falls into this category, enter the adjusted amount in line 4. If you are receiving distributions from an IRA or Keogh plan, do not report

the income here; instead, see the instructions for Schedule X, line 2.

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

What pensions are exempt?

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

► Pension income from other states or their political subdivisions which do not tax such income from Massachusetts, or its political subdivisions must be reported in line 4. However, this income may be eligible for a deduction on Schedule Y line 13. Refer to the instructions for Schedule Y line 13 to determine eligibility for this deduction.

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

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

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

How do I report lump-sum distributions?

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

Lump-sum distributions of qualified employee benefit plans in excess of the employee's contributions which were previously subject to Massachusetts tax (or not previously excluded from Massachusetts tax) must be reported in line 4. Generally, qualified rollovers are not taxable in Massachusetts to the extent they are not taxable on your U.S. return. Lump-sum distributions related to IRA/Keogh and Roth IRA distributions

should be reported in line 9, "Other Income (from Schedule X)."

Rollover from a traditional IRA to a Roth IRA.

Taxpayers are allowed to make partial or complete rollovers from existing IRAs to Roth IRAs. Any taxable portion of these rollovers included in federal gross income is also included in Massachusetts gross income, except for amounts previously subject to Massachusetts personal income tax. See Schedule X, line 2 instructions for further details.

Line 5. Interest from Massachusetts Banks

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

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

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

Lines 6, 7 and 10

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

Line 6a. Business/Profession Income or Loss

Enter in line 6a the amount of income or loss from a business or profession from Massachusetts Schedule C, line 37. You must enclose Massachusetts Schedule C with this return.

Note: U.S. Schedule C is not allowed as a substitute for Massachusetts Schedule C.

Line 6b. Farm Income or Loss

If you operate a farm as an individual or cooperative, enter in line 6b the amount of income or loss from operating a farm from U.S. Schedule F, Profit or Loss from Farming, line 34. Enclose a copy of U.S. Schedule F. Complete a pro forma U.S. Schedule F to report Massachusetts differences, such as bonus depreciation.

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

Taxpayers with income or loss reported on a Schedule E must file his or her tax return using computer-generated forms produced by third-

party software. The tax return may be generated by the taxpayer or by a tax professional. The taxpayer is encouraged, but not required, to submit the return electronically. Paper forms produced using the third-party software product will contain a two-dimensional (2D) bar code and will also be accepted. If the taxpayer hires an income tax preparer to complete the taxpayer's taxes, the preparer must follow the Commissioner's electronic filing rules. See TIRs 08-22 and 16-9 for more information.

If you do not have access to a software package when filing your 2021 income tax return, you may file your Schedule(s) E on paper. Visit our website at [mass.gov/dor](https://www.mass.gov/dor) to download a paper copy of the 2021 Schedule(s) E, E-1, E-2, E-3 (and instructions) to file with your income tax return.

Line 8a. Unemployment Compensation

If you received unemployment compensation, enter in line 8a the amount from U.S. Form 1040, Schedule 1, line 7. If you elected voluntary withholding of Massachusetts state income taxes on your unemployment compensation, be sure to include the amount of Massachusetts state income tax withheld, as reported on Form 1099-G, on Form 1, line 38.

Update to Unemployment Compensation Reporting due to the COVID-19 Pandemic

Recent legislation has enacted a deduction for unemployment compensation for tax year 2021.

Please refer to below link for more information:

<https://www.mass.gov/info-details/tax-filing-season-frequently-asked-questions#unemployment-benefits-and-unemployment-fraud>

Note: DOR routinely matches the amounts in line 8a with files from the Division of Unemployment Assistance.

Line 8b. Massachusetts State Lottery Winnings

Enter in line 8b all winnings from the Massachusetts state lottery. Do not enter less than 0. You may only deduct the price of your winning ticket. Lottery losses claimed as itemized deductions on U.S. Form 1040, Schedule A are not allowed on your Massachusetts return.

Note: DOR routinely matches the amounts in line 8b with files from the Lottery Commission.

Line 9. Other Income (from Schedule X) Alimony Received, Taxable IRA/Keogh and Roth IRA Conversion Distributions, Other Gambling Winnings, Fees and Other 5.0% Income and PFML taxable distributions.

"Other 5.0% income" includes the items listed above and must be included on Schedule X. Enter the total from Schedule X, line 6. Not less than 0. Be sure to enclose Schedule X with your return.

Failure to enclose this schedule will delay the processing of your return.

Deductions

Lines 11 through 15

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

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

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

If you have paid into any of the retirement systems listed above during 2021, you may deduct those contributions, up to a maximum of \$2,000.

Enter in lines 11a and 11b the amount you, and your spouse if filing jointly, paid to Social Security (FICA), Medicare or Railroad Retirement and the U.S. or Massachusetts retirement systems during 2021 as shown on your Form W-2, but not more than \$2,000 each. Payment amounts may not be combined or transferred from one spouse to the other. Be sure to add any amount of Medicare tax withheld as shown on Form W-2 and any amount of self-employment tax as reported on your U.S. Form 1040 to the amount of Social Security tax withheld, the total not to exceed \$2,000 per person.

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

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

2021 Changes for Lines 12 and 13

See instructions for lines 45 and 46 for the new child under age 13, or disabled dependent/spouse care expenses credit and the new dependent member(s) of household under age 12, or dependents age 65 or over, or disabled dependent credit.

Line 14. 50% Rental Deduction

You may be entitled to a rental deduction equal to one-half (50%) of the rent you paid during 2021 (up to a maximum of \$3,000 per return) for your principal residence in Massachusetts. Enter the total amount of qualified rent paid by you during 2021 in line 14a. Divide line 14a by 2 and enter the result, or \$3,000 (\$1,500 if married filing a separate return) — whichever is smaller — in line 14.

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

What Qualifies for the Rental Deduction?

The deduction must be for rent you paid to a landlord for the rental or lease of your principal residence in Massachusetts. If two or more persons jointly rent a unit, each occupant using it as his/her principal residence is entitled to a deduction based on the amount of rent that each person paid. If the rent is paid by a third party (such as a parent) who maintains a principal residence elsewhere, no 50% rental deduction is allowed for either party. A principal residence does not include any residence for vacation, an apartment for a person on a temporary assignment or a student or faculty member who has a principal residence elsewhere. It also does not include any apartment or house in Massachusetts of a nonresident who has a residence in another state or country. Payment for occupying a hotel, motel or rooming house is not considered rent unless a rental agreement exists. Nor are payments by a tenant-stockholder of a cooperative housing corporation to the corporation and payments by an owner of a condominium unit to the condominium association considered rent. All separately stated charges such as utilities, furnishings or parking cannot be included in rent for purposes of this deduction. Also, rent does not include any advance payments (such as security deposit, last month's rent, etc.) until actually applied as rent.

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

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

Line 15. Other Deductions (from Schedule Y)

Enter the total from Schedule Y, line 19. Be sure to enclose Schedule Y with your return. Failure to do so will delay the processing of your return.

Line 17. 5.0% Income After Deductions

Subtract line 16 from line 10. Enter the result in line 17. If line 16 exceeds line 10, enter 0 in line 17.

Line 19. 5.0% Income After Exemptions

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

If line 18 exceeds line 17 and you received interest income (other than interest from Massachusetts banks), dividends or capital gain income, complete the Schedule B, Line 36 and Schedule D, Line 20 Worksheet, if applicable. All others proceed to line 20.

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

If your total exemptions in Form 1, line 18 are more than the amount of your 5.0% income after deductions in Form 1, line 17, the excess may be applied against any interest and dividend income and income taxed at 12%. Any remaining excess amount may then be applied against any long-term capital gain income. Complete this worksheet only if Form 1, line 17 is less than Form 1, line 18 and you received interest income (other than interest from Massachusetts banks), dividends or capital gain income to determine if you qualify for the excess exemption. Enter all losses as 0.

1. Enter amount from Schedule B, line 35. Not less than 0.

2. Enter amount from Form 1, line 18

3. Enter amount from Form 1, line 17

4. Subtract line 3 from line 2. If 0 or less, you do not qualify for this exemption. Omit remainder of worksheet.

5. Excess exemptions applied against interest and dividend income and 12% income. If line 1 is larger than line 4, enter line 4 here and in Schedule B, line 36. If line 4 is equal to or larger than line 1, enter line 1 here and in Schedule B, line 36. Complete lines 6 through 8

6. Subtract line 5 from line 4. If 0, omit remainder of worksheet.

7. Enter Schedule D, line 19. Not less than 0

8. Excess exemptions applied against long-term capital gain income. If line 7 is larger than line 6, enter line 6 here and in Schedule D, line 20. If line 6 is equal to or larger than line 7, enter line 7 here and in Schedule D, line 20. . . .

Line 20. Interest and Dividend Income

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

Enter in line 20 the amount from Schedule B, line 38. If not required to file Schedule B, enter dividend income of \$1,500 or less (from U.S. Form 1040, line 3b) in line 20.

Tax on 5.0% Income

Line 22. 5.0% Tax (from tax table)

If line 21 is less than \$24,000, find the proper tax by using the tax tables found in the back of this booklet. If line 21 is greater than \$24,000 multiply by 0.05 and enter the result in line 22.

Note: Personal income tax forms must provide an election to voluntarily pay tax at a rate of 5.85% on taxable income which would otherwise be taxed at a rate of 5.0%. The election to pay tax at the rate of 5.85% does not apply to items of income taxed at 12% (short-term capital gains and gains on collectibles). If choosing the optional 5.85% tax rate, multiply line 21 and Schedule D, line 21 by 0.0585 and fill in the oval.

12% Income & Tax

Line 23. 12% Income from Certain Capital Gains

Enter in line 23a the amount from Schedule B, line 39. Multiply this amount by 0.12 (12%) and enter the tax in line 23.

Be sure to enclose Massachusetts Schedule B. To determine if you need to file Schedule B, refer to the Schedule B instructions in this booklet.

Tax on Long-Term Capital Gains

Line 24. Schedule D (Long-Term Capital Gains and Losses Excluding Collectibles)

Enter in line 24 the amount from Schedule D, line 22, but not less than 0. To determine if you need to file Schedule D, refer to the Schedule D instructions in this booklet.

Excess Exemptions

If excess exemptions were used in calculating lines 20, 23 or 24 (see Schedule B, line 36 and/or Schedule D, line 20), be sure to fill in the oval in line 24.

Line 25. Credit Recapture Amount

If any Brownfields Credit (BC), Economic Opportunity Area Credit (EOA), Low-Income Housing Credit (LIH) or Historic Rehabilitation Credit (HR) property is disposed of or ceases to be in qualified use prior to the end of its useful life, the difference between the credit taken and the total credit allowed for actual use must be added back to your tax on Form 1. Complete and enclose Schedule CRS, Credit Recapture Schedule.

Line 26. Additional Tax on Installment Sale

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

Include in line 26 an additional tax amount representing an interest charge on the deferred tax on gain from certain installment sales with a sales price over \$150,000 if you are not a dealer and the aggregate face amount of installment obligations arising during the tax year and outstanding as of the close of the tax year exceeds \$5 million. For more information see MGL ch 62C, § 32A (a) and IRC § 453A (a)–(c).

Also include in line 26 an additional tax amount representing an interest charge on the deferred gain from the installment sale of timeshares and residential lots, if the sale meets one of the following criteria:

- ▶ The sale is of a timeshare right for six weeks or less;
- ▶ The sale is for the recreational use of specified campgrounds; or
- ▶ The sale is for a residential lot and neither the dealer nor someone related to the dealer is obligated to make any improvements on the lot.

Note: If you have installment sales occurring between January 1, 1996 and December 31, 2002, you must complete and submit Schedule D-IS.

For more information see MGL ch 62C, § 32A (b) and IRC § 453(l)(2)(B).

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

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

Massachusetts Adjusted Gross Income (AGI)

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

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

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

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

Massachusetts AGI

Massachusetts AGI is not the same as taxable income. Massachusetts AGI includes:

- ▶ Wages, salaries, tips;
- ▶ Taxable pensions and annuities;
- ▶ Pension income from another state or political subdivision before any deduction;
- ▶ Taxable IRA/Keogh and Roth IRA distributions;
- ▶ Fees and unemployment compensation;
- ▶ Income or loss from a business or profession;
- ▶ Income or loss from partnerships, S corporations and trusts;

- ▶ Rents, royalties and REMIC income;
- ▶ Alimony and other 5.0% income;
- ▶ Interest from Massachusetts banks before exemptions; and
- ▶ Other interest, dividends, and capital gains.

Update to Unemployment Compensation Reporting due to the COVID-19 Pandemic

Recent legislation has enacted a deduction for unemployment compensation for tax year 2021.

Please refer to below link for more information:

<https://www.mass.gov/info-details/tax-filing-season-frequently-asked-questions#unemployment-benefits-and-unemployment-fraud>

Complete the Form 1, Line 27 Massachusetts AGI Worksheet to see if you may qualify for the College Tuition Deduction (Schedule Y, line 11), No Tax Status or the Limited Income Credit.

Form 1, Line 27 Massachusetts AGI Worksheet. No Tax Status (Only If Single, Head of Household or Married Filing Jointly)

1. Enter your total 5.0% income from Form 1, line 10. Not less than 0. (Add back any Abandoned Building Renovation deduction claimed on Schedule(s) C and/or E before entering an amount in line 1.)

2. Add Schedule Y, lines 2 to 10 and line 18

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

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

Note: If Form 1, line 10 is a loss, combine Form 1, line 10 with the smaller amount of total Massachusetts bank interest or the interest exemption amount. Enter the result in line 4, unless the result is a loss. If the result is a loss, enter 0.

5. Enter amount from Schedule B, line 35. If there is no entry in Schedule B, line 35 or if not filing Schedule B, enter the amount from Form 1, line 20

6. Enter the amount from Schedule D, line 19. Not less than 0. (If filing Schedule D-IS, Installment Sales, see the Schedule D-IS instructions, available at [mass.gov/dor](https://www.mass.gov/dor), for the amount to enter in line 6.)

7. Add lines 3 through 6

If you are single and the total in line 7 is \$8,000 or less, you qualify for No Tax Status. Fill in the oval in line 27, enter 0 in line 28 and omit lines 29 through 31. Also, enter 0 in line 32 and complete Form 1. However, if there is an amount entered in line 25, Credit Recapture Amount and/or line 26, Additional Tax on Installment Sales, enter that amount in line 28 and complete line 31. If you are single but do not qualify for No Tax Status, and your total in line 7 is \$14,000 or less, complete Form 1, line 28 and see Form 1, line 29 instructions for the Limited Income Credit. If you are filing as head of household or married filing a joint return, compare line 7 with the No Tax Status/Limited Income Credit Chart to see if you may qualify for No Tax Status or the Limited Income Credit.

Line 27. No Tax Status

If you qualify for No Tax Status, fill in the oval in line 27, enter 0 in line 28 and omit lines 29 through 31. Also, enter 0 in line 32 and complete Form 1. However, if there is an amount entered in line 25, Credit Recapture Amount and/or line 26, Additional Tax on Installment Sale, enter that amount in line 28 and complete line 31.

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

Line 29. Limited Income Credit

Complete the Form 1, Line 29 Worksheet to see if you may qualify for the Limited Income Credit.

Form 1, Line 29 Worksheet. Limited Income Credit (Only if Single, Head of Household, or Married Filing Jointly)

1. Enter amount from line 7 of Massachusetts AGI Worksheet.

2. Enter \$8,000 if single. If married filing a joint return or head of household, enter the amount from the No Tax Status column of the No Tax Status/Limited Income Credit chart

3. Subtract line 2 from line 1

4. Enter in line 4 the amount of tax from Form 1, line 28 less any Credit Recapture Amount entered in line 25 and/or Additional Tax on Installment Sales in line 26

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

6. If line 4 is smaller than line 5, you are not eligible for this credit. Enter 0. If line 4 is larger than line 5, subtract line 5 from line 4 and enter result here and on Form 1, line 29

Line 30. Taxes Due Any Other State

If any of the income reported on this return is subject to taxation in another state or jurisdiction and you have filed a return and paid taxes in the other state or jurisdiction, complete the following work-

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

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

If you qualify for No Tax Status, fill in the oval in line 27, enter "0" in line 28 and omit lines 29 through 31. Also, enter "0" in line 32 and complete Form 1. However, if there is an amount entered in line 25, Credit Recapture Amount and/or line 26, Additional Tax on Installment Sales, enter that amount in line 28 and complete line 31. To see if you may qualify for the Limited Income Credit, go to line 28 and complete the worksheet for line 29.

sheet and enter the amount of credit in line 30. 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 due to the following jurisdictions:

- ▶ Other states in the U.S., including payments made under the Rhode Island Temporary Disability Insurance Act (see DOR Directive (DD) 12-1);
- ▶ Any territory or dependency of the U.S. (including Puerto Rico, the Virgin Islands, Guam, the District of Columbia); or
- ▶ The Dominion of Canada or any of its provinces (less any U.S. credit amount allowable from U.S. Form 1116).

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

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

You must complete separate worksheets if you had 5.0% income and interest income (other than interest from Massachusetts banks), dividends or capital gain income taxed by another jurisdiction. If you use this worksheet to calculate a credit for interest income (other than interest from Massachusetts banks), dividends or capital gain income, substitute interest income (other than interest from Massachusetts banks), dividends or capital gain income for 5.0% income in line 1 of the worksheet. You must also substitute Schedule B, line 7 (interest and dividend income) and Schedule B, line 13 (taxable 12% capital gains) or Schedule D, line 13, (gross long-term capital gains and losses), but not less than 0, for Form 1, line 10 in line 2 of the worksheet, and the total of Form 1, line 20 multiplied by 0.05 (tax on interest and dividend income) and Form 1, line 23 (12% tax) or line 24 (tax on long-term capital gains) for Form 1, line 19 in line 4 of the worksheet.

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

▶ If you choose to pay the optional 5.85% tax rate, substitute 0.0585 for 0.05 in line 4 of the worksheet.

Note: Be sure to complete and enclose Schedule OJC, Income Tax Due to Other Jurisdictions, and

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

Worksheet for Taxes Due Any Other State

1. Enter the total 5.0% income included in Form 1, line 10 subject to income tax in another jurisdiction

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

3. Divide line 1 by line 2. Not greater than 1

4. Multiply Form 1, line 19 by 0.05.

5. Enter any Limited Income Credit from Form 1, line 29

6. Subtract line 5 from line 4

7. Multiply line 6 by line 3

8. Enter the amount of tax due to another jurisdiction on income also reported on this return before credits and payments. This includes payments made under the Rhode Island Temporary Disability Insurance Act, if applicable. If you are claiming a credit for tax due to Canada or a Province of Canada, the amount reported on this line must be reduced by the amount claimed as a foreign tax credit on U.S. Form 1040, Schedule 3, line 1

9. Enter the smaller of lines 7 or 8 here and on Form 1, line 30

Line 31. Other Credits (from Schedule CMS)

Enter the total from Schedule CMS, Credit Manager Schedule. Be sure to enclose Schedule CMS with your return. Failure to do so will delay the processing of your return or result in the credit being adjusted or disallowed.

Line 33. Voluntary Contributions

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

a. Endangered Wildlife Conservation. The Natural Heritage and Endangered Species Fund is administered by the Division of Fisheries and Wild-

life. Contributions are used to protect and restore rare and endangered wildlife and plants, and their habitats. This fund has helped restore and conserve in the Commonwealth populations of the Bald Eagle, Hessel's Hairstreak Butterfly, the Red-belly Turtle and the Plymouth Gentian.

b. Organ Transplant Fund. The Organ Transplant Fund is administered by the Massachusetts Department of Public Health. All contributions received by the Fund assist patients with the costs of medications without which they might lose their transplanted organs. For information on how to be-come an organ donor, visit the Registry of Motor Vehicle's website at mass.gov/rmv.

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

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

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

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

Line 34. Massachusetts Use Tax Due On Internet, Mail Order and Other Out-of-State Purchases Made in 2021

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

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

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

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

For example:

▶ You purchased several DVDs on the Internet for \$100 and paid no sales tax. Your use tax liability to Massachusetts on these items is \$6.25 (\$100 x .0625 = \$6.25).

▶ You purchased a computer for \$1,550 from a seller located outside of Massachusetts and paid no sales tax. Your use tax liability to Massachusetts on this item is \$96.88 (\$1,550 x .0625 = \$96.88).

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

Mass. AGI per return* Use tax liability

\$ 0 – \$ 25,000	\$ 0
25,001 – 40,000	20
40,001 – 60,000	31
60,001 – 80,000	44
80,001 – 100,000	56

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

If you did not purchase any items with a total sales price of \$1,000 or more, you may enter the safe-harbor amount from the table above directly on Form 1, line 34.

Complete the following Form 1, line 34 Worksheet to calculate your use tax if you are not reporting a safe-harbor amount or if you purchased any individual items with a sales price of \$1,000 or more. If you did purchase items with a sales price over \$1,000 and you are reporting a safe-harbor amount, add the amount from the worksheet line 4 to the safe-harbor amount.

Form 1, Line 34 Worksheet. Use Tax Due on Internet, Mail Order and Other Out-of-State Purchases

1. Total of purchases in 2021 subject to Massachusetts use tax.
2. Use tax. Multiply line 1 by .0625 (6.25%)
3. Credit for sales/use tax paid to other states or jurisdictions. Add the amount of any sales/use tax paid to another state or jurisdiction, or 6.25% of the sales price, whichever is less, on each purchase reported in line 1.
4. Total amount due. Subtract line 3 from line 2. Not less than 0. Enter here and on Form 1, line 34. .

Line 35. Health Care Penalty

If you are subject to the Health Care Penalty for 2021 and are not appealing the application of the penalty, enter the penalty amount from line 8 of the Health Care Penalty Worksheet in line 35a for you and/or line 35b for your spouse.

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

A taxpayer who does not have health insurance that meets the Massachusetts standard of minimum creditable coverage may be subject to a Massachusetts penalty.

Enter the total of lines 35a and 35b in line 35, but not less than 0.

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

Line 36. Overpayment from Original Return (amended return only)

Include the amount listed on line 48 of your original return.

Line 38. Massachusetts Income Tax Withheld

This represents all income taxes withheld for the Commonwealth of Massachusetts as indicated on your copies of forms or schedules W-2, W-2G, PWH-WA (performer withholding), LOA (Loan Out Affidavit), 2G, K-1, 2K-1, 3K-1 and certain Forms 1099, if applicable. Enter the total of all Massachusetts withholdings in line 38. Enclose state copies with your return; otherwise your claim of amounts withheld will not be allowed. If you have lost your state copy, ask the payer for a duplicate. Copies of Forms 1099 need only be enclosed if they show an amount for Massachusetts tax withheld.

Line 39. 2020 Overpayment Applied to Your 2021 Estimated Tax

Include the exact amount of any 2020 overpayment you applied to your 2021 estimated taxes from your 2020 Massachusetts Form 1, line 49 or Form 1-NR/PY, line 53. Do not include any 2020 refund in this line.

Line 40. 2021 Massachusetts Estimated Tax Payments

If you paid Massachusetts estimated income tax for 2021, enter in line 40 the total of all Massachusetts estimated tax payments. Be sure to include any last quarter (of 2021) payment made on or before January 15, 2022. Do not include any 2020 overpayment applied to your 2021 estimated tax. Every resident who expects to pay more than \$400 in Massachusetts income tax on income which is not covered by Massachusetts withholding must pay Massachusetts estimated taxes. Estimated tax payments can be made online by using MassTaxConnect by visiting mass.gov/dor or by filing Massachusetts Form 1-ES.

Income that is not subject to withholding includes:

- ▶ Salaries and wages where the employer is not subject to Massachusetts withholding;
- ▶ Dividends and interest, including interest from Massachusetts banks;
- ▶ Gains from capital assets;
- ▶ Income from an individual trade, business or profession;
- ▶ Income from any estate or trust not taxed directly;
- ▶ Certain pensions;
- ▶ Taxable Keogh or IRA distributions (only if you elected not to have federal withholding);
- ▶ Rental, royalty or REMIC income;
- ▶ Unemployment compensation (from which no Massachusetts income tax was withheld);
- ▶ Alimony received;
- ▶ Distributions from SIMPLE accounts;

*From line 7 of Massachusetts AGI worksheet.

- ▶ Illegal income; and
- ▶ Any other income received while a Massachusetts resident from which Massachusetts tax will not be withheld.

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

If you wish to verify estimated tax payments that have already been made through your MassTax-Connect account. If you don't have a MassTax-Connect account, you can sign up at www.mass.gov/masstaxconnect

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

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

Line 41. Payments Made with Extension

If you filed Massachusetts Form M-4868, Application for Automatic Six-Month Extension of Time to File Massachusetts Income Tax Return, or made an electronic extension payment for 2021 on or before April 19, 2022, enter in line 41 the amount you paid with Massachusetts Form M-4868.

Line 42. Payments Made with Original Return (amended return only)

Use this line only if you are amending the original return. Enter in line 42 the amount of tax you paid with the original return from line 51, "Tax Due." If estimated tax payments were made on the original return, they should be reflected on line 40, as on the original return. Select the appropriate Amended return oval on page 1. Complete the entire return, correct the appropriate line(s) with the new information and recompute the tax liability. On an enclosed sheet, explain the reason for the amendment(s) and identify the line(s) and amount(s) being changed on the amended return. Mail the amended return to Massachusetts Department of Revenue, PO Box 7031, Boston, MA 02204. If you owe additional tax, mail the amended Form 1 to Massachusetts Department of Revenue, PO Box 7003, Boston, MA 02204.

Line 43. Earned Income Credit

The Earned Income Credit is a tax credit for certain taxpayers who work and have earned income under \$57,414 (maximum amount may be lower depending on filing status and number of eligible children). Taxpayers who qualify for and claim the federal EIC are allowed a refundable credit equal

to 30% of the federal amount. If the credit due the taxpayer exceeds the amount of the total income tax payable for the year by the taxpayer, the excess amount of the credit will be refunded to the taxpayer without interest. You must enter the number of qualifying children, if any, in line 43a. Then, enter in line 43b the federal EIC amount from your U.S. Form 1040, line 27a. Multiply this amount by 0.30 (30%) and enter the result in line 43. Be sure to fill out Schedule DI, Dependent Information, if you are claiming this credit for one or more qualifying children/dependents. Failure to do so will delay the processing of your return.

If you choose to have the IRS compute your federal EIC, wait until the IRS notifies you of that amount before making an entry in line 43. If you do not receive this information before April 19, 2022, and you are expecting a refund, you may have additional time to file your return. See When to File Your Return on page 6 for more information. For more information about the federal EIC, see IRS publication 596, available at irs.gov.

Note: If you are considered married for federal and Massachusetts income tax purposes, you must file a joint return with your spouse to claim the EITC. However, if you are a victim of domestic abuse, you can file a return as married filing separately and still claim the EITC if the following apply to you:

- ▶ You are living apart from your spouse at the time you file your tax return; and
- ▶ You are unable to file a joint return because you are a victim of domestic abuse.

If you have a filing status of married filing separately and you claim the EITC under this exception, you should keep records demonstrating the existence of domestic abuse. What constitutes adequate records will vary depending upon your circumstances. Some examples of documents that may meet this record-keeping requirement include (do not enclose these records with your tax return):

- ▶ Protective and/or restraining order;
- ▶ Police report;
- ▶ Doctor's report or letter;
- ▶ A statement from someone who was aware of, or who witnessed, the abuse or the results of the abuse. The statement should be notarized if possible; or
- ▶ A sworn statement from you attesting to the abuse.

To claim this exception, you must fill in the oval on line 43. To determine if you qualify for the credit with a filing status exception as a victim of domestic abuse, you should complete the IRS EIC worksheet.

Note: You should answer No to question 4 of the EIC worksheet and when looking up the amount of the credit in the EIC table you should use the column for the filing status "single" and the number of children you have.

To determine line 43, "Amount from U.S. return":

- ▶ U.S. Form 1040, EIC Worksheet A filers should use the amount from Worksheet A, line 6.
- ▶ U.S. Form 1040, EIC Worksheet B filers should use the amount from Worksheet B, line 11.

See TIR 17-10 for more information.

Line 44. Senior Circuit Breaker Credit

Certain senior citizens in Massachusetts may be eligible to claim a refundable credit on their state income taxes for the real estate taxes paid on the Massachusetts residential property they own or rent and which they occupy as their principal residence. The maximum credit allowed is \$1,170 for the tax year beginning January 1, 2021. If the credit due the taxpayer exceeds the amount of the total income tax payable for the year by the taxpayer, the excess amount of the credit will be refunded to the taxpayer without interest. To determine if you qualify for this credit, refer to the Senior Circuit Breaker Credit instructions in this booklet.

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

Line 45. Child Under Age 13, or Disabled Dependent/Spouse Care Expenses

Massachusetts allows taxpayers to exceed the federal limit on employment-related expenses for the care of a qualified child under the age of 13, a disabled dependent or a disabled spouse. The maximum credit is \$240 for one qualifying individual, and \$480 for two or more qualifying individuals. Complete the following Form 1, Line 45 Worksheet to calculate your Massachusetts child or disabled dependent/spouse care expense credit.

Note: You cannot claim this credit if married filing a separate U.S. Form 1040. If you are filing a joint U.S. Form 1040 return but are married filing separately for Massachusetts purposes, either spouse may claim the credit for expenses he or she incurred, but their combined credit cannot exceed \$240 for one qualifying individual or \$480 for two or more qualifying individuals.

Taxpayers who received dependent care benefits should complete a pro forma U.S. Form 2441. When completing this pro forma form, taxpayers should enter \$240 (or \$480 for two or more qualifying persons) in line 27 of U.S. Form 2441. The

amount from this pro forma Form 2441, line 31 should then be entered in line 1 of the following worksheet.

Form 1, Line 45 Worksheet. Child Under 13 or Disabled Dependent/Spouse Care Credit

1. Enter the amount of qualified expenses you incurred and paid in 2021 for a qualifying person(s). Do not enter more than \$240 for one qualifying person or \$480 for two or more persons.

2. Enter the amount from U.S. Form 2441, line 4.

3. Enter the amount from U.S. Form 2441, line 5.

4. Enter the smallest of line 1, 2 or 3.

5. If you paid 2020 expenses in 2021, enter the amount of the allowed 2020 expenses used to compute the credit on U.S. Form 2441, line 9. Otherwise, enter 0.

6. Add lines 4 and 5. Not to exceed more than \$240 for one qualifying person or \$480 for two or more persons. Enter here and in Form 1, line 45.

Note: If you choose to take a credit on Form 1, line 45 you cannot take the credit on Form 1, line 46.

Line 46. Dependent Member(s) of Household Under Age 12, or Dependents Age 65 or Over (not you or your spouse) as of December 31, 2021, or Disabled Dependent

You may claim a credit of \$180 for a dependent member of household, or \$360 for two or more dependents, under age 12, or dependent age 65 or over (not you or your spouse) as of December 31, 2021, or disabled dependent. Enter the number of qualified dependents in line 46a, not to exceed two, and multiply that amount by \$180. Enter the result in line 46. Only if single, head of household or married filing jointly. You cannot claim this credit if married filing a separate return.

Note: You may claim an amount in line 46 only if there is no entry in line 45.

Line 47. Other Refundable Credits

Enter in line 47 the amount from Schedule CMS, Credit Manager Schedule.

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

Line 48. Excess Paid Family Leave withholding

Businesses are required to withhold Paid Family and Medical Leave (PFML) contributions from employees and individuals whose payments for services are reported on U.S. Form 1099-MISC (1099-MISC workers) up to the annual income limit set by the Social Security Administration for the Social Security Program.

Self-employed individuals not otherwise covered by PFML may opt to participate in the PFML program and pay PFML contributions from their net earnings from their self-employment income, subject to this same limitation. For the 2021 tax year, the income limit is set at **\$142,800** and the maximum PFML contribution amount for most individuals is **\$539.78**. For a self-employed individual not subject to PFML withholding who opts into PFML, the maximum PFML contribution is **\$1,071**. A single employer may not withhold, and a self-employed individual may not contribute, more than the maximum PFML contribution amount in a tax year. If a single employer withholds more than the maximum yearly PFML contribution amount, the employee should contact their employer directly regarding a refund.

If your PFML contributions or the amount of PFML contributions withheld on your behalf during the tax year exceeded the maximum PFML contribution amount, or you are self-employed and your contributions were made based on your gross earnings and did not take into account your business expenses, you may have excess PFML contributions that entitle you to seek a credit on your individual tax return, subject to certain requirements.

• **W-2 filers:** If you worked for two or more Massachusetts businesses that each remitted PFML contributions on your behalf during the 2021 tax year, and the total amount of your combined Massachusetts W-2 wage income exceeded **\$142,800**, you should complete the below worksheet to determine if you have excess PFML withholding. To be eligible for a credit the total PFML contribution amount remitted on your behalf must exceed **\$539.78**.

• **1099-MISC workers:** If you worked for one or more Massachusetts businesses that remitted PFML contributions on your behalf based on your 1099-MISC gross earnings during the 2021 tax year, you should complete the below worksheet to determine if you have any excess PFML contributions.

• **Self-employed individuals that opt in to PFML:** If you are a self-employed individual that has opted to participate in the PFML program, your required PFML contributions are based on

your net earnings from self-employment. You may complete the below worksheet to determine if you have any excess PFML contributions.

• **Joint returns:** The maximum PFML contribution amount applies on an individual basis. If filing a joint return, figure the amount of excess PFML withholding separately for each spouse and enter the combined total.

For more information about the PFML program, including how PFML contributions are calculated, see the Department of Family and Medical Leave's (DFML) regulation at 458 CMR 2.00, and DFML's website at mass.gov/orgs/department-of-family-and-medical-leave.

Line 46. Excess Paid Family and Medical Leave Contributions Worksheet

If you are eligible to claim a credit for excess PFML contributions, enter in line 46 the amount of excess PFML contributions as determined by completing the below worksheet.

1. Enter your income as shown on your combined Form W-2s. If greater than **\$142,800**, then enter **\$142,800**.

2. W-2 PFML contribution amount. Multiply line 1 by 0.00378.

3. Enter the lesser of your 1099-MISC worker net income or (**\$142,800** - line 1). If you have a loss, enter 0.

4. 1099-MISC PFML contribution amount. Multiply line 3 by 0.00378.

5. Enter the lesser of your self-employed opt-in net income or (**\$142,800** - (line 1 + line 3)). If you have a loss, enter 0.

6. Self-employed opt-in PFML contribution amount. Multiply line 5 by 0.0075.

7. Total combined PFML contribution amount. Add lines 2, 4 and 6.

8. Combine actual amounts of PFML contributions shown as withheld on Forms W-2, 1099-MISC and all amounts actually contributed by a self-employed individual that opted in (No single employer can exceed the maximum PFML contribution amount).

9. Excess PFML Contributions withheld.

If line 8 is equal to or less than line 7, enter zero in line 9. If line 8 is greater than line 7, subtract line 7 from line 8 and enter difference in line 9

Enter total in line 9 on line 48 of Form 1.

*If filing a joint return add the amounts on line 9 from each spouse's worksheet and enter the total, in whole dollars only, on line 48 of Form 1.

Refund Amount

Line 51. Amount of Overpayment You Want Applied to Your 2022 Massachusetts Estimated Tax

Enter the amount of your 2021 overpayment that you wish to apply to your 2022 Massachusetts estimated tax. Once an election is made to apply your overpayment to your 2022 estimated tax, it cannot be refunded after the due date of the return or applied to any additional tax you may owe for 2021, including any tax due on an amended return. The amount entered in this line can only be claimed as a credit on your 2022 Massachusetts return.

Note: This amount cannot be changed on an amended return.

Line 52. Refund Amount

Subtract line 51 from line 50. Enter the result in line 52. This is the amount of your refund.

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

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

The routing number of your financial institution is nine digits and begins with 01 through 12 or 21 through 32. The account number can be up to 17 characters (both numbers and letters). Omit hyphens, spaces and special symbols. Enter the number from left to right and leave any unused boxes blank. You must enter the routing number and the account number in the spaces provided in line 49 if you are requesting direct deposit. Failure to do so will result in your request for direct deposit being denied.

Tax Due

Line 53. Tax Due

If line 37 is larger than line 49, subtract line 49 from line 37, and enter the result in line 53. This is the amount of tax you owe with your return. Pay in full with your return. Go to mass.gov/dor/masstaxconnect for online payment options. If you need to mail your payment, make your check or money order payable to the Commonwealth of Massachusetts and write your Social Security number on the front of your check or money order in the lower left corner. Enclose the check with your return. Be sure to use the light blue mailing label when mailing your Form 1.

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

If you owe any interest, penalty or addition for the underpayment of estimated tax, add those amounts to the tax you owe when making your payment.

What Are Interest and Penalties?

Interest. If you fail to pay the tax when due, interest will be charged. For an explanation of how interest is compounded in Massachusetts, see TIR 92-6, available at mass.gov/dor.

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

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

Penalty for protested ("bad") payment. If your payment is not honored by your bank because of insufficient funds or any other reason, a penalty may be added of \$30 or the amount of the payment, whichever is less.

Addition for underpayment of estimated tax. You will generally be subject to this addition to tax if you did not have withholding and/or estimated payments equal to 80% of the total tax liability required to be paid and your 2021 tax due after credits and withholding is greater than \$400. The 80% requirement is reduced to 66.67% for individuals who receive two-thirds of their income from fishing or farming. If you failed to meet these requirements, you must complete and enclose Massachusetts Form M-2210 to calculate the amount you must add to line 53. You do not have to complete Form M-2210 if the balance due with your return is \$400 or less.

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

- ▶ You are a qualified farmer or fisherman and are paying the full amount of the tax due on or before March 1, 2022;
- ▶ You were a Massachusetts resident and were not liable for 2020 taxes (where the taxable year was 12 months); or
- ▶ The sum of your estimated payments and withholding equals or exceeds your 2020 tax (where the taxable year was 12 months and a return was filed).

If you qualify for one of these exceptions, fill in the **Exception** oval under line 53 on Form 1 and enclose Form M-2210 indicating which of the exceptions applies to your circumstances.

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

- ▶ The underpayment was because of casualty or disaster; or
- ▶ During 2020 or 2021 you retired after reaching age 62 or became disabled and the underpayment was due to reasonable cause and not willful neglect.

If you think you qualify for one of these waivers, go to mass.gov/dor and use DOR's online application for abatement return or enclose Form M-2210 and an explanatory statement with your return and fill in the **Exception** oval under line 53. If your waiver is not for all four installments, complete Form M-2210 to calculate the underpayment penalty for the installments which are not covered by the waiver. Form M-2210 is available by visiting mass.gov/dor.

Penalty for failure to report federal change.

If the IRS changes your federal taxable income for a prior year (generally through audit), file an amended return within one year of the final federal determination to avoid this penalty. This penalty is equal to 10% of the additional tax due. If the change indicates a refund, you must file an amended return within one year of federal determination, including acceptance of an amended federal return by the IRS.

Sign Here

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

Note: Be sure to include all four pages of Form 1, as well as Schedule HC and all other applicable schedules.

Enclose with your Form 1 all state copies of your Forms W-2, W-2G, PWH-WA, 2G and any Forms 1099 which included Massachusetts withholding. go to mass.gov/dor/masstaxconnect for online payment options. If you need to mail your payment, make your check or money order payable to Commonwealth of Massachusetts and be sure to sign the check and write your Social Security number on it. Also, be sure to use the light blue mailing label when mailing your Form 1 with a payment.

Paid Preparer Must Sign Your Return

Generally, anyone you pay to prepare your return must sign it in the space provided at the bottom of page 4 of the Form 1. Tax return preparers are authorized to sign the return by means of a rubber stamp, mechanical device, or computer software program, which must include either a facsimile or printed name of the preparer. Preparers are personally responsible for affixing their signatures to returns. Preparers must also provide their Social Security number (SSN) or Preparer Tax Identification Number (PTIN) and Employer Identification Number (EIN) in the spaces provided at the bottom of page 4 of the Form 1. The preparer must give you a copy of the return for your records. Someone who prepares your return but does not charge you should not sign your return.

Paid Preparer Authorization

If you want to allow the DOR to discuss your 2021 tax return with the paid preparer who signed it, fill in the **Yes** oval in the signature area of the return at the bottom of page 4 of the Form 1. This authorization applies only to the individual whose signature appears in the paid preparer section of your return. It does not apply to the firm, if any, shown in that section.

If you fill in the Yes oval, you, and your spouse if filing a joint return, are authorizing DOR to call the paid preparer to answer any questions that may arise during the processing of your return. You are also authorizing the paid preparer to:

- ▶ Give DOR any information that is missing from your return;
- ▶ Call DOR for information about the processing of your return or the status of your refund or payment(s); and
- ▶ Respond to certain DOR notices that you have shared with the preparer about math errors, offsets and return preparation. The notices will not be sent to the preparer.

You are not authorizing the paid preparer to receive any refund check, bind you to anything (including any additional tax liability), or otherwise represent you before DOR. If you want to expand the paid preparer's authorization, see Form M-2848, Power of Attorney and Declaration

of Representative. Form M-2848 is available at mass.gov/dor.

The authorization cannot be revoked. However, the authorization will automatically end no later than the due date (without regard to extensions) for filing your 2022 tax return. This is April 15, 2023 for most people.

E-File Opt Out

Income tax return preparers who completed more than 10 original Massachusetts Forms 1 and 1-NR/PY (including those E-filed) during the previous calendar year are required to use electronic means to file all personal income tax returns, unless the taxpayer specifically directs on the paper form that the filing be on paper and signs Form EFO, Personal Income Tax Declaration of Paper Filing. Fill in the oval at the bottom of page 4 of Form 1 if you do not want your preparer to file your return electronically. See TIR 11-13 for more information.

Mailing

E-filing is the fastest most efficient way to submit your return and to receive your refund. However, if you are mailing your return follow these guidelines:

- ▶ If you are expecting a refund or if you have no tax due, use the white mailing label on the back of the envelope that came with this booklet. If you do not have one, mail your original or amended Form 1 to **Massachusetts Department of Revenue, PO Box 7000, Boston, MA 02204-7000**. If using a tax software product, be sure to use the correct PO box. See the inside front cover for this information.
- ▶ If you have a tax due, use the light blue mailing label on the back of the envelope that came with this booklet. If you do not have one, mail your original or amended Form 1 to **Massachusetts Department of Revenue, PO Box 7003, Boston, MA 02204-7003**. If using a tax software product, be sure to use the correct PO box. See the inside front cover for this information.

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

Schedule DI

Dependent Information

Be sure to enclose with Form 1.

In the spaces provided enter the name, Social Security number, date of birth and the relationship of the dependent to you (son, daughter, mother, father, etc.). Also, if the dependent is a qualifying child for the Earned Income Credit, fill in the oval.

If you are claiming more than 10 dependents, enclose a statement listing the name, Social Security number, date of birth and the relationship of the dependent to you and if the dependent is a qualifying child for the Earned Income Credit.

Schedule X

Other Income

Be sure to enclose with Form 1.

Line 1. Alimony Received

Enter in Schedule X, line 1 the total amount of alimony or separate maintenance received under a court judgment or decree, or for excess alimony amounts recaptured, as reported on U.S. Form 1040, Schedule 1, line 2a plus amounts from a divorce or separation instrument signed after 12/31/18. Massachusetts did not adopt the IRC § 61(a) change. Alimony will continue to be included in Massachusetts gross income of the recipient and deductible by the payor, as Massachusetts follows the IRC in effect as of January 1, 2005 on this issue. See TIR 18-14 for more information.

Note: Payments specified as child support are not taxable.

Line 2. Taxable IRA/Keogh, Qualified Charitable IRA Distributions and Roth IRA Conversion Distributions

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

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

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

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

1. Total IRA/Keogh plan distributions, qualified charitable IRA distributions, Roth IRA conversion distributions received during 2021

continue on next page ...

2. Total contributions previously taxed by Massachusetts

3. Total distributions received in previous years

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

5. Subtract line 4 from line 1 and enter the result here. Not less than 0.

6. Total qualified charitable IRA distributions in 2021 included in line 1.

7. Taxable IRA/Keogh distributions or Roth IRA conversion distributions. Subtract line 6 from line 5. Enter the result here and in Schedule X, line 2. Not less than 0.

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

Line 3. Other Gambling Winnings

Enter in Schedule X, line 3 all gambling winnings from casinos, raffles, races, beano or other events of chance, wherever held, and winnings from non-Massachusetts lotteries. Do not enter less than 0. You may only deduct the price of the winning ticket. Certain gambling losses are now deductible under Massachusetts law. See Schedule Y, line 17 and TIR 15-14 for more information.

Note: Do not report Massachusetts state lottery winnings in Schedule X, line 3. Instead, report them on Form 1, line 8b.

Line 4. Fees and Other 5.0% Income

The following items should be reported on line 4 of Schedule X. Do not enter less than 0. Enclose additional statements if more space is needed.

- ▶ All fee income, such as payments for jury duty, election worker payments, director's fees, compensation received as executor or administrator of an estate, and commission income or tips not reported in line 3 of Form 1 are taxable. Also, report all bartering income not reported on Schedule C (the fair market value of goods or services received in payment for your services).
- ▶ All prizes and awards won in a quiz program, drawing, beauty contest, etc. are taxable at fair market value. Awards and bonuses received from your employer for performance of services not part of a qualified award plan are also taxable.
- ▶ Forgiveness of debt and mortgage forgiveness.
- ▶ Other Massachusetts 5.0% income reported on U.S. Form 1040, Schedule 1, line 9 and not re-

ported elsewhere in Form 1, lines 3 through 8 or Schedule X, lines 1 through 3 must be reported in line 4 of Schedule X.

Note: Do not include U.S. Shareholders IRC § 965(a) inclusion amounts that are included in the US Form 1040, Schedule 1, line 9 in line 4 of Schedule X. These amounts are included in Schedule B, see Schedule FCI for additional details and instructions.

▶ Pre-1996 installment sales classified as ordinary income for Massachusetts purposes (from Massachusetts Schedule D, line 10) are taxed as 5.0% income and must be reported on line 4 of Schedule X.

▶ Embezzled or other income from illegal activities is taxable and should be reported on Schedule X, line 4.

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

- ▶ Any net operating loss reported as a negative amount on U.S. Form 1040, Schedule 1, line 9 cannot be entered on Schedule X. A net operating loss from a business or profession cannot be carried forward or backward to offset individual income in any other year under Massachusetts law.
- ▶ Refunds of U.S. and Massachusetts income taxes are not considered income under Massachusetts law. If you received interest on refunds, report such interest on Massachusetts Schedule B.

Line 5. PFML Taxable Distributions

Enter in Schedule X, line 5 all income received from the Department of Family and Medical Leave. The amount should be in box 1 of the 1099-G issued to you by the Commonwealth Of Massachusetts, MA Department of Family and Medical Leave.

Schedule Y

Other Deductions

Be sure to enclose with Form 1.

Line 2. Penalty on Early Savings Withdrawal

If you were charged a penalty because of early withdrawal of savings, and interest on the savings that such a penalty relates to income reported in line 5a or line 20 of this return or on a prior-year Massachusetts return, you may deduct the penalty. This deduction is the same as the amount allowable on U.S. Form 1040, Schedule 1, line 18. Enter this amount in line 2 of Schedule Y.

Line 3. Alimony Paid

Enter in Schedule Y, line 3 the total amount that you paid to your former spouse during 2021 for alimony or separate maintenance under court decree, or for excess alimony amounts recaptured,

as reported on U.S. Form 1040, Schedule 1, line 19a, or U.S. Form 1040, Schedule 1, line 19a plus amounts from a divorce or separation instrument signed after 12/31/18. Massachusetts did not adopt the IRC § 61(a) change. Alimony will continue to be deductible by the payor and included in Massachusetts gross income of the recipient, as Massachusetts follows the IRC in effect as of January 1, 2005 on this issue. See TIR 18-14 for more information.

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

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

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

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

If you were a qualifying student or a taxpayer with income exempt under a United States tax treaty, enter any excludible amount of income received that was exempt under such tax treaty in line 4 of Schedule Y that was included in Form 1, line 3, and fill in the appropriate oval.

Line 5. Moving Expenses

If you moved due to a change in your job or business location or because you started a new job or business, you can deduct reasonable unreimbursed moving expenses if you meet all of the following requirements:

- ▶ Your move was closely related to the start of work;
- ▶ You meet a distance test; and
- ▶ You meet a time test.

Under the TCJA, a deduction for moving expenses is no longer allowed except for certain members of the Armed Forces. Massachusetts does not adopt this change. A deduction for moving expenses continues to be allowed if the above requirements are met as Massachusetts follows IRC § 217 in effect as of January 1, 2005. See TIR 18-14 for more information.

Schedule Y, Line 5 Worksheet. Moving Expenses Deduction

1. Transportation and storage of household goods and personal effects in 2021

2. Travel (including lodging) from your old home to your new home. Do not include cost of meals

3. Add lines 1 and 2

4. Enter the total amount your employer paid you for the expenses listed on lines 1 and 2 that is not included in box 16 of your Form W-2 (wages). This amount should be shown in box 12 of your Form W-2 with code P

5. If line 4 is more than line 3, you are not entitled to this deduction. If line 4 is less than line 3, subtract line 4 from line 3 and enter the result here and on Schedule Y, line 5

Line 6. Medical Savings Account

Enter in Schedule Y, line 6 the amount of the Medical Savings Account deduction included in U.S. Form 1040, Schedule 1, line 23, "MSA."

Line 7. Self-Employed Health Insurance

Enter in Schedule Y, line 7 the amount from U.S. Form 1040, Schedule 1, line 16.

Note: If you elected to claim the federal credit under § 35 and had to reduce the amount on U.S. Form 1040, Schedule 1, line 16 by the amount of the federal credit, you may not add back the amount of the credit to the amount entered on U.S. Form 1040, Schedule 1, line 16.

Line 8. Health Savings Accounts

Enter in Schedule Y, line 8 the amount from U.S. Form 1040, Schedule 1, line 13.

Line 9. Other Qualified Deductions

You may claim only the deductions listed below for Schedule Y, line 9.

▶ 9a Certain qualified deductions from U.S. Form 1040. Do not include any amounts reported on U.S. Form 1040, Schedule 1, lines 11 through 24 that are included in U.S. Form 1040, Schedule 1, line 26 total. Enter only amounts included in U.S. Form 1040, Schedule 1, line 26 as a write-in adjustment, except amounts contributed to § 501(c)(18) pension plans. For Massachusetts purposes, contributions to § 501(c)(18) pension plans are not deductible. Also, the IRC § 404 deduction for contributions on behalf of IRC § 401(c)(1) employees (sole proprietors and partners) is disallowed. See TIR 02-18 (I)(D) and DD 01-7 for more information.

On the dotted line next to line 9a, be sure to indicate the type of deduction being taken, as identified on U.S. Form 1040, Schedule 1, line 26. Identify jury duty pay given to your employer as "Jury pay"; reforestation amortization as "RFST"; repayment of supplemental unemployment ben-

efits under the Trade Act of 1974 as "Sub-pay TRA"; attorney fees and court costs involving certain unlawful discrimination claims as "UDC"; and deductible expenses related to income reported on U.S. Form 1040, Schedule 1, line 8 and Massachusetts Schedule X, line 4 from the rental of personal property engaged in for profit as "PPR." Fill in the appropriate oval in line 9 of Schedule Y.

▶ 9b Business Expenses of National Guard and Reserve Members, Performing Artists and Fee-Based Government Officials. Enter the amount from U.S. Form 1040, Schedule 1, line 12 and fill in the appropriate oval in line 9 of Schedule Y.

▶ 9c Qualified Unemployment Deduction. If you received unemployment income and your household income was not more than 200% of the federal poverty level, you may be able to deduct up to \$10,200 of unemployment benefits from your taxable income for each eligible person. Complete the worksheet to find out if you are eligible for a deduction and if so, the amount.

1. Enter 2 if Married Filing Joint return, otherwise enter 1

2. Enter Number of Dependents claimed on U.S. Form 1040 or your Massachusetts return, whichever is higher

3. Household Size. Add lines 1 and 2

4. Enter 200% of the Federal Poverty Level for your household size from table below

5. Enter Federal Adjusted Gross Income from U.S. Form 1040, line 11

6. Enter any amount of tax-exempt interest you received from U.S. 1040 line 2a

7. Enter untaxed portion of social security benefits received from U.S. 1040, lines 6a and 6b

8. Enter as a positive amount any unemployment exclusion included in the U.S. 1040, Schedule 1, Line 8

9. Total Household Income. Combine lines 5 - 8. If the amount on Line 9 is greater than the amount on line 4, STOP. You do not qualify for the Deduction.

If the amount on Line 9 is less than the amount on line 4, go to line 10.

10. Enter the amount of unemployment compensation you received and reported on Form 1, line 8a or Form 1-NR/PY line 10a

11. Enter the smaller of line 10 or \$10,200

12. If Married Filing Jointly, enter the amount of unemployment compensation your spouse received and reported on Form 1, line 8a or Form 1-NR/PY line 10a (Form 1 NR/PY filers, the amount reported on the MA return)

13. Enter the smaller of line 12 or \$10,200

14. Add lines 11 and 13. Enter the result here and on Schedule Y line 9c

Line 10. Student Loan Interest Deduction

Enter the amount from U.S. Form 1040, Schedule 1, line 21, not to exceed \$2,500. This deduction is only allowed if not claiming the same expenses in line 12 of Schedule Y, Undergraduate Student Loan Interest Deduction.

Line 11. College Tuition Deduction

A deduction is allowed for tuition payments paid by you, for yourself or a dependent, to a qualifying two- or four-year college leading to an under-

Income at 200% of the Federal Poverty Level

Family size	200% FPL
1	\$25,520
2	\$34,480
3	\$43,440
4	\$52,400
5	\$61,360
6	\$70,320
7	\$79,280
8	\$88,240
additional	+\$8,960

For family size over 8, add \$8,960 for each additional family member.

graduate or associate's degree, diploma or certificate. **Tuition payments for students pursuing graduate degrees at such a college or university are not eligible for the college tuition deduction.** The deduction is equal to the amount by which the tuition payments, less any scholarships, grants or financial aid received, exceed 25% of Massachusetts AGI. The amount of the college tuition deduction is limited to qualified tuition expenses paid during a taxable year in connection with an academic term beginning during such taxable year or during the first three months of the next taxable year.

Qualified tuition expenses include only those expenses designated as tuition or mandatory fees required for the enrollment or attendance of the taxpayer or any dependent of the taxpayer at an eligible educational institution. No deduction is allowed for any amount paid for room and board, books, supplies, equipment, personal living expenses, meals, lodging, travel or research, athletic fees, insurance expenses or other expenses unrelated to an individual's academic course of instruction. Also, no deduction is allowed for reimbursements or refunds of qualified tuition and related expenses made by an insurer. Complete the Massachusetts AGI Worksheet and the Schedule Y, line 11 worksheet to see if you may qualify for this deduction. This deduction is only available to full year residents. See TIRs 97-13 and 16-15 for more information.

Schedule Y, Line 11 Worksheet. College Tuition Deduction

- 1. Enter total tuition payments paid by you, for yourself or a dependent, to a qualifying two- or four-year college in 2021
2. Enter amount of scholarships, grants or financial aid received in 2021 for amounts shown in line 1
3. Enter amount of reimbursements or refunds received in 2021 of amounts shown in line 1 reported by an insurer (from U.S. Form 1098-T, box 10)
4. Subtract lines 2 and 3 from line 1. If 0 or less, you do not qualify for this deduction
5. Enter amount from line 7 of the Massachusetts AGI Worksheet
6. Multiply line 5 by .25
7. If line 4 is smaller than line 6, you are not eligible for this deduction. Enter 0. If line 4 is larger than line 6, subtract line 6 from line 4 and enter the result here and on Schedule Y, line 11

Line 12. Undergraduate Student Loan Interest Deduction

A deduction is allowed for interest paid on a qualified undergraduate student loan. To be eligible for the deduction, the "education debt" must be a loan that is administered by the financial aid office of a two-year or four-year college at which you, or a qualified dependent, were enrolled as an undergraduate student. Additionally, the loan must have been secured through a state student

loan program, a federal student loan program, or a commercial lender, and must have been spent solely for the purposes of paying tuition and other expenses directly related to the school enrollment. Enter the amount of such interest paid in Schedule Y, line 12. This deduction is only allowed if not claiming the same expenses in line 10 of Schedule Y, Student Loan Interest Deduction.

Line 13. Deductible Amount of Qualified Contributory Pension Income from Another State or Political Subdivision Included in Form 1, Line 4

Massachusetts allows a deduction for contributory pension income received from another state or one of its political subdivisions that does not tax such income from Massachusetts or its political subdivisions. For guidelines to determine which state's pensions are exempt in Massachusetts, see TIR 95-9. Enter any deductible amount of such income in line 13 of Schedule Y that was included in Form 1, line 4.

Line 14. Claim of Right Deduction

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

- Stock under claim of ownership. Gains from sales of stock under a claim of ownership must be included, regardless of whether the taxpayer actually owned it;
Employment contracts. Amounts in settlement of employment contracts must be included not-with-standing the prospect of eventual repayment to the employer of an amount equivalent to or greater than the amount received;
Dividends. Where a taxpayer receives a dividend that must be repaid in a later year (e.g., because it impaired corporate capital), the dividend must be included in the year of receipt;
Corporate notes. Where a taxpayer receives a distribution with respect to holding of notes, the income must be included regardless of whether it could be challenged by senior creditors;
Mistake in validity of claim. The claim of right doctrine applies where a taxpayer merely mistakes the validity of his claim;
Advanced insurance commissions; or

Repayment of unemployment compensation and supplemental unemployment benefits in a subsequent year.

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

Line 15. Commuter Deduction

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

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

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

Complete the Schedule Y, Line 15 Worksheet to calculate the commuter deduction.

Schedule Y, Line 15 Worksheet. Commuter Deduction

- 1. Enter amount paid in 2021 for tolls through an E-Z Pass account
2. Enter amount paid in 2021 for weekly or monthly transit commuter passes for MBTA transit or commuter rail. (Do not include amounts reimbursed or otherwise deductible)
3. Add lines 1 and 2. If \$150 or less, you do not qualify for this deduction. Omit remainder of this worksheet. Otherwise, complete lines 4 through 6
4. Enter \$150

5. Subtract line 4 from line 3.

6. Enter the lesser of line 5 or \$750 here and on Schedule Y, line 15

Line 16. Deduction for Expenses of Human Organ Transplant

An individual may deduct certain expenses and other costs incurred in the process of donating an organ for a human organ transplant to another individual. For purposes of this deduction, "human organ" shall mean all or part of human bone marrow, liver, pancreas, kidney, intestine or lung. In the case of an individual who donates an organ to another person for human organ transplantation, the individual may deduct the following expenses that are incurred by the individual and related to the individual's organ donation:

- ▶ Travel expenses;
- ▶ Lodging expenses; and
- ▶ Lost wages not to exceed \$10,000.

An individual who is a nonresident of Massachusetts for all or part of the taxable year is not eligible to claim this deduction. If you are entitled to claim this deduction, enter the amount claimed in Schedule Y, line 16. See TIR 11-6 for further information.

Line 17. Certain Gambling Losses

Massachusetts has adopted a new deduction from 5.0% income, allowing a deduction for losses from wagering transactions, that were incurred at a Massachusetts gaming establishment licensed in accordance with MGL ch 23K or a racing meeting licensee or simulcasting licensee, only to the extent of the gains from such transactions.

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

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

Example

For calendar year 2021, taxpayer, a Massachusetts resident, has:

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

For Massachusetts income tax purposes, the taxpayer must include \$500 of their gambling winnings on Form 1, line 8b (Massachusetts state lottery) and the remaining \$2,000 of their gambling winnings on Schedule X, line 3. The taxpayer may claim a deduction for gambling losses from a casino licensed under ch 23K but only to the extent of winnings from a casino licensed under ch 23K. No deduction is available for the taxpayer's gambling losses from other sources. The taxpayer had winnings of \$800 and losses of \$1,000 from a casino licensed under ch 23K. Thus, the taxpayer may claim a deduction of \$800. The remaining \$200 of loss from the casino licensed under ch 23K may not be deducted.

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

Line 18. Prepaid Tuition or College Savings Plan Deduction

A deduction is available for purchases of or contributions made to an account in a pre-paid tuition program or a college savings program established by the Commonwealth. The deduction is capped at \$1,000 for a single person, married filing separate, or head of household and \$2,000 for a married couple filing a joint return. The deduction is subject to recapture in the taxable year or years in which distributions or refunds are made from the tuition or college savings account for any reason other than:

- ▶ To pay qualified higher education expenses, as defined by IRC § 529(e)(3); or
- ▶ The beneficiary's death, disability or receipt of a scholarship.

Enter the allowable amount on Schedule Y, Line 18. For more information, see TIR 16-15.

Schedule B

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

Interest, Dividends and Certain Capital Gains and Losses

You must file Massachusetts Schedule B if you had:

- ▶ Dividend income in excess of \$1,500;
- ▶ Any interest income other than from Massachusetts banks taxed at 5.0%;
- ▶ Short-term capital gains or losses;
- ▶ Carryover short-term losses from prior years;
- ▶ Long-term gains on collectibles and pre-1996 installment sales classified as capital gain income for Massachusetts purposes;
- ▶ Gains or losses from the sale, exchange or involuntary conversion of property used in a trade or business;
- ▶ Net long-term capital gains and losses; or
- ▶ Excess exemptions.

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

- ▶ You need not file Massachusetts Schedule B if all interest income you had was from Massachusetts banks (reportable in Form 1, line 5a), and your gross dividend income was \$1,500 or less (dividend income of \$1,500 or less is reportable on Form 1, line 20 and, if applicable, see Schedule C instructions), and you have no short-term capital gains or losses, long-term gains on collectibles and pre-1996 installment sales, gains or losses from the sale, exchange or involuntary conversion of property used in a trade or business, allowable deductions from your trade or business, carryover short-term losses from prior years, net long-term capital gains or losses, or excess exemptions.
- ▶ You must complete Massachusetts Schedule B if your interest or dividend income includes: dividends taxed directly to trusts or estates on a Massachusetts Fiduciary Return, Form 2; or distributions that are returns of capital.

Part 1. Interest and Dividend Income

Line 1. Total Interest Income

Enter your total interest income from your U.S. Form 1040, lines 2a and 2b.

Line 2. Total Ordinary Dividends

Enter your total ordinary dividends from your U.S. Schedule B, Part II, line 6. If you did not file U.S. Schedule B, enter the amount from U.S. Form 1040, line 3b.

Line 3. Other Interest and Dividends

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

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

Lines 5 and 6

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

Line 5. Total Interest from Massachusetts Banks

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

Line 6a. Other Interest and Dividends to Be Excluded

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

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

For further information concerning exempt obligations of the United States, see TIR 89-8;

- ▶ Interest and dividends taxed directly to Massachusetts estates and trusts. Enter the interest and dividends that are taxed directly to a Massachusetts estate or trust (reportable on a Massachusetts Fiduciary Return, Form 2);
- ▶ Any distribution which is a return of capital included in total gross dividends, line 2;
- ▶ Any interest or dividends from obligations of the Commonwealth of Massachusetts or its political subdivisions held by you;
- ▶ Any exempt portion of interest or dividends from a mutual fund included in lines 1, 2 or 3 of this schedule. Enter only the exempt portion of interest or dividends derived from obligations of the U.S. government or the Commonwealth of Massachusetts or its political subdivisions; or
- ▶ Any interest on pre-retirement distributions from state and municipal contributory pension plans.

Do not enter in line 6a either of the following:

- ▶ Dividends from the earnings and profits accumulated prior to January 1, 1971, by any corporate trust which was not taxed directly by Massachusetts in prior years, even though such an entity is taxed directly now (obtain from the entity the taxable status of dividends paid to you); or
- ▶ Dividends from any corporate trust which is not taxed directly by Massachusetts. Such entities include: those not doing business in Massachusetts; regulated investment companies or real estate investment trusts (as defined under IRC §§ 851 and 856 respectively); or holding companies (as defined in MGL ch 62, § 8).

Line 8. Allowable Deductions from Your Trade or Business

Enter the appropriate amount from Massachusetts Schedule C-2 if you qualify for an excess trade or business deduction. Generally, taxpayers may not use excess 5.0% deductions to offset other income. However, where the taxpayer files a Massachusetts Schedule C or Schedule E, Massachusetts law allows such offsets if the following requirements are met: the excess 5.0% deductions must be adjusted gross income deductions allowed under MGL ch 62, § 2(d); and these excess deductions may only be used to offset other income which is effectively connected with the active conduct of a trade or business or any other income allowed under IRC, § 469(d)(1)(B) to offset losses from passive activities.

Line 9. Subtotal Interest and Dividend Income

Subtract line 8 from line 7.

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

If you do not have short-term capital gains or losses, long-term capital gains on collectibles, pre-1996 installment sales, short-term capital gains or losses from the sale, exchange or involuntary conversion of property used in a trade or business, or Massachusetts short-term losses from prior year carryover, omit Part 2, lines 10-28 and go to Part 3, line 29.

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

- ▶ Short-term capital gains taxed directly to Massachusetts estates and trusts (reportable on a Massachusetts Fiduciary Return, Form 2);
- ▶ Upon the sale of stock of an S corporation, the federal basis must be modified according to Massachusetts Income Tax Regulation, 830 CMR 62.17A.1; and
- ▶ Massachusetts has adopted basis adjustment rules to take into account differences between Massachusetts and federal tax laws. For more information regarding basis adjustment rules, see TIR 88-7.

Part-Year/Nonresident filers do not exclude your transactions not associated with a trade or business in Massachusetts from lines 10, 12, 16 and 17. See the lines 13b and 19b for these adjustments.

Line 10. Massachusetts Short-Term Capital Gains

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

Note: If there are any differences between U.S. and Massachusetts complete the line 10 worksheet.

Schedule B, Line 10 Worksheet

1. Gross short-term capital gains from U.S. Schedule D, lines 1 through 5, column h.
2. U.S. and Massachusetts differences
3. Combine lines 1 and 2
4. Capital loss transactions now included in line 3. Enter here and on line 6 of the Schedule B, Line 16 Worksheet.
5. Subtract line 4 from line 3

6. Capital gain transactions from line 4 of the Schedule B, Line 16 Worksheet.

7. Total Massachusetts short-term capital gains. Add lines 5 and 6. Enter here and on Schedule B, line 10.

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

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

Line 12. Gain on Sale of Business Property

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

Schedule B, Line 12 Worksheet.

1. Gross gain on sale of business property held for one year or less from U.S. Form 4797

2. U.S. and Massachusetts differences

3. Combine lines 1 and 2

4. Loss transactions now included in line 3. Enter here and in line 6 of the Schedule B, Line 17 Worksheet.

5. Subtract line 4 from line 3

6. Gain transaction from line 4 of the Schedule B, Line 17 Worksheet.

7. Total Massachusetts gain on the sale, exchange or involuntary conversion of property used in a trade or business and held for one year or less. Add lines 5 and 6. Enter here and on Schedule B, line 12.

Line 13a. Add lines 10, 11 and 12

Full-year residents enter this amount here and on line 13c.

Line 14. Allowable Deductions from Your Trade or Business

Enter the appropriate amount from Massachusetts Schedule C-2 if you qualify for an excess trade or business deduction. Generally, taxpayers may not use excess 5.0% deductions to offset other income. However, where the taxpayer files a Massachusetts Schedule C or Schedule E, Massachusetts law allows such offsets if the follow-

ing requirements are met: the excess 5.0% deductions must be adjusted gross income deductions allowed under MGL Ch 62, § 2(d); and these excess deductions may only be used to offset other income which is effectively connected with the active conduct of a trade or business or any other income allowed under IRC, § 469(d)(1)(B) to offset losses from passive activities.

Line 16. Short-Term Capital Losses

Enter the gross short-term capital losses included in U.S. Schedule D, lines 1 through 5, column h. If there are any differences between U.S. and Massachusetts complete the line 16 worksheet. Schedule B, Line 16 Worksheet

1. Gross short-term capital losses from U.S. Schedule D, lines 1 through 5, column h.

2. U.S. and Massachusetts differences

3. Combine lines 1 and 2

4. Capital gain transaction now included in line 3. Enter here and on line 6 of the Schedule B, Line 10 Worksheet

5. Subtract line 4 from line 3

6. Capital loss transactions from line 4 of the Schedule B, Line 10 Worksheet.

7. Total Massachusetts Short-term Capital losses. Add lines 5 and 6. Enter here and on Schedule B, line 16.

Line 17. Loss on Sale of Business Property

Enter from U.S. Form 4797 the amount of loss from the sale, exchange or involuntary conversion of property used in a trade or business and held for one year or less. If there are any differences between U.S. and Massachusetts complete the line 17 worksheet.

Schedule B, Line 17 Worksheet

1. Gross loss on sale of business property held for one year or less from U.S. Form 4797

2. U.S. and Massachusetts differences

3. Combine lines 1 and 2

4. Gain transactions now included in line 3. Enter here and in line 6 of the Schedule B, Line 12 Worksheet.

5. Subtract line 4 from line 3

6. Loss transactions from line 4 of the Schedule B, Line 12 Worksheet.

7. Total Massachusetts losses on the sale, exchange or involuntary conversion of property used in a trade or business and held for one year or less. Add lines 5 and 6. Enter here and on Schedule B, line 17.

Line 18. Prior Years Short-Term Unused Losses

Enter here the amount from your 2020 Massachusetts Schedule B, line 40.

19a. Combine lines 15, 16, 17 and 18.

Enter here and in line 19c.

Line 20. Short-term losses applied against interest and dividends.

If you have a loss on line 19c you can apply up to \$2000 of it against interest and dividends reported in line 9. If line 19c is zero or greater, go to line 24. If line 19c is zero or less, enter the smaller of line 9 or line 19c on line 20 (considered as a positive amount). Not more than \$2,000.

Line 21. Available Short-Term Losses

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

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

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

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

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

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

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

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

Line 27. Long-Term Gains Deduction

Complete only if line 26 is greater than 0 and there is an entry on line 11.

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

Example

▶ Jack has a long-term capital gain on collectibles of \$1,000 entered in line 11 and line 15. He does not have any other interest income (other than interest from Massachusetts banks) and dividend income. Jack also has a short-term capital loss of \$100 entered in line 16 and a prior-year short-term unused loss of \$200 entered in line 18. Jack enters \$350 in line 27: \$500 (50% of \$1,000) – \$150 (50% of \$300) = \$350.

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

Line 31. Subtotal Interest and Dividends

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

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

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

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

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

1. Enter amount from Schedule B, line 29.
2. Enter the lesser of line 1 or \$2,000.
3. Enter the amount from Schedule B, line 30.

4. Subtract line 3 from line 2. If 0 or less omit the remainder of worksheet. Otherwise, complete lines 5 and 6.

5. Enter any loss from Schedule D, line 15 as a positive amount. Otherwise, enter 0.

6. If line 4 is less than or equal to line 5, enter line 4 here and in Schedule B, line 32 and in Schedule D, line 16.
If line 4 is larger than line 5, enter line 5 here and in Schedule B, line 32 and in Schedule D, line 16. . .

Line 36. Excess Exemptions

Enter the amount from line 5 of the Schedule B, Line 36 and Schedule D, Line 20 Worksheet on page 11 (only if single, head of household or married filing a joint return and Form 1, line 18 is greater than Form 1, line 17).

Schedule D

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

Long-Term Capital Gains and Losses Excluding Collectibles

You must complete Massachusetts Schedule D if you had long-term gains or losses from the sale or exchange of capital assets or from similar transactions which are granted capital gain or loss treatment on your U.S. return, or if you had capital gain distributions. If you did not file U.S. Schedule D but are reporting capital gain distributions on U.S. Form 1040, line 7, you must complete Massachusetts Schedule D (see line 6 instructions). Include gains from all property, wherever located. Long-term capital gains are gains on the sale or exchange of capital assets that have been held for more than one year on the date of the sale or exchange. Long-term capital losses are losses on the sale or exchange of capital assets that have been held for more than one year on the date of the sale or exchange.

The law defines capital gain income as gain from the sale or exchange of a capital asset. The definition of capital asset includes:

- ▶ An asset which is a capital asset under IRC § 1221; or
- ▶ Property that is used in a trade or business within the meaning of IRC § 1231(b) without regard to the holding period as defined in said § 1231(b).

For a detailed explanation of the law, see DOR's Regulation on Capital Gains and Losses at 830 CMR 62.4.1.

Differences

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

- ▶ IRC § 1244 losses reported as ordinary losses on your U.S. return must be reported on Massachusetts Schedule D;
- ▶ If you made a federal election under § 311 of the Tax Relief Act of 1997 to recognize gain on the deemed sale of a capital asset held on January 1, 2001, Massachusetts does not follow the federal rules at § 311 for determining the basis of the asset. See TIR 02-3. If you sold a capital asset in 2021 for which you made a federal § 311 election, the Massachusetts initial basis will not be the federal basis. The Massachusetts initial basis will be determined as of the date the asset was first acquired;
- ▶ Upon the sale of stock of an S corporation, the federal basis must be modified according to 830 CMR 62.17A.1; and
- ▶ Massachusetts has adopted basis adjustment rules to take into account differences between Massachusetts and federal tax laws. For more information regarding basis adjustment rules, see TIR 88-7.

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

Installment Sales

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

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

Gains from pre-1996 installment sales classified as ordinary income and that are included on Massachusetts Schedule D, line 4 should be reported on Massachusetts Schedule D, line 10 (Differences). The amount of such gain classified as ordinary income should then be reported on Form 1, line 9 (Other income) and included on Schedule X, line 4 and identified as 2021 gain from pre-1996 installment sale.

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

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

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

Gains derived from the sale of investments which meet certain requirements are taxed at a rate of 3% instead of 5.0%. In order to qualify for the 3% rate, investments must have been made within five years of the corporation's date of incorporation and must be in stock that generally satisfies the definition of qualified small business stock under IRC § 1202 (c), other than the requirement that the stock be stock of a C corporation. In addition, the stock must be held for three years or more and the investments must be in a corporation which:

- ▶ Is domiciled in Massachusetts;
- ▶ Is incorporated on or after January 1, 2011;
- ▶ Has less than \$50 million in assets at the time of investment; and
- ▶ Complies with certain of the active business requirements of § 1202 of the IRC, i.e., §§ 1202 (e) (1), (e)(2), (e)(5), and (e)(6).

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

Note: If you are reporting a sale of stock in a certain Massachusetts-based start-up corporation(s), do not file Schedule D. Instead, you must report that gain(s) on Schedule D-IS, Installment

Sales or qualified small business stock gains. Schedule D-IS can be obtained on DOR's website at mass.gov/dor.

Long-Term Capital Gains and Losses, Excluding Collectibles

Line 1. Long-Term Capital Gains and Losses

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

Line 2. Long-Term Capital Gains and Losses

Enter the gain or loss from U.S. Schedule D, line 9, column h.

Line 3. Long-Term Capital Gains and Losses

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

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

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

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

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

Line 6. Capital Gain Distributions

If you did not file U.S. Schedule D, enter the capital gain distributions reported to you by a mutual fund or real estate investment trust from U.S. Form 1040, line 7.

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

Line 7. Massachusetts Long-Term Capital Gains and Losses from U.S. Form 4797, Part II

Enter amounts from U.S. Form 4797, Part II treated as capital gains or losses for Massachusetts purposes (not included in lines 1 through 6). These include ordinary gains from the sale of 1231 property, recapture amounts under §§ 1245, 1250 and 1255, § 1244 losses and the loss on the sale, exchange or involuntary conversion of property used in a trade or business not held for one year or less.

Line 8. Massachusetts Carryover Losses from Previous Years

If you have a carryover loss from a prior year, enter in line 8 the total amount of Massachusetts carryover losses from your 2020 Massachusetts Schedule D, line 23.

Line 10a. Massachusetts Adjustments

Enter any differences between the gains or losses reportable for Massachusetts tax purposes and the U.S. gains or losses reported in Massachusetts Schedule D, lines 1 through 8 and on line 10c. Differences include:

- ▶ Pre-1996 installment sales classified as ordinary income for Massachusetts purposes;
- ▶ Long-term capital gains or losses from transactions reported as installment sales for U.S. income tax purposes but not for Massachusetts (**Note:** Income and gain transactions should be reported as positive and loss transactions should be reported as negative in line 10a.); and
- ▶ Massachusetts has adopted basis adjustment rules to take into account differences between Massachusetts and federal tax laws (**Note:** Massachusetts basis adjustment increases should be reported as negative and Massachusetts basis adjustment decreases should be reported as positive in line 10a).

Line 10c. Total Massachusetts Adjustments

Enter the amount from line 10a.

Line 11. Massachusetts Capital Gains and Losses

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

- ▶ If line 9 is positive and line 10c is positive, subtract line 10c from line 9.
- ▶ If line 9 is positive and line 10c is negative, add line 10c as a positive value to line 9
- ▶ If line 9 is negative and line 10c is negative, subtract line 10c from line 9.
- ▶ If line 9 is negative and line 10c is positive, add line 10c as a negative value to line 9.

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

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

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

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

Line 13. Subtotal

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

If Schedule D, line 13 is a loss and Schedule B, line 21 is less than 0, omit Schedule D, lines 14 through 16, enter the amount from Schedule D, line 13 in Schedule D, line 17, omit Schedule D, lines 18 through 22 and enter the amount from Schedule D, line 17 in Schedule D, line 23, and enter 0 on Form 1, line 24.

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

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

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

Line 14. Capital Losses Applied Against Capital Gains

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

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

Line 15. Subtotal

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

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

If Schedule D, line 15 is a loss, and Schedule B, line 21 is 0 or less, omit Schedule D, line 16, enter the amount from Schedule D, line 15 in Schedule D, line 17, omit Schedule D, lines 18 through 22 and enter the amount from Schedule D, line 17 in Schedule D, line 23, and enter 0 on Form 1, line 24.

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

If Schedule D, line 15 is a loss, and Schedule B, line 24 is 0 or greater and Schedule B, line 31 is a positive amount, complete the Long-Term Capital Losses Applied Against Interest and Dividends Worksheet for Schedule B, Line 32 and Schedule D, Line 16 on page 26.

Line 17. Subtotal

Combine line 15 and line 16. If Schedule D, line 17 is 0, enter 0 in lines 18 through 21 and omit lines

22 and 23. If Schedule D, line 17 is a loss, omit lines 18 through 22 and enter the amount from line 17 in line 23.

Line 18. Allowable Deductions From Your Trade or Business

Enter the appropriate amount from Massachusetts Schedule C-2 if you qualify for an excess trade or business deduction. Generally, taxpayers may not use excess 5.0% deductions to offset other income. However, where the taxpayer files a Massachusetts Schedule C or Schedule E, Massachusetts law allows such offsets if the following requirements are met: the excess 5.0% deductions must be adjusted gross income deductions allowed under MGL ch 62, § 2(d); and these excess deductions may only be used to offset other income which is effectively connected with the active conduct of a trade or business or any other income allowed under IRC, § 469(d)(1)(B) to offset losses from passive activities.

Line 20. Excess Exemptions

Enter in line 20 the amount from line 8 of the Schedule B, Line 36 and Schedule D, Line 20 Worksheet on page 11 (only if single, head of household or married filing joint return).

Line 22. Tax On Long-Term Capital Gains

Multiply line 21 by 0.05 and enter the result here and in Form 1, line 24.

Note: If choosing the optional 5.85% tax rate, multiply line 21 by 0.0585 and enter the result here and in Form 1, line 24.

Line 23. Available Losses for Carryover

Enter the amount from Schedule D, line 17, only if it is a loss.

Schedule C

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

Substituting U.S. Schedule C

U.S. Schedule C is not allowed as a substitute for Massachusetts Schedule C.

Profit or Loss from Business or Profession

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

If your business deductions, excluding the Abandoned Building Renovation Deduction, exceed Schedule C income and any other income taxable at the 5.0% rate, such excess deductions may be subtracted from the other income that is effectively connected with the active conduct of your trade or business and any other income allowed under IRC § 469(d)(1)(B) to offset losses from passive activities. To compute the excess trade or

business deductions use Massachusetts Schedule C-2. This form is available by visiting mass.gov/dor, or you may have one mailed to you by calling (617) 887-6367.

Registration Information

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

Employer Identification Number

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

Accounting Method

If you filed a return on the accrual basis last year, your return for this year must be on the same basis. If a taxpayer requesting permission to change an accounting method for Massachusetts purposes is eligible for an automatic change of accounting method federally, and has correctly followed the most recently issued federal revenue procedure for requesting an automatic change, then the taxpayer should file his/her annual return using the new method and write at the top, "Automatic Change of Accounting Method — filed in compliance with DD 02-13." The taxpayer should enclose a copy of U.S. Form 3115, together with any required statements. See DD 02-13 for further information. See also, TIR 19-6: Impact of the Federal Tax Cuts and Jobs Act on a Taxpayer's Overall Method of Accounting for Massachusetts Purposes.

Material Participation

Indicate if you materially participated in the operation of this business during 2021. If you did not materially participate and have a loss from this business, see line 33 for further instructions.

Started or Acquired this Business

Indicate if you started or acquired this business in 2021. Also, indicate if you are reopening or restarting this business after temporarily closing it, and you did not file a 2020 Schedule C for this business.

Suspended Passive-Activity Loss

Indicate if you have any suspended passive-activity losses that relate to the schedule being completed. See TIR 89-2 for further information and line 36 instructions.

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 2021, you must have five or fewer employees. You must enter the number of your employees in the space provided.

Statutory Employee

If you received a Form W-2 and the "Statutory employee" box in item 13 of that form was checked, report your income and expenses related to that income on Schedule C. Enter your statutory employee income from box 1 of Form W-2 on line 1a 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 separate Schedule Cs.

Interest (other than from Massachusetts banks) and Dividend Income

If you have interest (other than from Massachusetts banks) and dividend income reported on U.S. Schedule C, lines 1 and/or 6, fill in the oval and enter that amount in the space provided and in Massachusetts Schedule B, line 3. Do not include such amounts on Massachusetts Schedule C, lines 1 and/or 4. If you are not required to file Schedule B (see Schedule B instructions), enter this income on Form 1, line 20. Examples of interest (other than from Massachusetts banks) and dividend income are interest received on loans, notes receivable or charge accounts that you accept in the ordinary course of business, and dividends on stocks received in payment for goods and services. Capital gains from the sale or exchange of assets used in your business are not reported on Schedule C. Use U.S. Form 4797 and report the amount in Form 1, Schedule B and/or Schedule D. You must also exclude from Schedule C any income and expenses that pertain to activities for yourself as distinguished from those performed for your customers. Such income must be reported by class of income in Schedules B and D. Personal expenses are not deductible.

Line 1a. Gross Receipts or Sales

In the boxes provided, enter gross receipts or sales from your business. Be sure to include on this line amounts you received in your trade or business as shown on Form 1099-MISC, Miscellaneous Income. If the nature of your business is such that you have gross or other income that is interest (other than from Massachusetts banks) and dividend income, exclude this income from lines 1 and 4 on Massachusetts Schedule C and include it in the space provided and in Schedule B, line 3.

Note: If not required to file Schedule B (see Schedule B instructions), enter this income on Form 1, line 20. Examples of interest (other than from Massachusetts banks) and dividend income are interest received on loans, notes receivable or charge accounts that you accept in the ordinary course of business, and dividends on stocks received in payment for goods and services. Capital gains from the sale or exchange of assets used in your business are not reported on Schedule C. Use U.S. Form 4797 and report the amount in Form 1, Schedule B and/or Schedule D. You must also exclude from Schedule C any income and expenses that pertain to activities for yourself as distinguished from those performed for your customers. Such income must be reported by class of income in Schedules B and D. Personal expenses are not deductible.

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

Line 4. Other Income

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

Line 7. Bad Debts From Sales or Services

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

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

Line 9. Commissions, Fees and Contract Labor**Line 9a. Commissions and Fees**

Enter the total commissions and fees for the tax year. Do not include commissions or fees that are capitalized or deducted elsewhere on your return.

Line 9b. Contract Labor

Enter the total cost of contract labor for the tax year. Contract labor includes payments to persons you do not treat as employees (for example, independent contractors) for services performed for

your trade or business. Do not include contract labor deducted elsewhere on your return, such as contract labor included on line 15, 19, 25, or Schedule C-1, line 3. Also, do not include salaries and wages paid to your employees; instead, see Line 25, later.

Line 11. Depreciation and § 179 Deduction

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

Line 17. Pension and Profit-Sharing Plans

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

Line 22. Travel

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

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

Line 23. Meals

Line 23a. Enter your total business meal 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:

- ▶ Directly related to or associated with the conduct of your trade or business;
- ▶ Not lavish or extravagant; and
- ▶ Incurred while you or your employee is present at the meal.

Line 23b. Generally, you may deduct only 50% of your business meal 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 provided to a nonemployee to the extent the expenses are includible in the gross income

of that person and reported on Form 1099-MISC. Figure how much of the amount on line 23a is subject to the 50% limit. Then, enter 50% of that amount on line 23b. This amount should be subtracted from the amount in line 23a. Enter the result in line 23 of Massachusetts Schedule C.

Line 30. Abandoned Building Renovation Deduction

Massachusetts allows businesses to deduct 10% of the costs incurred in renovating certain buildings located in an Economic Opportunity Area (EOA). The buildings must be designated as abandoned by the Economic Assistance Coordinating Council. The renovation deduction may be taken in addition to any other deduction for which the renovation costs may qualify. For more information, contact the Massachusetts Office of Business Development by calling (617) 973-8600.

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

Line 31. Profit or Loss

Subtract the total of line 29 and line 30 from line 28. If a profit enter here and on line 34. If a loss enter here and go to line 32.

Line 32. Deductible Loss.

If line 31 is a loss do not enter the loss in line 32 until you have applied the at-risk rules and the passive-activity loss rules. (For the at-risk rules, see instructions for line 33. For the passive-activity loss rules, see instructions for U.S. Form 8582.) The amount on line 32 will be your deductible loss; note that it might be smaller than the line 31 loss.

Line 33. If You Have a Loss

Fill in the oval in line 33a if all of your investment is at risk. Enter your loss from line 31 on line 32 unless you answered No to the question on material participation on the front of Schedule C. If you answered No to this question, complete a pro forma copy of U.S. Form 8582 that reflects only income being reported on your Massachusetts return. Enter in Massachusetts Schedule C, line 32 your allowable loss calculated on Form 8582.

Fill in the oval in line 33b if only some of your investment is at risk. To determine the amount of your allowable loss, complete a pro forma copy of U.S. Form 6198 that reflects only income being reported on your Massachusetts return. Enter the amount calculated on U.S. Form 6198 in line 32 unless you answered No to the question on material participation on the front of Schedule C. In this case, your loss is further limited. Use the amounts calculated on your pro forma U.S. Form 6198 to complete a pro forma U.S. Form 8582. If your at-risk amount is 0 or less, enter 0 in line 32.

Line 34. Profit

Enter the profit from line 31.

Line 35. Total Profit or Loss.

If line 31 is a profit enter the amount from line 34. If line 31 is a loss enter the amount from line 32.

Line 36. Allowable Prior-Year Suspended PAL

If your gross income is more than your expenses and you do not have prior-year unallowed passive-activity losses, enter 0 in line 36.

If your gross income is more than your expenses and you have prior-year unallowed passive-activity losses, calculate the amount of Massachusetts prior-year unallowed passive-activity losses claimable for this activity. Use a pro forma version of U.S. Form 8582 to calculate the amount of eligible Massachusetts prior-year unallowed passive-activity losses. If you are claiming prior-year passive-activity losses, enter the amount of those allowable prior-year suspended PAL you are applying in line 36.

Line 37. Net Profit or Loss.

Combine lines 35 and 36, then include on Form 1, line 6a.

Schedule CB

What Is It?

Senior citizens in Massachusetts may be eligible to claim a refundable credit on their state income taxes for the real estate taxes they paid on the Massachusetts residential property they own or rent and which they occupy as their principal residence. The maximum credit allowed is \$1,170 for the tax year beginning January 1, 2021. See TIR 21-11 for more information.

Eligible taxpayers who own their property may claim a credit equal to the amount by which their property tax payments in tax year 2021 (excluding any exemptions and/or abatements), including water and sewer debt charges, exceed 10% of their total income for the same current tax year. Taxpayers residing in communities that do not include water and sewer debt service in their property tax assessments may claim, in addition to their property tax payments, 50% of the water and sewer use charges actually paid during the tax year when figuring their credit.

Renters may claim a credit in the amount by which 25% of their annual rental payment is more than 10% of their total income.

For purposes of the tax credit, a taxpayer's total income includes taxable income as well as exempt income such as Social Security, Treasury bills and public pensions. For a complete list of what constitutes total income, see TIR 01-19.

Who Is Eligible for the Credit?

To be eligible for the credit for the 2021 tax year, a taxpayer must be 65 years of age or older before

January 1, 2022, (for joint filers, it is sufficient if one taxpayer is 65 years of age or older), must own or rent residential property in Massachusetts and occupy the property as his or her principal residence, and must not be the dependent of another taxpayer. The taxpayer's total income cannot exceed \$62,000 for a single filer who is not the head of a household, \$78,000 for a head of household, or \$93,000 for taxpayers filing jointly. No credit is allowed for a married taxpayer unless a joint return is filed. Moreover, the assessed valuation of the real estate cannot exceed \$848,000.

No credit is allowed if the taxpayer claims the status of married filing separate, receives a federal or state rent subsidy, rents from a tax-exempt entity, or is the dependent of another taxpayer.

Note: Make sure the over age 65 oval(s) is filled in on line 2c.

Is the Tax Credit Considered Income?

Tax credits received by eligible taxpayers are not considered income for the purpose of obtaining eligibility or benefits under other means-tested assistance programs including food, medical, housing, energy and educational assistance programs.

How Does a Taxpayer Claim the Credit?

Taxpayers who are eligible for the tax credit in the 2021 tax year can claim the credit by submitting a completed Schedule CB, Circuit Breaker Credit, with their 2021 state income tax return. Eligible taxpayers who do not normally file a state income tax return may obtain a refund by filing a return with Schedule CB. As with all claimed tax credits and deductions, the taxpayer must keep all pertinent records, receipts and other documentation supporting his or her claim for the credit.

Line 1. Living Quarters Status During 2021

Be sure to fill in the appropriate oval. If you were a renter in 2021 and you received any federal and/or state subsidy, or you rent from a tax-exempt entity, you do not qualify for the Circuit Breaker Credit.

Homeowners must fill in the appropriate oval to indicate if they owned a multi-use or multi-family property. A taxpayer who owns a principal residence with a land area in excess of one acre or a multi-use building or land area, for example, a storefront with an apartment above, may only claim the taxpayer's proportional share of the real estate tax payments (Schedule CB, line 10), including water and sewer use charges (Schedule CB, line 13), which corresponds to the portion of the residence used and occupied as principal residence. A taxpayer who owns a multiple family dwelling (a multi-family residence that includes the taxpayer's personal residence), may only claim the taxpayer's proportional share of the taxes (Schedule CB, line 10) or sewer and water use charges (Schedule CB, line 13) paid. For ex-

ample, where a condominium association pays one sewer and water bill for multiple owners, each owner may only claim the proportional share of the use charges attributable to the taxpayer's condominium (for example, the condominium owner's percentage interest in the undivided interest of common areas and facilities).

Line 2. Assessed Value of Principal Residence as of January 1, 2021

Enter the amount of the assessed value of your principal residence as of January 1, 2021. If you own a multi-family home, mixed-use property, or more than one acre of land, only the assessed value of your principal residence, together with the land that immediately surrounds and is associated with that residence, not to exceed one acre, should be used. If the assessed value is over \$884,000, you do not qualify for the credit. Contact your local city or town's assessors' office if you have any questions in determining the amount of the assessed value of your principal residence as of January 1, 2021.

Income Calculation

Qualifying income for the Circuit Breaker Credit (Schedule CB, lines 3 through 9) is the taxpayer's Massachusetts AGI as defined in MGL ch 62, § 2 increased by various amounts that may have been excluded or subtracted when originally calculating the taxpayer's Massachusetts AGI, less certain exemptions claimed by the taxpayer. Amounts added back to Massachusetts AGI in computing qualifying income include income from Social Security, retirement, pension or annuities, cash public assistance, tax-exempt interest and dividends, net capital losses, long-term capital losses, certain capital gains, income from a partnership or trust not otherwise included in the taxpayer's Massachusetts AGI, and gross receipts (for example, the return of capital or gifts) from any other source except the tax credit itself. The exemptions allowed which decrease the total income amount are those allowed for blindness, dependents and taxpayers who are at least age 65 by the end of the tax year.

Update to Unemployment Compensation Reporting due to the COVID-19 Pandemic

Recent legislation has enacted a deduction for unemployment compensation for tax year 2021. Go to mas.gov/dor for more information.

Line 4. Total Social Security Benefits

Enter in line 4 the amount of Social Security benefits received in 2021. Social Security benefits include retirement, disability, dependent, survivorship and insurance. Medicare premiums withheld from Social Security payments should not be excluded.

Line 5. Pension, Annuities, IRA/Keogh Distributions Not Taxed on Your Massachusetts Tax Return

Enter in line 5 the amount of pension, annuities, IRA/Keogh distributions not taxed on your Massachusetts Form 1. See Form 1, line 4 instructions, Pension and Annuities, for a list of exempt items that must be included in Schedule CB, line 5 as part of total income for the purposes of calculating the Circuit Breaker Credit.

Line 6. Miscellaneous Income Including Cash Public Assistance

Enter the amount of miscellaneous income, including cash public assistance, received during 2021. This includes but is not limited to food stamps and welfare payments, disability income, gifts, sick pay, worker's compensation and return of capital.

Credit Calculation

If you filled in the Homeowner oval in line 1, complete lines 10 through 17, if you filled in the Renter oval in line 1, go to line 18.

Line 10. Real Estate Taxes Paid in Calendar Year 2021 for Your Principal Residence

Enter the amount of real estate taxes paid in calendar year 2021. Be sure to include real estate tax payments made pursuant to the Community Preservation Act, the Cape Cod Open Space Land Acquisition Program and/or paid to a tax-levying district.

If you own a multi-family home, mixed-use property, or your principal residence has a land area in excess of one acre, see TIR 01-19 for information on how to prorate real estate taxes paid.

Note: Real estate taxes paid in a calendar or taxable year generally reflect taxes assessed for two different fiscal years. If a community collects taxes quarterly, a taxpayer may have made four payments during a calendar year. These payments are billed as due on the following dates: February 1, May 1, August 1, and November 1. If a community collects taxes semi-annually, a taxpayer may have made two payments during the calendar year. The first payment is billed as due on May 1 and the second as due on November 1, or 30 days after it is mailed, if the bill is mailed after October 1. If you own a multi-family home, mixed-use property, or your principal residence has a land area in excess of one acre, contact your local city or town's collector's office if you have any questions in determining the amount of real estate taxes paid in calendar year 2021 for your principal residence.

Line 11. Adjustments to Real Estate Taxes Paid

Enter the amount from line 4 of the Adjustments to Real Estate Taxes Paid Worksheet for Schedule CB, line 11, on page 2 of Schedule CB. Adjustments to real estate taxes paid include:

- ▶ Abatements granted by local assessors or earned through the Senior Work Program (do not exclude this amount if it was already reflected on your tax bill and you did not pay it);
- ▶ Exemptions granted by cities or towns to qualifying veterans, surviving spouses, blind persons and the elderly (do not exclude this amount if it was already reflected on your tax bill and you did not pay it);
- ▶ Interest charges assessed due to delinquent payments; and
- ▶ Betterments or special assessments levied upon the property.

Line 13. Water and Sewer Use Charges Paid in 2021

Contact your town official to determine if your community has elected to include water and sewer debt charges in the property tax assessment. Taxpayers residing in communities that do not include water and sewer debt charges in the property tax assessments may include 50% of the actual water and sewer use charges paid during the taxable year. If they have elected to include those charges in the property tax assessment, enter 0 in line 13. If they have not elected to include those charges, enter 50% of your actual water and sewer use charges paid in 2021 in line 13.

If you own a multi-family home, mixed-use property, or your principal residence has a land area in excess of one acre, see TIR 01-19 for information on how to prorate water and sewer use charges.

Line 18. Rent Paid for Your Principal Residence in 2021

Enter in line 18a the total amount of rent paid for your principal Massachusetts residence in 2021. Divide that amount by 4 (25%) and enter the result in line 18. In the space provided, be sure to enter your landlord's name and address. If you received any federal and/or state rent subsidy, or you rent from a tax-exempt entity, you do not qualify for the Circuit Breaker Credit.

Schedule CMS

Be sure to enclose with Form 1.

Credit Manager Schedule

You must complete Schedule CMS to claim most credits available for use in the current taxable year (the Earned Income, Limited Income and Circuit Breaker Tax credits are claimed directly on the tax

return). Credits may be used to offset a tax due, may be passed or shared with another person or entity, or, in some cases credits may be fully or partially refundable.

For each credit claimed on a Schedule CMS, report the amount of the credit available for use and the amount of credit claimed to reduce tax for the current taxable year. For pass-through entities, report the amount of credit distributed to partners/shareholders/beneficiaries in the credit shared column. Taxpayers also report the amount of a refundable credit they are using to request a refund of tax. See the Credit Manager Schedule Instructions for more information on how to complete the Schedule CMS and claim the credits.

Credits reported on the Schedule CMS are generally identified either by a certificate number assigned by the issuing agency (which may be the Department of Revenue) or by the tax period end date in which the credit originated. If a credit has been assigned a certificate number, the certificate number must be included on the Schedule CMS. A taxpayer that does not include an assigned certificate number on the Schedule CMS will not be allowed the credit on the tax return and will have their tax liability adjusted by the Department of Revenue. Be sure to omit hyphens, spaces, decimals and other special symbols when entering the certificate number. Also, enter the number from left to right.

Likewise, a taxpayer that is required to complete a separate schedule to claim a credit must include the separate schedule with the taxpayer's return filing. Failure to do so may result in the credit being disallowed.

If, by operation of MGL ch 63, § 32C or another provision of law, a credit normally identified by tax period end date is eligible for indefinite carryover, the credit should be reported as "non-expiring" and identification of the tax period of origin is not necessary.

Overview of Schedule CMS

The following is a brief overview of the Schedule CMS sections and where certain credits should be reported. If a taxpayer is using a credit to reduce a taxpayer's current year tax liability, whether it is a non-refundable credit or a refundable credit, the credit should be reported in Section 1 or 3 of the Schedule CMS. Only a refundable credit that the taxpayer is seeking a refund for should be reported in either Section 2 or 4 of the Schedule CMS. Generally, a credit should only be reported in one section on the Schedule CMS unless a portion of it is being used to offset a tax and a portion is being refunded.

Section 1. Non-Refundable Credits

Section 1 is for reporting credits the taxpayer is using (i) to offset or reduce the taxpayer's total tax due (ii) to pass to any partner, shareholder or beneficiary of the taxpayer or (iii) to share with taxpayer affiliates. The Brownfields Credit, Film Incentive Credit, or Medical Device Credit should always be included in Section 1, unless the taxpayer is requesting a refund of the Film Incentive Credit. However, a taxpayer that received a credit on a Massachusetts K-1 schedule from a pass-through entity or a credit transfer should report such credit in Section 3 or 4, as applicable.

Section 2. Refundable Credits

Section 2 is for reporting refundable credits the taxpayer is using to request a refund. The Film Incentive Credit should always be included in Section 2 to the extent that the taxpayer is requesting a refund. However, a taxpayer that received a refundable credit on a Massachusetts K-1 from a pass-through entity or a credit transfer should report such credit in Section 4, to the extent that the taxpayer is requesting a refund. For each refundable credit, report the amount of the credit available after taking into consideration any amount of the credits that may have been taken to offset a tax or shared as reported in Section 1 of this schedule. Enter the amount by which the available credit balance is being reduced and the amount to be treated as a refundable credit, which may be either 90% or 100% of the reduction. See TIR 13-6, Example 3, for an illustration.

Section 3. Non-Refundable Credits Received from Massachusetts K-1 Schedules

Section 3 is for reporting credits the taxpayer received on a Massachusetts K-1 schedule (SK-1, 2K-1 or 3K-1) that the taxpayer is using (i) to offset or reduce the taxpayer's total tax due (ii) to pass to any partner, shareholder or beneficiary of the taxpayer or (iii) to share with taxpayer affiliates. The Brownfields Credit, Film Incentive Credit, or Medical Device Credit should never be included in Section 3.

Note: You do not report the Brownfields Credit, Film Incentive Credit, and Medical Device Credit in this section because these credits are issued new certificate numbers from the Department of Revenue when they are received from a pass-through

Schedule CMS, Example 1

2a. Credit type	2b. Period end date (mm/dd/yyyy)	2c. Certificate number	2d. Credit available or certificate balance	2e. Reduction in balance for refund	2f. Refundable credit taken (100% or 90%)
FLMCRD		0000000011	\$10,000	\$10,000	\$9,000
CNSLND		1110000000	\$ 1,000	\$ 1,000	\$1,000

The total of the amounts shown in column f are shown on the appropriate line of the taxpayer's return.

Schedule CMS, Example 2

1a. Credit type	1b. Fill in if non-expiring	1c. Period end date (mm/dd/yyyy)	1d. Certificate number	1e. Credit available or certificate balance	1f. Credit taken this year	1g. Credit shared this year
SEPTIC	<input type="radio"/>	12/31/2021		\$6,000	\$1,500	
LEAD PAINT	<input type="radio"/>	12/31/2021		\$1,000	\$1,000	

The Credit Manager Schedule will now also be used by individual taxpayers for certain credits. In Example 2, the taxpayer is an individual filing a return for the taxable year ending December 31, 2021 and has an available Septic Credit of \$6,000 in the current year. Since this is the first year the taxpayer is claiming the Septic Credit, the individual taxpayer must also enclose a Schedule SC. The individual should file Part 1 of the Schedule CMS to reflect a claimed credit of \$1,500 (Schedule SC, line 13).

entity or a credit transfer. These credits should always be reported in Section 1, unless the taxpayer is requesting a refund of the Film Incentive Credit.

Section 4. Refundable Credits Received from Massachusetts K-1 Schedules

Section 4 is for reporting credits the taxpayer received on a Massachusetts K-1 schedule (SK-1, 2K-1 or 3K-1) and that the taxpayer is using to request a refund. The Film Incentive Credit should never be included in Section 4. For each refundable credit, report the amount of the credit available after taking into consideration any amount of the credits that may have been used to offset a tax or shared as reported in Section 3 of this schedule. Enter the amount by which the available credit balance is being reduced and the amount to be treated as a refundable credit, which may be either 90% or 100% of the reduction. See TIR 13-6, Example 3, for an illustration.

Note: You do not report the refundable Film Incentive Credit in this section because these credits are issued new certificate numbers from the Department of Revenue when they are received from a pass-through entity or a credit transfer. If the taxpayer is requesting a refund of the Film Incentive Credit, it should be reported in Section 2.

List of Credit Names and Credit Codes

The following table identifies various credits that may be available to a taxpayer subject to tax under MGL ch 62 and that must be claimed on a Schedule CMS.

Table with 2 columns: Credit name and Credit type code. Includes entries like Angel Investor Credit (AGLCRD), Apprenticeship Tax Credit (APPCRD), Brownfields (BRWFLD), etc.

Table with 2 columns: Credit name and Credit type code. Includes entries like Low-Income Housing (LOWINC), Low-Income Housing Donation (LIHDON), Medical Device (MEDDVC), etc.

*These credits are potentially refundable.

Brief Summary of Available Credits on Schedule CMS

The following are brief summaries describing the specific credits that may be available to a taxpayer subject to tax under MGL ch 62 and that must be claimed on a Schedule CMS.

Angel Investor Credit

Taxpayers subject to tax under MGL ch 62 may be eligible for an Angel Investor Credit (AIC) equal to 20% of the amount of qualifying investments in a qualifying business, and 30% of the amount of qualifying investments made by a taxpayer investor in a qualifying business located in a "Gateway municipality," as defined in MGL ch 23A, § 3A. The taxpayer must be an accredited investor, as defined in 15 USC § 77b(15)(ii), who is not the principal owner of the qualifying business and who is not involved in the qualifying business as a full-time professional activity. For purposes of the AIC, a taxpayer may make qualifying investments of up to \$125,000 per qualifying business per year up to a maximum of \$250,000. A taxpayer cannot claim more than \$50,000 of the AIC for a single calendar year. The credit may be taken in either the tax year of the initial investment or may be carried forward to any of the 3 subsequent taxable years, as long as the qualifying business maintains its principal place of business in Massachusetts. If the qualifying business does not maintain its principal place of business in Massachusetts for this 3 year period, the taxpayer investor must repay the total amount of AIC claimed. The AIC is neither transferrable nor refundable. The Massachusetts Life Sciences Center is responsible for determining eligibility for the AIC and the actual amount awarded to a taxpayer. For further information, see the Department of Revenue's "Angel Investor Tax Credit" regulation; 830 CMR 62.6.5 and TIR 16-15.

To claim the AIC, enter the amount of the AIC using credit code AGL-CRD on the Schedule CMS.

Apprenticeship Tax Credit

Businesses subject to tax under MGL ch 62 that employ qualified apprentices may be eligible for an Apprenticeship Tax Credit (ATC). The credit is equal to the lesser of \$4,800 or 50% of the wages paid by the business to each qualified apprentice it hires. Businesses are eligible for up to \$100,000

in credits each calendar year. To claim the credit, the primary place of employment of the apprentice must be in Massachusetts, the business employing the apprentice must register with the Division of Apprenticeship Standards as an apprenticeship program sponsor and enter into apprenticeship agreements with each apprentice for whom the credit is claimed, and the apprentice must be employed for at least 180 calendar days in the taxable year in which the credit is claimed. A business claiming the credit in a taxable year may also be eligible for a credit in the subsequent taxable year, provided that the Division of Apprenticeship Standards again certifies that the apprentice remains employed as an apprentice during the subsequent taxable year.

The ATC is not transferrable but is refundable. The ATC is available for tax years beginning on or after January 1, 2019. See TIR 18-13 for further information.

To claim the ATC, enter the ATC certificate number and the amount of the ATC using credit code AP-PCRD on the Schedule CMS.

Brownfields Tax Credit

Taxpayers subject to tax under MGL ch 62 and nonprofit organizations may be eligible to claim a Brownfields Tax Credit (BTC) for amounts expended to clean up contaminated property in Massachusetts in an amount equal to either 25% or 50% of the cost. The cleanup must begin on or before August 5, 2023, and costs must be incurred before January 1, 2024, and equal or exceed 15% of the assessed value of the property before the beginning of the cleanup. Contaminated properties must be owned or leased for business purposes, reported to the Department of Environmental Protection (DEP), cleaned up in compliance with DEP's standards, and located in an economically distressed area identified by DEP. Unused portions of the BTC may be carried forward for the next 5 years. If a credit recipient does not maintain the property in compliance with standards set out by DEP, the credit may be recaptured. The BTC is not refundable.

The BTC may be transferred, sold or assigned to another taxpayer with a liability under MGL ch 62 or 63, or to a nonprofit organization. A taxpayer must complete a Form BCA, Brownfields Credit Application, and submit it to the Department of Revenue. If approved, the Department of Revenue will issue a certificate reflecting the amount of the BTC. The party receiving the BTC must include the certificate number with each tax return in which the credits are being applied. BTC application forms and additional information are available at mass.gov/dor.

To claim the BTC, enter the BTC certificate number and the amount of the BTC using credit code BRWFLD on the Schedule CMS.

Certified Housing Development Tax Credit

Taxpayers subject to tax under MGL ch 62 that invest in housing development projects in Massachusetts may be eligible to claim the Certified Housing Development Credit

(CHDC) in an amount up to 25% of the costs of qualified project expenditures as defined in MGL ch 40V, § 1. Eligibility and the amount of CHDC awarded are determined and administered by the Department of Housing and Community Development (DHCD). The CHDC is not refundable, but unused amounts may be transferred or carried forward for 10 years. See TIRs 16-15, 10-15 and 10-14 for further information.

To claim the CHDC, enter the CHDC certificate number and the amount of the CHDC using credit code CRTHOU on the Schedule CMS.

Community Investment Tax Credit

Taxpayers subject to tax under MGL ch 62 may be able to claim a Community Investment Tax Credit (CITC) for cash contributions made to a community partner to support the implementation of its community investment plan, or to a community partnership fund. The CITC is equal to 50% of the total contribution made by the taxpayer and cannot be claimed for contributions of less than \$1,000. The Department of Housing and Community Development (DHCD) is responsible for determining which contributions qualify for the CITC and the actual amount of the CITC awarded. The CITC is not transferrable. However, the CITC is refundable, or, alternatively, may be carried forward for 5 years. See DHCD's "Community Investment Grant and Tax Credit Program" regulation, 760 CMR 68.00, the Department of Revenue's "Community Investment Tax Credit" regulation, 830 CMR 62.6M.1, and TIRs 16-15 and 13-15 for further information.

To claim the CITC, enter the CITC certificate number and the amount of the CITC using credit code CMMINV on the Schedule CMS.

Conservation Land Tax Credit

Taxpayers subject to tax under MGL ch 62 that make qualified donations of certified land to a public or private conservation agency in Massachusetts may be eligible for a Conservation Land Tax Credit (CLTC). The Executive Office of Energy and Environmental Affairs (EEA) ultimately determines which donations qualify for the CLTC and the actual amount of the CLTC attributable to the donation. The CLTC is equal to 50% of the fair market value of the donated certified land, but may not exceed \$75,000. The credit is refundable, but is not transferable. Taxpayers who claim the CLTC may not claim any other credit or deduction

in the same tax year for the costs related to the same donated, certified land.

For more information, please see the EEA's "Conservation Land Tax Credit" regulation, 301 CMR 14.00, which sets forth the EEA's criteria for authorizing and certifying the credit. See also the Department of Revenue's "Conservation Land Tax Credit" regulation, 830 CMR 62.6.4, which explains the calculation of the allowable CLTC.

To claim the CLTC, enter the CLTC certificate number and the amount of the CLTC using credit code CNSLND on Schedule CMS.

Cranberry Bog Renovation Tax Credit

Taxpayers subject to tax under MGL ch 62 that are primarily engaged in cranberry production may be eligible for a Cranberry Bog Renovation Tax Credit (CBRTC). The CBRTC is equal to 25% of the taxpayer's total qualified renovation expenditures directly incurred in the taxable year for the qualified renovation of a cranberry bog for the cultivation, harvesting or production of cranberries, but the amount of the credit may not exceed \$100,000. Expenditures incurred in the construction of facilities or structures for the processing of cranberries are ineligible for the CBRTC. To claim the CBRTC, a taxpayer must file a summary of its qualified renovation expenditures with respect to a qualified renovation with the Executive Office of Energy and Environmental Affairs, which determines the amount of the credit for which the taxpayer is eligible. The CBRTC is refundable, but is not transferrable. However, in lieu of claiming the CBRTC as a refundable tax credit, the taxpayer may carry-over unused CBRTC for the next 5 years.

To claim the CBRTC, enter the CBRTC certificate number and the amount of the CBRTC using credit code CRBCRD on Schedule CMS.

Dairy Farm Tax Credit

Massachusetts dairy farmers taxable under MGL ch 62 may be eligible for a Dairy Farm Tax Credit (DFTC) based on the amount of milk produced and sold during the taxable year when the cost of milk drops below a price based on federal standards. The dairy farm must have a certificate of registration as a Massachusetts dairy farmer from the Massachusetts Department of Agricultural Resources (MDAR). The total amount of DFTC granted through the program cannot exceed \$6,000,000 in any year. The DFTC is refundable, but is not transferrable.

To claim the DFTC, enter the MDAR-issued certificate number and the amount of the DFTC from the MDAR's Dairy Farmer Certified Tax Credit Statement using credit code DAIFRM on Schedule CMS.

Economic Opportunity Area/ Economic Development Incentive Program Credits

Economic Opportunity Area Credit

Taxpayers subject to tax under MGL ch 62 that participated in projects certified by the Economic Assistance Coordinating Council (EACC) before January 1, 2010, may be eligible to claim an Economic Opportunity Area Credit (EOAC) equal to 5% of the cost of qualifying property purchased for business use within a certified project within an Economic Opportunity Area (EOA). To qualify for the EOAC, the property must be used exclusively by the certified project in an EOA and must meet the same tests imposed for the 3% Investment Tax Credit (ITC). A certified project is a project approved by the EACC. The 5% EOAC cannot offset more than 50% of the tax due. Any unused EOAC may be carried forward for 10 years. The EOAC may be subject to recapture if a taxpayer's business is decertified by the EACC, or a taxpayer stops using the qualifying property in a certified project before the end of the property's useful life. The EOAC is neither refundable nor transferrable. The EOAC is not available to certified projects that were certified by the EACC on or after January 1, 2010. See TIRs 16-15 and 10-01 for further information.

To claim the EOAC, complete Schedule EOAC and enter the amount of the credit using credit code EOACCR on the Schedule CMS. Include both the completed Schedule EOAC and Schedule CMS with the return.

Economic Development Incentive Program Credit

For projects certified by the EACC on or after January 1, 2010, the Economic Development Incentive Program Credit (EDIPC) is available to taxpayers subject to tax under MGL ch 62 with respect to certified projects as defined under MGL ch 23A. The EDIPC is equal to a percentage of the cost of qualifying property purchased by a certified project for business use within Massachusetts. As part of the project certification, the EACC may (but is not required to) award a credit under the program and determine the percentage of the cost of the property to be used to determine the credit. In addition the EACC may award an EDIPC that is refundable. To qualify for the EDIPC, the qualifying property must be used exclusively in the certified project in Massachusetts and must meet the same tests imposed for the 3% ITC.

Unless the EDIPC awarded is refundable, the credit may not offset more than 50% of the tax due. Carryover of unused credit is available only to the extent authorized by the EACC. The EACC may, in consultation with the Department of Revenue, limit (but not expand) the EDIPC to a specific dol-

lar amount or time duration or in any other manner deemed appropriate by the EACC. St. 2009, c. 166, § 18. For example, the EACC may limit the EDIPC available with respect to a particular project to a specific dollar maximum, even if the actual dollar amount of the qualifying purchases would otherwise generate a higher credit amount. Similarly, the EACC may limit the otherwise applicable credit carry forward period provided by MGL ch 62, § 6(g). The EDIPC may be subject to recapture if a taxpayer's business is decertified by the EACC, or a taxpayer stops using the qualifying property in a certified project before the end of the property's useful life. The EDIPC is not transferable. See TIRs 16-15, 14-13, 10-15, and 10-1 for further information.

To claim the EDIPC, complete Schedule EDIP and enter the amount of the EDIPC using credit code EDIPCR on Schedule CMS. Also, enter the EACC-issued certificate number on Schedule CMS. Include both the completed Schedule EDIP and Schedule CMS with the return.

EDIP Credit for Projects Certified on or after January 1, 2017

The EDIPC provisions were significantly changed for projects certified on or after January 1, 2017. For projects certified by the EACC on or after January 1, 2017, the EDIPC allowed to taxpayers subject to tax under MGL ch 62 is determined by the EACC based on numerous factors set forth in MGL ch 23A § 3D. The EACC may award a refundable EDIPC to any certified project. Carryover of unused EDIPC is available only to the extent authorized by the EACC. Recapture is required only if the EACC revokes the certification of a project. The EDIPC is not transferable. See TIRs 16-15 and 10-01 for further information.

To claim the EDIPC, complete Schedule EDIP and enter the amount of the EDIPC using credit code EDIPCR on Schedule CMS. Also, enter the EACC-issued certificate number on Schedule CMS. Include both the completed Schedule EDIP and Schedule CMS with the return.

EDIP Credit for Vacant Storefronts

Effective January 1, 2019, awards of EDIPC are also available as a Vacant Storefront Credit (VSC) to taxpayers subject to tax under MGL ch 62 that occupy vacant storefronts in downtown areas that have been designated as Certified Vacant Storefront Districts. To claim the VSC a taxpayer must apply for and obtain certification from the EACC and must commit to occupy the vacant storefront for not less than 1 year. The taxpayer does not need to invest in improvements or create new jobs to claim the VSC. The EACC awards the VSC on a competitive basis, taking into account the factors set forth in MGL ch 23A § 3C. The amount of VSC

available to taxpayers occupying vacant storefronts is limited to \$500,000 in a calendar year.

The VSC is not transferrable but is refundable. For additional information about the credit, contact the Massachusetts Office of Business Development at 617-973-8600.

To claim the VSC, enter the amount of the VSC using credit code VACSTR on Schedule CMS. Also, enter the EACC-issued certificate number on Schedule CMS.

Employer Wellness Credit

Note: The Employer Wellness Credit (EWC) program expired on December 31, 2017 and no new EWC amounts are being awarded. However, remaining credits awarded for the 2015 through 2017 tax years and carried over by a taxpayer may be applied in the 2021 tax year.

Effective for tax years beginning on or after January 1, 2013, a Massachusetts business that employed 200 or fewer workers was eligible for the EWC for up to 25% of its costs associated with implementing a "certified wellness program" for its employees. Prior to the EWC program's expiration on December 31, 2017, a taxpayer could claim the EWC by applying to the Department of Public Health (DPH) to certify its wellness program. The amount of the credit available to be claimed could not exceed \$10,000 in any tax year and the credit was not refundable. A taxpayer may carry forward any unused portion of the EWC for up to 5 taxable years. Since the EWC program expired on December 31, 2017, a taxpayer may only claim a previously awarded EWC that was carried over to subsequent tax years. Information about the criteria DPH utilized for authorizing and certifying the EWC may be found in DPH's "Massachusetts Wellness Tax Credit Incentive" regulation, 105 CMR 216.000.

To claim the EWC, enter the amount of EWC using credit code EMPWLL on Schedule CMS. Also, enter the DPH issued certificate number on Schedule CMS.

Farming and Fisheries Credit

Taxpayers primarily engaged in agriculture or farming and subject to tax under MGL ch 62 may be eligible for a Farming and Fisheries Credit (FFC) equal to 3% of the cost or other basis for federal income tax purposes of qualifying property acquired, constructed or erected during the tax year. Qualifying property is defined as tangible personal property and other tangible property, including buildings and structural components thereof which are located in Massachusetts, used solely in farming, agriculture or fishing, and are depreciable with a useful life of at least 4 years. Lessees are also eligible for the FFC. However, where the lessee is eligible for the FFC, the les-

see is generally not eligible, with the exception of "equine-based businesses where care and boarding of horses is a function of the agricultural activity." A taxpayer may carry forward any unused portion of the FFC for up to 3 years. See TIR 14-13 for further information.

To claim the FFC, complete Schedule FAF, Farming and Fisheries Credit, and enter the amount of the FFC using credit code FRMFSSH on Schedule CMS. Include both the completed Schedule FAF and Schedule CMS with the return.

Film Incentive Credit

Motion picture production companies subject to tax under MGL ch 62 may be eligible to claim the Film Incentive Credit (FIC) for certain payroll and production expenses. Production companies that incur at least \$50,000 of production costs in Massachusetts are eligible for a credit equal to 25% of the total Massachusetts payroll for the production, excluding salaries of \$1 million and higher. In addition, production companies whose Massachusetts production expenses exceed 50% of the total production cost may receive a credit equal to 25% of the total Massachusetts production expense. The FIC may be applied against the taxpayer's liability, reduced by any other available credits, and then 90% of any remaining credits may be refunded. Subject to certain conditions, unused credits may be carried over, refunded, or transferred by the taxpayer for the following 5 tax years. Transferees may carry forward unused FIC for the 5 tax years subsequent to the first tax year the FIC was allowed to the initial transferor. The FIC is not refundable to the transferee. See TIR 07-15 for further information.

To claim the FIC, enter the FIC certificate number and the amount of the FIC using credit code FLMCRD on the Schedule CMS. Supporting documentation must be available to the Department of Revenue upon request. Certificate application forms and additional information are available at mass.gov/dor.

Historical Rehabilitation Credit

Taxpayers subject to tax under MGL ch 62 who have made qualified expenditures in the rehabilitation of a qualified historic structure may be eligible to claim a Historic Rehabilitation Tax Credit (HRTC). The HRTC is up to 20% of the taxpayer's rehabilitation expenditures made in substantially rehabilitating a historic structure that has received final certification from the Massachusetts Historical Commission and placed into service (where occupancy of the entire structure or some identifiable portion of it is permitted). Unused portions of the HRTC may be carried forward for the next 5 tax years. The HRTC may be transferred or sold to another taxpayer but is not refundable. HRTC awards also may be transferred to other qualify-

ing taxpayers that acquire a historic structure, as long as certain criteria are met. The HRTC may be subject to recapture if the taxpayer disposes of its interest in the structure within 5 years of its placement into service. HRTC awards however are not subject to recapture. For further information, see the Department of Revenue's "Massachusetts Historic Rehabilitation Tax Credit" regulation, 830 CMR 63.38R.1, and TIRs 16-15 and 10-11.

To claim the HRTC, enter the HRT certificate number and the amount of the HRTC using credit code HISRHB on the Schedule CMS. Supporting documentation must be enclosed with the return or the HRTC may be disallowed. For further information on documentation see the Transfer/Sale HRC: Historic Rehabilitation Credit Certificate form and Allotment Schedule HRC: Historic Rehabilitation Credit Summary form.

Lead Paint Tax Credit

Taxpayers subject to tax under MGL ch 62, who own residential premises in Massachusetts constructed prior to 1978 and who incurred expenses for covering or removing lead paint on such residential premises, may claim a Lead Paint Tax Credit (LPTC) for these expenses in an amount equal to up to \$1,500 for each residential unit. A taxpayer may carry forward any unused portion of the LPTC for up to 7 taxable years. See the Department of Revenue's "Lead Paint Removal Credit" regulation, 830 CMR 62.6.3, and other rules as explained on Massachusetts Schedule LP, Credit for Removing or Covering Lead Paint on Residential Premises.

To claim the LPTC, complete Schedule LP and enter the amount of the LPTC using credit code LEDPNT on the Schedule CMS. Be sure to enter in line 1a of the Schedule CMS the total number of units indicated in Schedule LP, line(s) 1a and 3a. Include both the completed Schedule LP and Schedule CMS with the return.

Life Sciences Refundable FDA User Fees Tax Credit

Certified life sciences companies subject to tax under MGL ch 62, to the extent authorized by the Life Sciences Tax Incentive Program, may be eligible to claim a Life Sciences Refundable FDA User Fees Tax Credit. The credit is equal to 100% of the user fees paid on or after June 16, 2008, to the US Food and Drug Administration (FDA) upon submission of an application to manufacture a human drug in Massachusetts. The credit may be claimed in the tax year in which the application for licensure of an establishment to manufacture the drug is approved by the FDA. To be eligible for the credit, more than 50% of the research and development costs for the drug must have been incurred in Massachusetts. Certified life sciences companies may use the FDA user fees credit to

reduce their tax to zero. At the option of the taxpayer and to the extent authorized pursuant to the Life Sciences Tax Incentive Program, where the credit exceeds the tax due, 90% of the balance of the excess credit is refundable. A life sciences company claiming the credit may not also deduct the FDA user fees for which the credit is claimed on its return. In the event a company's certification as a life sciences company is revoked, the recapture of the Life Sciences ITC may be required. The credit is not transferrable. For further information, see TIRs 13-6 and 08-23. To claim the credit, complete a Schedule RLSC and enter the amount of the credit using credit code LFSFDA on the Schedule CMS.

Life Sciences Refundable Investment Tax Credit

Certified life sciences companies subject to tax under MGL ch 62, to the extent authorized by the Life Sciences Tax Incentive Program, may claim a Life Sciences Refundable Investment Tax Credit (LSRITC) equal to 10% of the cost of qualifying property acquired, constructed, reconstructed, or erected and used exclusively in Massachusetts. If the LSRITC exceeds the tax due, 90% of the balance of such LSRITC may, at the option of the taxpayer and to the extent authorized pursuant to the Life Sciences Tax Incentive Program, be refundable to the taxpayer for the tax year in which the qualified property giving rise to such LSRITC is placed in service. If the taxpayer does not opt to make the LSRITC refundable, the the LSRITC may be carried forward for up to 10 years. If the taxpayer elects to make the LSRITC refundable, then the carryover provisions for this credit that would otherwise apply shall not be available. Certified life sciences companies qualifying for the Economic Development Incentive Program Credit (EDIPC) may only take EDIPC to the extent of an additional 2% of the cost of the qualifying property. In the event a company's certification as a life sciences company is revoked, the recapture of the LSRITC may be required. The LSRITC is not transferrable. For further information, see TIRs 13-6 and 08-23. To claim the LSRITC, complete a Schedule RLSC and enter the amount of the LSRITC using credit code LFSITC on the Schedule CMS.

Life Sciences Refundable Jobs Tax Credit

Certified life sciences companies subject to tax under MGL ch 62, to the extent authorized by the Life Sciences Tax Incentive Program, may receive a Life Sciences Refundable Jobs Tax Credit (LSRJTC) in an amount determined by the Massachusetts Life Sciences Center in consultation with the Department of Revenue. A taxpayer claiming the LSRJTC must commit to the creation of a minimum of 50 net new permanent full-time positions in Massachusetts. If the LSRJTC claimed by a taxpayer exceeds the tax otherwise due, 90% of

the balance of such LSRJTC may, at the option of the taxpayer and to the extent authorized by the Life Sciences Tax Incentive Program, be refundable. Excess LSRJTC cannot be carried forward to subsequent taxable years. The LSRJTC is not transferrable. The LSRJTC is subject to all of the requirements of the Life Sciences Tax Incentive Program under MGL ch 23I. In the event of the revocation of a company's certification as a life sciences company or other disqualifying events, the LSRJTC may be subject to recapture. For more information, see TIRs 13-6, 11-6, and 08-23.

To claim the LSRJTC, complete a Schedule RLSC and enter the amount of the LSRJTC using credit code LFSJOB on the Schedule CMS.

Low Income Housing Tax Credit

Taxpayers subject to tax under MGL ch 62 who invest in a qualified low-income housing project located in Massachusetts may be eligible for the Low Income Housing Tax Credit (LIHTC). The Department of Housing and Community Development (DHCD) determines which low-income housing projects will qualify for the LIHTC, which properties may generate a LIHTC for investors, and ultimately allocates the amount of credit a taxpayer may claim based on a total pool of \$40,000,000. This LIHTC may be claimed in the year that a "qualified Massachusetts project" is placed in service and for each of the four subsequent taxable years. The properties must also meet the requirements established by Massachusetts and federal laws, and be owned by a taxpayer who enters into a regulatory agreement with DHCD.

Any unused LIHTC may be carried forward for the next 5 tax years. Alternatively, unused credits may be transferred. If an event or circumstance occurs that results, or would have resulted, in the recapture of any portion of a federal Low Income Housing Credit, then the Massachusetts LIHTC may also be subject to recapture. The LIHTC is not refundable.

To claim the LIHTC, enter the LIHTC certificate number and the amount of the LIHTC using credit code LOWINC on the Schedule CMS. Supporting documentation must be enclosed with the return or the LIHTC may be disallowed. For further information on documentation see the Transfer LIHC: Low-Income Housing Credit Statement form and Allotment Schedule LIHC: Low-Income Housing Credit Summary form. For further information regarding this credit, contact DHCD, Division of Private Housing, at (617) 727-7824.

Low Income Housing Donation Tax Credit

Taxpayers subject to tax under MGL ch 62 that make a "qualified donation" of real or personal property to certain non-profit entities for use in purchasing, constructing or rehabilitating a

“qualified Massachusetts project” may be eligible to claim a Low Income Housing Donation Tax Credit (LIHDTTC). This credit operates in the same manner as the Low Income Housing Tax Credit (LIHTC), but the LIHDTTC is limited to 50% of the amount of the “qualified donation,” which may be increased to 65% by DHCD. In addition, the LIHDTTC may only be claimed in the year that the “qualified donation” is made. However, any unused LIHDTTC may be carried forward for the next 5 years. The Department of Housing and Community Development (DHCD) determines eligibility and ultimately allocates the LIHDTTC a taxpayer may claim based on a total pool of \$40,000,000 shared with the LIHTC. Only one-fifth of awarded LIHDTTC will count towards this pool. The LIHDTTC is not refundable, but is transferrable in the same manner as the LIHTC.

The property must also meet the requirements established by Massachusetts and federal laws and be owned by an owner who enters into a regulatory agreement with DHCD. If an event or circumstance occurs that results, or would have resulted, in the recapture of any portion of a federal Low Income Housing Credit, then the Massachusetts LIHDTTC may also be subject to recapture.

To claim the LIHDTTC, enter the LIHDTTC certificate number and the amount of the LIHDTTC using credit code LIHDON on the Schedule CMS. Supporting documentation must be enclosed with the return or the LIHDTTC may be disallowed. For further information on documentation see the Transfer LIHC: Low-Income Housing Credit Statement form and Allotment Schedule LIHC: Low-Income Housing Credit Summary form. For further information regarding this credit, contact DHCD, Division of Private Housing, at (617) 727-7824.

Medical Device Tax Credit

Medical Device Companies taxable under MGL ch 62 may be eligible to claim a Medical Device Tax Credit (MDTC). The MDTC is equal to 100% of the user fees actually paid by the medical device company to the United States Food and Drug Administration (FDA). To qualify for the MDTC, the user fees must be paid during the tax year for which the tax is due for pre-market submissions (e.g., applications, supplements, or 510(k) submissions) to market new technologies developed or manufactured in Massachusetts.

The MDTC may not be carried forward to subsequent tax years. The MDTC is not refundable. However, unused portions of the credit may be transferred to a purchasing company, who may carry over the MDTC but must use it within 5 years of the issuance of the certificate. The purchasing company may not transfer the MDTC.

To claim the MDTC, enter the MDTC certificate number and the amount of the MDTC using credit code MEDDVC on the Schedule CMS. Certificate application forms and additional information are available at mass.gov/dor.

Pass-Through Entity Excise Tax Credit

Taxpayers subject to tax under MGL ch 62 that are shareholders, partners, or beneficiaries of a pass-through entity that has elected to pay the pass-through entity excise imposed under MGL ch 63D are eligible to claim the Pass-Through Entity Excise Tax Credit (PTEETC). The pass-through entity excise is an elective 5% excise imposed on the pass-through entity's income that is included in the personal income tax of its shareholders, partners, or beneficiaries under MGL ch 62. The PTEETC is equal to 90% of the taxpayer's allocable share of the pass-through entity excise due. A taxpayer may claim the PTEETC in the taxable year in which the pass-through entity takes the tax into account for federal tax purposes. The PTEETC is not transferable, but is refundable.

To claim the PTEETC, enter the amount of the PTEETC using credit code ELTCRD on the Schedule CMS.

Septic System Tax Credit

Individual taxpayers subject to tax under MGL ch 62 who own and occupy residential property located in Massachusetts as their principal residence may be eligible for a Septic System Tax Credit (SSTC). Taxpayers may claim the SSTC in an amount up to \$1,500 per taxable year for expenses incurred to comply with the sewer system requirements of Title V as promulgated by the Department of Environmental Protection or to connect to a municipal sewer system pursuant to a federal court order, administrative consent order, state court order, consent decree or similar mandate. The amount of the SSTC is 40% of the cost, up to \$15,000, for design and construction expenses for repair or replacement of a failed cesspool or septic system. The maximum aggregate

amount of the SSTC is \$6,000. Any unused portion of the SSTC may be carried forward for 5 years. Betterment assessments do not qualify for this SSTC. See Department of Revenue Directive 01-6 and TIRs 99-20, 99-5, 98-8, and 97-12 for further information.

To claim the SSTC, complete Schedule SC, Septic Credit, and enter the amount of the SSTC using credit code SEPTIC on the Schedule CMS. Include both the completed Schedule SC and Schedule CMS with the return.

Solar and Wind Energy

Individual taxpayers subject to tax under MGL ch 62 that made 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 their principal residence in Massachusetts, may qualify for a Solar and Wind Energy Credit (SWEC). The SWEC is not refundable. However, unused portions of the credit may be carried forward for the next three years.

To claim the SWEC, complete Schedule EC, Residential Energy Credit, and enter the amount of the SWEC using credit code SLRWND on Schedule CMS. Include both the completed Schedule EC and Schedule CMS with the return.

Veteran's Hire Tax Credit

Businesses subject to tax under MGL ch 62 that hire veterans who live and work in Massachusetts may be eligible for a Veteran's Hire Tax Credit (VHTC). The credit is equal to \$2,000 for each qualified veteran hired. The business must employ fewer than 100 employees; be certified by the Commissioner of Veteran's Services; and qualify for and claim the federal Work Opportunity Credit allowed under IRC § 51. A business may be eligible for a second VHTC for the next taxable year if the veteran continues to work for the business. The VHTC is neither refundable nor transferrable. Any amount of VHTC that exceeds the tax due in the current taxable year may be carried forward to any of the 3 subsequent taxable years. The VHTC is available for qualified veterans hired after July 1, 2017. See TIR 17-10 for further information.

To claim the VHTC, enter the VHTC certificate number and the amount of the VHTC using credit code VETHIR on the Schedule CMS.

DRAFT AS OF 12.13.21

Department of Revenue Resources

Where to find help

DOR's website at mass.gov/dor is a valuable resource for tax information 24 hours a day. Thousands of taxpayers use DOR's website for prompt answers to their general tax questions. Taxpayers can also check the status of their refunds, make estimated tax payments and review their estimated tax payment histories through the MassTaxConnect section of our website.

Where to get forms and publications



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



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



During the income tax filing season, you can pick up Massachusetts personal income tax forms at most local libraries. Forms may also be available at local IRS district offices. **Note:** Call in advance to check on availability.

To obtain federal tax information and forms via the Internet, go to irs.gov or call the IRS toll-free at (800) 829-3676.

For help in one of the following specific areas

- ▶ Certificates of Good Standing: (617) 887-6367
- ▶ Installment Sales: (617) 887-6950
- ▶ Small Business Workshop: (617) 887-5660
- ▶ Requests for reasonable accommodation, including this publication in an alternative format, can be sent to the Office of Diversity and Equal Opportunity, PO Box 9557, Boston, MA 02114-9557, call (617) 626-3410 or email motenkoa@dor.state.ma.us.
- ▶ Requests for this publication in an alternative format, *such as large print*, can be sent to the Problem Resolution Office at (617) 626-3833. Requests for other reasonable accommodations for individuals with disabilities can be directed to the Office of Diversity and Equal Opportunity by phone at (617) 626-3410 or email at motenkoa@dor.state.ma.us.

To report allegations of suspected misconduct or impropriety involving DOR employees, call the Office of Ethics and Employee Responsibility's Integrity Hotline at (800) 568-0085 or write to PO Box 9567, Boston, MA 02114-9567.

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A Special Message from Revenue Commissioner Geoffrey E. Snyder

I hope you find this Form 1 booklet helpful in preparing your taxes. When you are ready to file, please consider electronic filing rather than using the paper form.

There are many benefits to E-filing your tax return. Let me share just a few of the reasons why most Massachusetts taxpayers choose to file electronically:

- ▶ Refunds can be issued three times faster than filing on paper.
- ▶ Processing is much faster.
- ▶ Automatic corrections help you file a more accurate return.
- ▶ Security features are in place to protect electronically-filed tax returns.
- ▶ If you need to make a payment, you can set up an electronic payment and choose the date. You save time and a trip to the post office.

There are free filing options available for qualifying taxpayers. Please take a look at the opportunities at mass.gov/efile. Most Massachusetts taxpayers qualify for free filing.

Consider all your choices, including the services of a tax preparer or filing on your own with approved tax preparation software, rather than using the paper form this tax season. Join 90% of Massachusetts taxpayers who file electronically. Once you review the options, I hope that E-filing will be your first choice.

Sincerely,



Commissioner Geoffrey E. Snyder

mass.gov/efile